2011 TGPC-1:
Tax-Exempt & Governmental Plan Administration Examination-1 Version 2

Examination Completion Deadline: December 15, 2011 {midnight ET}

Examinations must be completed online (**www.asppa.org/Access-Exams-and-Quizzes.aspx**). TGPC-1 examinations require a $185 registration fee that includes instant scoring and feedback. **The deadline for completing a TGPC-1 examination is midnight Eastern Time on December 15, 2011** (11pm Central, 10pm Mountain, 9pm Pacific)**.** ASPPA registration fees are nonrefundable and cannot be postponed.

1. Register online at www.asppa.org/exams for the TGPC-1 online examination. Provide credit card information to pay for the exam and the instant scoring.
2. Be sure to select the applicable exam version (version 1 or version 2). You may choose either one. They are equivalent exams.
3. Once registered, you will be able to access your online exam by clicking on Access Exams and Quizzes link (www.asppa.org/access-exams-and-quizzes) on the right hand side of the Education & Publication page of the ASPPA website.
4. The exam is open book.
5. There is no time requirement for completing the exam other than the submission deadline discussed above. You may complete a portion of the exam, log out, and return to the exam at another time to complete it; any answers you've entered will be saved. To resume the exam, simply log back into your account, access the examination and choose the "Review Unanswered Questions" or "Review All" option.
6. **There may be updates to the exam or text.** It is advised that you visit and review the errata postings at www.asppa.org/errata **before beginning your exam and before submitting your examination.** **Please note**: as errata is identified, ASPPA will incorporate the errata into the online exam and exam PDF. Also, common abbreviations, Internal Revenue Code definitions and a 3-Year COLA summary are also available on the errata posting page.
7. Upon completion and submission of the exam, you will receive a score and test result report online. You will also be provided with a link to complete a survey. Please take a moment to complete this short survey after printing your score and test results.
8. **A score of 64 or more out of 75 indicates the successful completion of the exam**.
9. Your test results will appear on the 'Summary' page. Print this page for your records. (This information will also automatically be e-mailed to your e-mail address on file).
10. You may review the questions and your responses by selecting the 'See Test Results' option. It is **strongly recommended** that you print the results for your records. ASPPA will NOT be able to provide this summary at a later date.
11. After successful completion of a TGPC-1 exam, you will be automatically issued ASPPA's Tax-Exempt & Governmental Plan Administration Certificate (available online at the conclusion of your exam on the exam Summary page). **Please make sure to print the official certificate to keep for your records or display purposes.**
12. ASPPA's Education & Examination (E&E) Committee appreciates and welcomes candidate comments to continually improve our educational offerings. If a candidate wishes to have a submitted examination/module question, webcourse assessment, practice examination question, or specific content within an ASPPA examination related publication reviewed, the candidate should review the ASPPA Examination & Publication Candidate Inquiry Policy available at www.asppa.org/candidateinquiry.

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TRUE/FALSE

1. Tax-exempt employers may only offer 457(b) plans to a select group of highly compensated employees that meet the IRC definition of HCE.

   A. True
   B. False

2. ERISA introduced the provision that permitted IRC §501(c)(3) entities to offer elective deferral 403(b) programs.

   A. True
   B. False

3. There are no IRC withdrawal restrictions on pre-1989 account values derived from elective deferrals to 403(b)(1) annuity contracts.

   A. True
   B. False

4. 403(b) nondiscrimination rules apply to IRC §3121(w)(3)(A) church plans.

   A. True
   B. False

5. A tax-exempt organization files an IRS Form 1023 to obtain a determination letter that it qualifies for an exemption from federal taxes under a specific IRC section.

   A. True
   B. False

6. The final 403(b) regulations have reconfirmed the position that public schools offering 403(b) plans do not have the responsibility to coordinate or monitor participant loans.

   A. True
   B. False

7. A governmental 457(b) plan must allow all employees to participate.

   A. True
   B. False

8. Regarding ERISA 403(b) plans that are subject to the QJSA rules, the rules do not apply to a participant whose vested account balance is less than $5,000.

