

# **Certified Pension Consultant (CPC) Proctored Exam 2012 Syllabus**

## **Course Overview**

As the culminating designation for the nonactuary ASPPA member, the Certified Pension Consultant (CPC) credential is intended as an opportunity for a successful candidate to demonstrate an ability to draw from his or her accumulated retirement plan knowledge and experience.

To earn the CPC credential, candidates build upon a foundation of knowledge acquired by passing the examinations required for the QKA and QPA credentials. CPC candidates will demonstrate their knowledge and experience through the completion of specific core and elective online modules as well as a single comprehensive proctored CPC essay examination.

The modules and proctored exam will provide opportunities for analyzing and solving consulting problems that might be encountered in real-life client situations. In professional practice, more than one statutory provision or retirement plan consideration often applies, and the pension consultant must be able to recognize and evaluate in depth each potential issue for his or her client.

Additionally, because ASPPA members are required to comply with ASPPA's Code of Professional Conduct, the topic of ethical performance in one's professional capacity forms an important part of the CPC course of study and ethics questions will be a part of each core module and the proctored exam.

## **Required Reading**

*CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*. Arlington, VA: ASPPA, 2011.

## **Recommended Reading**

Bloom, Lauren. *Elegant Ethical Solutions*. Elegant Solutions Consulting: Goodlettsville, TN.

## **Supplementary Study Materials**

### *Practice Examination*

A practice examination is available for purchase through the ASPPA bookstore at [www.asppa.org/practice-exams](http://www.asppa.org/practice-exams).

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## **Exam**

One comprehensive, proctored four and a half hour examination will be required for the CPC credential - in addition to successful completion of the online modules.

This exam will remain challenging, but efforts will be made to test the knowledge that the majority of CPCs need to know in practice on a frequent basis and to avoid testing truly obscure information.

The exam will consist of eight multi-part essay questions covering the following topics:

- Business Entities and Related Groups
- Coverage and Nondiscrimination
- 401(k) Plans
- Defined Benefit Plans
- Distributions and Loans
- Fiduciary Responsibilities, Including ERISA §404(c)
- Correction Programs and Ethics
- Plan Design

Please note: the topics presented in the syllabi may not appear in the *exact* order during the actual proctored examination.

Exams are given in a proctored setting at Prometric Testing Centers during one day of two examination windows. CPC examination results will be mailed to candidates approximately eight to ten (8-10) weeks after the examination date.

## **Additional Information**

All candidates are encouraged to visit ASPPA's Candidate Corner ([www.asppa.org/candidate-corner](http://www.asppa.org/candidate-corner)) for additional information. It is the candidate's responsibility to check the ASPPA Web site for the most current information on examinations and publications. The Candidate Corner includes instructions for locating Prometric test centers to schedule examinations, exam windows and dates, study tips, current information on regulatory limits and other helpful information. You may also contact ASPPA with questions at [education@asppa.org](mailto:education@asppa.org).

## **Exam & Publication Errata and References**

As needed, errata to required reading material and/or practice examinations will be posted on the ASPPA website at [www.asppa.org/errata](http://www.asppa.org/errata). It is the candidate's responsibility to check this page regularly for any updates prior to taking an examination.

### **Topic 1: Business Entities and Related Groups**

#### **Overview**

The rules of common control have far reaching effects on many aspects of qualified retirement plans. For this reason, determining whether an employer is a part of a controlled group or an affiliated service group (ASG) is critical to ensuring continued qualified status for retirement plans. This topic examines various types of these arrangements, and the integral rules of attribution are examined. Also included is a review of the effect of business transactions such as mergers and acquisitions on groups under common control and the retirement plans sponsored by these entities.

#### **Learning Objectives**

The successful candidate will be able to:

- 1.01 Analyze a fact pattern and conclude whether common control exists under IRC §§414(b) and (c).
- 1.02 Explain the impact of controlled group status on qualified plan requirements.
- 1.03 Identify situations where an ASG may exist and the information needed to make an ASG determination.
- 1.04 Explain the impact of ASG status on qualified plan provisions.
- 1.05 Discuss the consequences of leased employees on the recipient client organization's plan.
- 1.06 Analyze a fact pattern and conclude whether a multiple employer plan exists.
- 1.07 Discuss the advantages and disadvantages of establishing a multiple employer plan versus several single employer plans.
- 1.08 Discuss the effect an operational failure with one member of a multiple employer plan has on the plan as a whole.