   A. True
   B. False

9. A non-electing QCCO is required to file a Form 5500.

A. True

B. False

10. Form W-2 is issued to participants who take distributions from a 457(b) plan sponsored by a tax-exempt entity.

A. True

B. False

MULTIPLE CHOICE

11. All of the following statements regarding characteristics of a governmental 457(b) plan are **TRUE, EXCEPT**:

    A. Plans may permit distributions in the case of a QDRO.
    B. Governmental entities may offer participation to independent contractors who are performing services for the entity.
    C. Participants may use the age 50 catch-up provision and the final 3 year catch-up limit in the same year.
    D. Generally, compensation may be deferred for any calendar month only if a salary reduction agreement has been executed before the first day of the month.
    E. Plan assets must be held in an annuity contract, custodial account or trust.

12. All of the following provisions are required to be included in a 403(b) plan document, **EXCEPT**:

    A. Eligibility for participation
    B. Benefits provided under the plan
    C. Contribution limitations
    D. Loan provisions
    E. Distribution options

13. All of the following statements regarding characteristics of a 457(b) plan sponsored by a non-church related tax-exempt organization are **TRUE, EXCEPT**:

A. Plan assets may be invested in stocks and bonds.
B. The irrevocable election requirements do not apply.
C. Plan assets must be held in the employer's name.
D. A catch up contribution is available in the three-year period ending in the year before the normal retirement date, as defined in the plan document.
E. The age 50 and older catch-up provision is not available.

14. Which of the following statements regarding the elective deferral limits is/are **TRUE**?

I. Governmental 457(b) elective deferrals are combined with 401(k) elective deferral limits when calculating the elective deferral limit to the governmental 457(b) plan.
II. Governmental 457(b) elective deferrals are not combined with 403(b) elective deferral limits when calculating the elective deferral limit to each plan.
III. An individual who is eligible for the age 50 catch-up provision and is eligible to participate in both a 401(k) plan and a governmental 457(b) plan may potentially contribute $22,000 (2010) into each plan, for a total of $44,000.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

15. All of the following statements regarding the reporting and withholding requirements of elective deferrals in a 403(b) plan are **TRUE, EXCEPT**:

    A. Pre-tax elective deferrals are reported on a participant's Form W-2 using a special code for 403(b) contributions.
    B. Designated Roth 403(b) contributions are subject to federal tax withholding.
    C. Designated Roth 403(b) contributions are not subject to state tax withholding.
    D. Pre-tax elective deferrals are subject to FICA and Medicare taxes.
    E. Pre-tax elective deferrals are not subject to federal tax withholding.

16. All of the following describe *optional* plan features that a plan sponsor may choose to include in a 403(b) plan document**, EXCEPT**:

    A. Contribution limits
    B. Catch-up contributions
    C. Designated Roth contributions
    D. In-service withdrawals
    E. Participant loans

17. All of the following describe distributable events that may allow the withdrawal of elective deferrals from a participant's 403(b) account, **EXCEPT**:

    A. Qualified hardship withdrawal
    B. Attainment of age 59½
    C. Severance from employment
    D. Death
    E. Participant is 100% vested in his or her account

18. Which of the following is/are tax-free transfers that are permissible under the final 403(b) regulations?

I. Transfer of 403(b) values used to purchase years of service in a state retirement system defined benefit pension plan
II. Transfer of 403(b) accounts may be completed in accordance with Revenue Ruling 90-24
III. Transfer of a participant's 403(b) account from one employer's 403(b) plan to a different employer's 403(b) plan

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

19. ASPPA members must conduct their business so that they meet the high standard of professional integrity as stated in the ASPPA Code of Professional Conduct. According to that Code, all of the following statements are **TRUE, EXCEPT**:

A. A member is expected to keep up to date with the ASPPA Code of Professional Conduct and abide by these regulations.
B. A member found guilty of any misdemeanor relating to financial matters would be immediately expelled from ASPPA.
C. A member shall render advice or perform professional services only when qualified to do so.
D. A member must make timely and complete disclosure of all sources of compensation as it relates to a client's services.
E. A member cannot disclose confidential information unless authorized to do so by the client or by a court order.

20. All of the following statements regarding the 15 year catch-up provision in 403(b) plans are **TRUE, EXCEPT**:

A. The total catch-up amount used by an employee with the current employer cannot exceed $10,000.
B. Private educational institutions may offer this catch-up provision.
C. The provision allows employees of certain types of organizations to contribute up to an additional $3,000 above the applicable annual elective deferral limitation.
D. The provision may be offered only if it is included in the employer's plan document.
E. The provision requires that the employee complete a minimum of 15 years of service with the current employer.

21. Which of the following statements regarding non-ERISA 403(b) plans being subject to creditors is/are **TRUE**?

I. A participant should continue to repay a plan loan during his or her bankruptcy.
II. Assets are protected in the event of individual bankruptcy, provided the participant's account does not exceed $1,000,000.
III. A participant's account is protected in the event of individual bankruptcy.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

22. Which of the following statements regarding RMD requirements from 403(b) plans is/are **TRUE**?

> I. If a participant does not take an RMD, the IRS will assess a 20% excise tax on the amount that should have been taken, but was not.
>
> II. Generally, RMDs must commence no later than April 1 of the year following the later of attaining age 70½ or the date the participant severs service with the employer sponsoring the 403(b) plan.
>
> III. When the 12/31/86 account value has been separately tracked, RMDs must commence for this separately tracked account at the later of the date the participant severs service or attains age 75.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

23. All of the following individuals must be bonded when working with an ERISA 403(b) plan, **EXCEPT**:

A. Plan fiduciary
B. Financial professional who meets with participants to provide investment education
C. Financial professional who manages the plan assets
D. Named trustee
E. Individuals who work for the plan sponsor and handle plan assets

24. All of the following are distributable events for participant distributions from a governmental 457(b) plan, **EXCEPT**:

A. Participant has two years of service with the employer
B. Unexpected emergency hardship
C. One-time in-service small account distribution
D. Attainment of age 70½
E. Plan termination

25. All of the following statements regarding the controlled group rules for tax-exempt organizations are **TRUE, EXCEPT**:

A. Generally, two or more tax exempt organizations will form a controlled group if 80% or more of the directors or trustees of each organization are also controlled by the other organization.
B. Controlled group rules do not apply to QCCOs.
C. A director is "controlled" by another organization if the organization has the power to remove such director and designate a new director.
D. An organization may not be permissively aggregated with another tax-exempt organization unless they satisfy the common control test.
E. Controlled group rules are applicable when determining IRC §415 limits.

26. Which of the following statements regarding involuntary cash-outs from 403(b) plans is/are **TRUE**?

I. If a participant has more than $5,000 in his vested account, a plan sponsor is not permitted to make a distribution to the participant unless he consents to it.

II. Distributions of $1,000 or less may be distributed directly to the participant without his or her consent.

III. Distributions from a participant's vested account of more than $5,000 may require spousal consent.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

27. All of the following statements regarding information sharing agreements (ISAs) are **TRUE, EXCEPT**:

A. A model ISA has been developed in the industry to help streamline the compliance process.
B. ISAs are not required unless a 403(b) plan is utilizing more than three vendors.
C. ISAs are used by employers to coordinate compliance activities with multiple vendors.
D. An exchange may be made if the vendor accepting the exchange enters into an agreement to share information with the employer.
E. During the "transition period", an exchange could only occur if the receiving vendor either had a payroll slot or executed an ISA with the employer sponsoring the 403(b).

28. All of the following statements regarding characteristics of ERISA 403(b) plans and ERISA IRC §401(a) plans are **TRUE, EXCEPT**:

A. IRC §501(c)(3) organizations may sponsor ERISA 403(b) plans and ERISA IRC §401(a) plans.
B. Both plans are subject to IRS Form 5500 reporting.
C. Both plans may require that participants satisfy a one year eligibility period to receive employer contributions.
D. ERISA 403(b) plans may impose maximum age requirements for eligibility to receive employer contributions.
E. Both plans require an ERISA fidelity bond.

29. All of the following represent employers whose plans are statutorily exempt from ERISA, **EXCEPT**:

A. Public university
B. Church as defined in ERISA §3(33)
C. Synagogue
D. United Way agency
E. State police

30. Which of the following is/are types of pre-2009 403(b) accounts that are *not* required to be included in the employer's 403(b) plan?