- 1.09 Discuss the plan requirements for which members of a multiple employer plan are treated as a single employer and those for which they are treated as separate employers.
- 1.10 Apply the rules for a multiple employer plan to a PEO relationship.

## **Exam Weighting**

This topic will comprise approximately 10 percent of the examination.

## **Required Reading**

Chapter 1: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.

## **Topic 2: Coverage & Nondiscrimination**

### **Overview**

A qualified retirement plan must benefit a minimum number of employees and may not be designed or operated in favor of highly compensated employees (HCEs). This topic reviews the coverage and participation tests under IRC §§410(b) and 401(a)(26) incorporating testing methodology as well as procedures for correcting violations and the special exceptions accorded to qualified separate lines of business (QSLOBs) under IRC §414(r). In addition, the nondiscrimination rules of IRC §401(a)(4) which prohibit favoring HCEs in the amount of benefit or contribution provided and prohibit favoring HCEs in the availability of benefits, rights or features are outlined. A qualified retirement plan also must ensure that the effect of any plan amendment or termination is not discriminatory. Therefore, details of various options available to prove nondiscrimination in these areas are included under this topic.

The following learning objectives assume that the candidate has a complete knowledge of basic coverage and nondiscrimination testing concepts including identifying HCEs and performing nondiscrimination and coverage tests under IRC §§410(b), 401(a)(4) and 401(a)(26).

### **Learning Objectives**

The successful candidate will be able to:

- 2.01 Analyze a fact pattern and apply the minimum participation rules of IRC §401(a)(26).
- 2.02 Analyze a fact pattern, apply the coverage rules of IRC §410(b), discuss the consequences of a failed coverage test and recommend methods of correction.
- 2.03 Discuss the requirements that must be met by defined contribution plans in order to satisfy IRC §401(a)(4) safe harbor designs.

- 2.04 Analyze a fact pattern, apply the nondiscrimination rules of IRC §401(a)(4), discuss the consequences of a failed test and recommend correction alternatives.
- 2.05 Analyze a fact pattern and illustrate a rate group test on a defined contribution plan.
- 2.06 Illustrate cross-testing given a specific fact pattern, including use of the gateway test
- 2.07 Discuss the effect of allocation conditions on a cross-tested plan.
- 2.08 Determine a plan's top-heavy status and its impact on plan design and operations.
- 2.09 Discuss the interaction between top-heavy minimum allocations, safe harbor contributions and minimum gateway allocations.
- 2.10 Identify plan provisions that must be tested as a benefit, right or feature and analyze whether the provision is nondiscriminatory.
- 2.11 Explain when plans or components of plans must be aggregated, and how they may be aggregated or disaggregated for purposes of IRC §§410(b), 401(a)(4) and 401(a)(26).
- 2.12 Analyze the effect of a merger, acquisition or disposition on qualified plan provisions under the transition rule of IRC §410(b)(6).
- 2.13 Evaluate whether a compensation definition is discriminatory under IRC §414(s).

### **Exam Weighting**

This topic will comprise approximately 15 percent of the examination.

### **Required Reading**

Chapter 2: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.

## **Topic 3: 401(k) Plans**

### **Overview**

Qualified plans that contain elective salary deferral or cash-or-deferred arrangements are commonly called 401(k) plans after the IRC section that governs these arrangements. The deferral arrangement actually is a special provision added to a qualified profit sharing or stock bonus plan. In addition to being subject to the requirements of a profit sharing plan or stock bonus plan, 401(k) plans must satisfy special qualification requirements. This topic addresses these qualification requirements within the context of the specific testing required of 401(k) plans to demonstrate compliance. Particular time and attention will be dedicated to plan design and testing techniques that improve ADP and ACP testing results and best meet the needs of the employer.