I. Accounts properly transferred under Rev. Rul. 90-24 on or before September 24, 2007

II. Account exchanged to another 403(b) account on and after September 25, 2007 and before January 1, 2009 to a provider that has entered into an information sharing agreement with the employer

III. Account held by a current employee with a product provider that did not receive payroll contributions for any employee of the employer on or after January 1, 2005 and is not included under the employer's plan as of January 1, 2009

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

31. All of the following are information and materials that must be provided to participants in ERISA 403(b) plans, **EXCEPT**:

A. SAR
B. Projected benefit at normal retirement age
C. Statement of participant's rights under ERISA
D. Information regarding fees being withdrawn from a self-directed participant's account
E. SPD

32. All of the following statements describe activities that may cause a 403(b) plan sponsored by a non-church related IRC §501(c)(3) employer to be subject to ERISA, **EXCEPT**:

A. Plan sponsor hires a third party administrator that has discretionary authority over transactions or plan assets.

B. Employees are required to participate in the plan.

C. Plan sponsor makes discretionary decisions regarding the plan.

D. Plan sponsor allows providers to publicize their products to employees.

E. Plan sponsor determines if an order is a QDRO.

33. All of the following statements regarding transfers and 457(b) plans are **TRUE, EXCEPT**:

A. Transfers between two 457(b) plans sponsored by tax-exempt entities may be permitted.

B. Transfers may be permitted to another governmental 457(b) plan sponsored by the same employer.

C. Transfers between a tax-exempt 457(b) plan and a governmental 457(b) plan may be permitted.

D. Transfers between two governmental 457(b) plans may be permitted.

E. After severance from service, a participant may be permitted to transfer a governmental 457(b) account into the 457(b) plan of the current governmental employer.

34. Based on the following information, which of the statements regarding contribution deadlines in an ERISA 403(b) plan is/are **TRUE**?

- The 403(b) plan has a December 31 plan year end.
- The plan sponsor has a December 31 fiscal year end.
- The current plan year is 2010.
- The plan has 120 employees actively participating.
- The organization has just processed the May 15, 2010 payroll, including elective deferrals.
- The 403(b) plan offers both employer matching and employer discretionary contributions.
- The plan document states that contributions must be deposited by the deadlines as defined in DOL or IRS regulations.

I. Elective deferrals must be deposited as soon as administratively feasible, but not later than the 15th business day in June, 2010.

II. Employer matching contributions must be deposited no later than the 15th business day of September, 2011.

III. Employer discretionary contributions must be deposited no later than on or before December 31, 2011.

A. I only

B. II only

C. I and III only

D. II and III only

E. I, II and III

35. All of the following statements regarding the irrevocable election requirements of 457(b) plans are **TRUE, EXCEPT**:

A. Participants in a 457(b) plan sponsored by a tax-exempt entity may be permitted to elect when distributions may begin.
B. Governmental 457(b) plans are not subject to these requirements.
C. Participants always have the right to change their election at age 65.
D. The 457(b) plan documents of tax-exempt entities must state a fixed or identifiable time or event that triggers the participant's right to receive distributions.
E. The irrevocable election requirements are necessary in 457(b) plans sponsored by tax-exempt entities in order to avoid constructive receipt.

36. All of the following describe distributable events that may allow the withdrawal of employer contributions from a participant's 403(b) account, **EXCEPT**:

A. Death
B. Age 59½
C. Qualifying hardship distribution
D. Rollover of 403(b) account to an IRA
E. Participant has two years of service with the employer

37. All of the following statements regarding employers providing a "meaningful opportunity" for employees to participate in 403(b) plans are **TRUE, EXCEPT**:

A. Public schools who maintain a 403(b) plan are required to inform eligible employees of their rights to enroll or make changes to their deferral elections in the plan.
B. "Steeple" churches are not subject to this requirement.
C. The requirement may be satisfied through announcements in group meetings.
D. The requirement may be satisfied through a payroll stuffer.
E. The requirement does not apply to Roth 403(b) contributions.

38. Which of the following statements regarding functions performed by non-church related IRC §501(c)(3) employers is/are **TRUE**?

I. Employers who provide information regarding a DRO to a vendor, but do not determine whether a DRO is a QDRO, will not subject their 403(b) plans to ERISA.
II. Employers who determine whether a participant is entitled to a hardship distribution will subject their 403(b) plans to ERISA.
III. Employers who approve loans and administer their loan programs will subject their 403(b) plans to ERISA.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

39. All of the following statements regarding requirements that a non-church related IRC §501(c)(3) entity's 403(b) plan must satisfy to be exempt from ERISA are **TRUE, EXCEPT**:

A. Rights under a 403(b) plan must be enforceable solely by the employee, his or her beneficiary, or by an authorized representative of the employee or beneficiary.

B. A plan sponsor may determine a participant's eligibility for a plan loan.

C. Elective deferrals are permitted, employer contributions are not.

D. A plan sponsor's involvement must be restricted to certain activities.

E. A plan sponsor may provide factual information regarding a participant's employment status to a provider.

40. All of the following statements regarding includible compensation in a 403(b) plan are **TRUE, EXCEPT**:

A. Participants may defer an amount greater than their includible compensation as long as it does not exceed the IRC §402(g) limit.

B. Includible compensation for a mid-year retiree will include the portion of the previous year's income necessary to capture a full 12 months of salary.

C. IRC §415(c) imposes a limitation equal to the lesser of 100% of an employee's includible compensation or the annual dollar limitation in effect for the year.

D. Includible compensation includes amounts attributable to bonuses.

E. Includible compensation includes amounts earned in the most recent 12 month period of service, reduced by mandatory pre-tax contributions made to other plans of the employer.

41. All of the following statements regarding characteristics of both ERISA 403(b) plans and ERISA IRC §401(a) plans are **TRUE, EXCEPT**:

A. A six year graded vesting schedule may be used for employer contributions.
B. A written plan document is required.
C. Contributions are subject to the maximum exclusion allowance requirement.
D. A plan sponsor may make employer matching contributions and employer discretionary contributions.
E. Participant loans may be permitted.

42. ASPPA members must conduct their business so that they meet the high standard of professional integrity as stated in the ASPPA Code of Professional Conduct. According to that Code, all of the following actions would be acceptable, **EXCEPT**:

A. A member with the appropriate experience and training may present potential plan designs to a client.
B. A member may discuss other clients' fees with a long standing client so that the client is assured that his or her fees are reasonable.
C. A member may discuss a plan sponsor's responsibilities to a human resources director.
D. A member may give a client the latest information regarding the increased contribution limits for the upcoming year.
E. A member who holds a Series 7 securities license may offer to meet with plan participants to explain the plan's investment choices.

43. All of the following statements regarding the characteristics of 457(b) plans sponsored by tax-exempt entities and governmental entities are **TRUE, EXCEPT**:

A. Governmental 457(b) plan assets must be held in a trust or other approved vehicle.

B. There are no annual contribution limits for a participant in a 457(b) plan sponsored by a tax-exempt entity.

C. Governmental 457(b) plan sponsors may choose which employees may participate.

D. Governmental 457(b) plan assets are protected from the employer's general creditors.

E. Participant distributions from a 457(b) plan sponsored by a tax-exempt entity cannot be rolled over into an IRA.

44. All of the following are requirements that may apply to a non-ERISA 403(b) plan sponsored by a non-church related IRC §501(c)(3) entity, **EXCEPT**:

A. Voluntary employee plan participation

B. Universal availability requirements

C. An SPD must be distributed to participants and beneficiaries

D. Employer enters into an ISA with providers

E. Written plan document

45. All of the following statements regarding 403(b) plan terminations are **TRUE, EXCEPT**:

A. Plan assets must be distributed as soon as practicable, but within a reasonable period of time.

B. An employer may freeze a 403(b) plan prior to plan termination.

C. Before employers terminate their 403(b) plans, they should verify that all annuity contracts and custodial accounts permit distribution due to plan termination.

D. Terminating a non-ERISA 403(b) plan is a quick process as the employer has the right to request the distribution of all participant accounts.

E. The final 403(b) regulations provide that distributions may be made upon plan termination, if certain requirements are met.

46. Which of the following is/are services that a third party administrator may provide for an ERISA 403(b) plan?

I. Prepare plan documents

II. Calculate and monitor contribution limits

III. Prepare Forms 1099-R

A. I only

B. II only

C. I and III only

D. II and III only

E. I, II and III

47. All of the following are types of investment options that may be offered in a 403(b) plan sponsored by a non-church related IRC §501(c)(3) entity, **EXCEPT**:

A. Fixed annuities
B. Bond mutual funds that are held in a custodial account
C. Large cap mutual funds that are held in a custodial account
D. Stable value account that is included in a group annuity contract
E. Individual shares of company stock

48. All of the following statements regarding the contribution rules of a governmental 457(b) plan are **TRUE, EXCEPT**:

A. Excess contributions must be distributed to the participant by March 15th of the year following the calendar year in which the excess contribution was made.
B. The age 50 and older catch-up provision may be available to participants.
C. A participant must have includible compensation to make elective deferrals into the plan.
D. Catch-up contributions may be available during the three years ending before the year in which the participant reaches his or her normal retirement date, as defined by the plan document.
E. A participant may not be credited with contributions that exceed the applicable limit for the year, unless a catch-up limit applies.

49. All of the following statements regarding the transfer of amounts in a 403(b) or governmental 457(b) plan to purchase service credits in a state retirement defined benefit plan are **TRUE, EXCEPT**:

A. A participant does not need to have a qualifying event to purchase service credits.

B. The defined benefit plan document must permit the purchase of service credits in order for the transfer to be completed.

C. Many state retirement systems allow participants to purchase service credits in their defined benefit plans.

D. The 10% tax on early distributions is assessed on amounts transferred prior to age 59½.

E. Participants are permitted to purchase "air time" service credits.

50. Which of the following statements regarding the Form 5500 reporting requirements is/are **TRUE**?

I. The filing requirements for ERISA 403(b) plans are generally the same as for ERISA IRC §401(a) plans.

II. A 403(b) plan sponsored by a governmental entity must file a Form 5500 for any year that employer contributions are made to the plan.

III. Non-church related IRC §501(c)(3) entities that sponsor 403(b) plans with employer contributions are required to file the Form 5500.

A. I only

B. II only

C. I and III only

D. II and III only

E. I, II and III

51. All of the following statements regarding participant vesting in ERISA 403(b) plans are **TRUE, EXCEPT**:

A. Non-vested amounts are counted towards the IRC §415(c) limit in the year the contributions become vested.

B. Participants must be fully vested upon attaining normal retirement age.

C. Participants must always be fully vested in their elective deferrals.

D. A graded vesting schedule must fully vest participants with six years of vesting service.

E. A plan that provides for 100% immediate vesting may impose a two year eligibility period for employer contributions.

52. ASPPA members must conduct their business so that they meet the high standard of professional integrity as stated in the ASPPA Code of Professional Conduct. According to that Code, all of the following actions would be acceptable, **EXCEPT**:

A. A member may perform professional services involving a potential conflict of interest if certain conditions are satisfied.

B. The ASPPA Code of Professional Conduct must be prominently displayed in the office of an ASPPA member.

C. A member shall make use of the membership titles and designations only where that use conforms to the practices authorized by ASPPA.

D. A member shall render opinions only when qualified to do so based on education, training or experience.

E. A member that is contracted by a client to conduct a vendor search must do so in an accurate and unbiased manner.

53. Which of the following statements regarding includible compensation in a 403(b) plan and 457(b) plan is/are **TRUE**?

I. Includible compensation in a 403(b) plan includes elective deferrals into IRC §125 cafeteria plans.

II. Includible compensation in a 457(b) plan includes severance payments and retirement incentive payments.

III. Includible compensation in a 457(b) plan includes amounts received by the employee during the calendar year reduced by IRC §414(h) pick up contributions into the employer's defined benefit plan.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

54. All of the following statements regarding nondiscrimination rules that apply to an ERISA 403(b) plan are **TRUE, EXCEPT**:

A. Elective deferrals are not subject to the ADP test.
B. Employer matching contributions and after-tax employee contributions are tested using the ACP test.
C. Maximum compensation rules under IRC §401(a)(17) do not apply to employer matching contributions.
D. Employer contributions must satisfy IRC §410(b) coverage testing.
E. Top heavy rules under IRC §416 do not apply.

55. All of the following types of employees may be excluded from participating in the elective deferral portion of a 403(b) plan, **EXCEPT**:

A. Employees who are eligible to participate in another elective deferral plan of the employer
B. Students performing services described in IRC §3121(b)(10)
C. Employees who normally work less than 20 hours per week
D. Nonresident aliens
E. Hourly employees

56. All of the following describe services that a third party administrator may provide for an ERISA 403(b) plan, **EXCEPT**:

A. Process stock transactions within a participant's brokerage account
B. Process benefit claims
C. Process weekly elective deferrals
D. Perform IRC §410(b) testing on employer contributions
E. Prepare the Form 5500

57. All of the following statements regarding contract exchanges in a 403(b) plan are **TRUE, EXCEPT**:

A. An exchange is the movement of all or some portion of a 403(b) account held with one vendor to another vendor that is a part of the employer's plan.
B. An exchange of 403(b) accounts will generate a Form 1099-R.
C. An exchange may be done without severance from employment.
D. The vendor receiving the exchange must be listed as an approved provider in the written 403(b) plan.
E. An exchange must be done directly from one provider to another provider.

58. Which of the following statements regarding participant distributions from governmental plans is/are **TRUE**?

I. Distributions from a governmental defined benefit plan to a public safety employee, who separates from service after age 50, will not be subject to the 10% tax on early distributions.

II. Distributions from a governmental defined contribution plan to a public safety employee, who separates from service after age 50, will not be subject to the 10% tax on early distributions.

III. Eligible rollover distributions from a governmental defined benefit plan may be rolled over to an IRA.

A. I only

B. II only

C. I and III only

D. II and III only

E. I, II and III

59. All of the following are areas of concern that an employer maintaining a 403(b) plan should consider before selecting a single provider, **EXCEPT**:

A. Certain states permit any vendor who is willing to comply with state rules and the public school's administrative compliance requirements to be a vendor for a public school's 403(b) plan.

B. Public education entities do not have to be concerned with creating fiduciary exposure under state law.

C. Unions that represent public school teachers may protest the loss of investment choice.

D. IRC §501(c)(3) employers may lose their ERISA exemption if they do not meet the "reasonable investment choices" requirement.

E. IRC §501(c)(3) employers who are subject to ERISA need to be concerned with the "diversification rule."

60. All of the following statements regarding 457(b) plan documents and government filings are **TRUE, EXCEPT**:

A. Tax-exempt employers have a reporting requirement that can be satisfied by filing a statement of information with the DOL.

B. Employers seeking approval of their plan documents may obtain a PLR from the IRS.

C. Tax-exempt entities have an annual reporting requirement to file an abbreviated version of the Form 5500.

D. The IRS does not currently have a determination letter program for 457(b) plans.

E. Government entities are not required to file a Form 5500.

61. Which of the following statements regarding a DROP option in a governmental defined benefit plan is/are **TRUE**?

I. The DROP option was introduced to encourage participants to continue working beyond their normal retirement date.

II. Participants may not choose the DROP option after attaining eligibility for retirement.

III. Variations of the DROP option include a regular DROP and a retroactive DROP.

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A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

62. All of the following statements regarding post-employment contributions that may be made to a public schools district's 403(b) plan are **TRUE, EXCEPT**:

A. Elective deferrals may be made from post-employment payments of early retirement incentives.
B. In lieu of paying terminated employees for their unused sick leave, an employer may establish a policy under which employer contributions are made to a 403(b) plan on behalf of terminated employees.
C. Elective deferrals may be made from vacation pay that an employee would have received had he or she continued employment.
D. Elective deferrals may be made from certain types of pay received up to the later of 2½ months after the severance date or the end of the year in which the employee separates from service.
E. An employer may make employer contributions to a former employee's account for a period of up to five years after the employee terminates service.

63. All of the following entities may sponsor a governmental 457(b) plan, **EXCEPT**:

A. State university system
B. Federal government agency
C. Public school system
D. Community college system
E. State government

64. All of the following statements regarding participant loans from 457(b) plans are **TRUE, EXCEPT**:

A. 457(b) plans sponsored by tax-exempt entities may not offer loans.
B. Governmental 457(b) loans may be allowed for any reason, unless restricted by the plan, product or contract.
C. Loans from governmental 457(b) plans must satisfy the requirements of IRC §72(p).
D. Governmental 457(b) loan payments may be suspended for participants on military leave.
E. Governmental 457(b) plans cannot set the minimum loan amount greater than $1,000.

65. All of the following statements regarding nondiscrimination rules applicable to ERISA 403(b) and ERISA 401(k) plans are **TRUE, EXCEPT**:

A. HCEs must be identified in order to perform nondiscrimination testing.
B. Employer matching contributions must satisfy the ACP test.
C. Employer non-elective contributions must satisfy the IRC §410(b) coverage test.
D. Key employees must be identified in order to perform nondiscrimination testing.
E. IRC §401(a)(4) general nondiscrimination testing must be satisfied, which provides that a plan may not discriminate in favor of HCEs with respect to benefits or contributions.

66. Which of the following statements regarding Optional Retirement Programs (ORPs) is/are **TRUE**?

I. Generally, in an ORP, an individual receives contributions in a 403(b) plan in lieu of participating in the employer's defined benefit plan.
II. ORPs are sponsored by government employers.
III. ORPs may be established to comply with state law mandates.

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

67. All of the following statements regarding the IRS 10% tax on early distributions is/are **TRUE, EXCEPT**:

A. Generally, governmental 457(b) plan distributions are not subject to the 10% tax.
B. 403(b) plan distributions to participants who have terminated service after age 55 are subject to the 10% tax.
C. Governmental 457(b) plan distributions that are rolled into IRAs may be subject to the 10% tax upon future IRA distributions, unless an exception applies.
D. Refunds of excess contributions to a 403(b) plan are not subject to the 10% tax.
E. Distributions from a 403(b) plan to pay college expenses are subject to the 10% tax, unless an exception applies.

68. All of the following are generally entities that may sponsor a 403(b) plan, **EXCEPT**:

A. Community college
B. Animal welfare organization
C. Municipal police department
D. Private university
E. Nonprofit research laboratory

69. All of the following statements describe activities that may cause a 403(b) plan sponsored by a non-church related IRC §501(c)(3) employer to be subject to ERISA, **EXCEPT**:

A. Plan sponsor makes employer contributions to the plan.
B. Plan sponsor approves and monitors the investment performance of the providers.
C. Plan sponsor permits the plan custodian to be responsible for participant loan approvals.
D. Plan sponsor reviews and approves RMDs.
E. Plan sponsor transfers all participant accounts to a new investment provider.

70. All of the following information is typically included in a hold harmless or vendor agreement, **EXCEPT**:

A. Instructions on how to perform nondiscrimination testing
B. The party responsible for tracking the 5 year period relating to designated Roth contributions (if designated Roth contributions are permitted)
C. The employer's duties and responsibilities
D. The party that will determine the status of domestic relation orders
E. Rules regarding the solicitation of employees by the vendor

71. Which of the following is/are types of pre-2009 403(b) accounts that must be included in the employer's 403(b) plan?

I. Accounts held by current employees in which a provider did receive contributions for any employee after December 31, 2004 and that provider is not a designated provider after December 31, 2008
II. Accounts that were exchanged from one 403(b) account to another 403(b) account on and after September 25, 2007 and before January 1, 2009 to a provider that has entered into an information sharing agreement with the employer
III. Accounts held by former employees (except those properly transferred on or before September 24, 2007) as of December 31, 2008

A. I only
B. II only
C. I and III only
D. II and III only
E. I, II and III

72. All of the following statements regarding contribution limits in a 403(b) plan are **TRUE, EXCEPT**:

A. IRC §402(g) imposes an annual limit for elective deferrals.

B. Mandatory elective deferrals that are irrevocable count towards the IRC §402(g) limit.

C. IRC §415(c) imposes an annual limit on the total amount that can be contributed into a participant's 403(b) account.

D. The exclusion allowance was repealed under EGTRRA.

E. Participants may use the age 50 and the 15 years of service catch-up provisions during the same year, if certain rules are met.

73. All of the following statements regarding a DROP option in a governmental defined benefit plan are **TRUE, EXCEPT**:

A. Firefighters are a typical employee group that may be offered a DROP option.

B. A plan amendment is required to add a DROP option.

C. Generally, the DROP acronym refers to Deferred Retirement Option Plan.

D. Police officers are a typical employee group that may be offered a DROP option.

E. The DROP option is an inexpensive way to keep employees from taking early retirement.

74. Which of the following is/are entities that can sponsor an eligible 457(b) plan?

I. QCCO

II. State agency

III. “Steeple” church

A. I only

B. II only

C. I and III only

D. II and III only

E. I, II and III

75. All of the following statements regarding 403(b) plan salary reduction agreements (SRAs) are **TRUE, EXCEPT**:

A. The IRC requires that an SRA be in writing.

B. An SRA will remain in effect until the participant revokes or amends the SRA.

C. Many 403(b) providers have model SRAs that may be used by employers.

D. If an employer permits Roth 403(b) contributions, the SRA must include the option of making pre-tax elective deferrals, designated Roth contributions or both types of contributions.

E. An employer may permit a participant to make multiple SRAs during the tax year.

END EXAMINATION