### **Learning Objectives**

The successful candidate will be able to:

- 3.01 Calculate the ADP and ACP for a given fact pattern, assess possible correction methods for a failed ADP or ACP test, recommend a solution and support your recommendation.
- 3.02 Analyze a fact pattern and demonstrate 401(k) plan design alternatives and operational techniques that will improve nondiscrimination test results.
- 3.03 Discuss the advantages and disadvantages of automatic enrollment including the timing, contribution, notice and vesting requirements that are applicable.
- 3.04 Discuss the requirements for a safe harbor 401(k)(12) (traditional) plan and assess whether a given plan design satisfies the requirements.
- 3.05 Discuss the requirements for a safe harbor 401(k)(13) (QACA safe harbor) plan and assess whether a given plan design satisfies the requirements.
- 3.06 Identify compliance issues in noncalendar year 401(k) plans.
- 3.07 Describe the advantages and disadvantages of adding a designated Roth feature to a 401(k) plan.
- 3.08 Discuss permissible ADP/ACP testing alternatives when related employers maintain 401(k) plans, including the mandatory aggregation of HCEs.
- 3.09 Explain the issues involved relative to mergers, acquisitions and spin-offs on ADP and ACP testing.

### **Exam Weighting**

This topic will comprise approximately 15 percent of the examination.

### **Required Reading**

Chapter 3, *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.

## **Topic 4: Defined Benefit Plans**

### **Overview**

This topic covers issues dealing with defined benefit plans and reviews the safe harbors available to simplify defined benefit design and administration. Non-traditional defined benefit plans such as cash balance plans, floor-offset arrangements, and fully insured plans are reviewed. Time will also be spent on plan design objectives that can be achieved through defined benefit plans. In addition, the topic's material discusses funding requirements, benefit limitations, and the role of the Pension Benefit Guaranty Corporation (PBGC).

## Learning Objectives

The successful candidate will be able to:

- 4.01 Analyze whether or not a given defined benefit formula satisfies the safe harbor requirements of IRC §401(a)(4) and the accrual rules of IRC §411(b).
- 4.02 Calculate the maximum IRC §415 limit for a participant, including the dollar and percentage limits below age 62 and above age 65.
- 4.03 Describe the impact that actuarial assumptions have on plan liabilities and contributions.
- 4.04 Discuss how a plan's adjusted funding target attainment percentage (AFTAP) affects contribution requirements, benefit accruals and distribution limitations.
- 4.05 Describe how a cash balance plan works including how benefits accrue and how benefits are presented to participants.
- 4.06 Discuss the impact of a defined benefit plan's current contributions and actual investment performance on future minimum and maximum contributions.
- 4.07 Analyze the application of the deduction limits for PBGC covered employers and non-PBGC covered employers who sponsor both a defined benefit plan and a defined contribution plan.
- 4.08 Discuss the requirements for pension plans that reduce or cease future benefit accruals.
- 4.09 Discuss the special nondiscrimination rules that a safe harbor floor offset plan must satisfy.
- 4.10 Explain the minimum and maximum contribution requirements that apply to defined benefit plans including the excise taxes that apply when minimum contributions are not made or nondeductible contributions are made.

## Exam Weighting

This topic will comprise approximately 13 percent of the examination.

## Required Reading

Chapter 4: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.

## Topic 5: Distributions & Loans

### Overview

The financial lifecycle of a retirement plan is a reflection of funds flowing into and out of the plan over time, a lifecycle that is governed by the myriad rules surrounding and supporting beneficial tax qualification. The material for this topic requires a candidate to delve into the more complicated taxation and timing issues of distributions from qualified plans, whether these distributions take the form of loans, required minimum distributions, and the like or are the result of retirement, termination of employment or in-service events.

## Learning Objectives

The successful candidate will be able to:

- 5.01 Summarize the rules governing the form, amount and timing of distributions.
- 5.02 Summarize the rules governing the portability of distributions.
- 5.03 Analyze conditions that must be satisfied for a permissible withdrawal under the safe harbor 401(k) hardship provisions and calculate the maximum permissible amount that may be distributed.
- 5.04 Analyze the restrictions on distributions from a 401(k) plan when a successor plan exists.
- 5.05 Calculate the required minimum distribution given a particular fact pattern.
- 5.06 Analyze the tax treatment of various forms and types of distributions.
- 5.07 Describe the requirements that must be met for a designated Roth distribution to be a qualifying distribution.
- 5.08 Analyze the impact of qualified and nonqualified distributions of designated Roth amounts.
- 5.09 Evaluate whether a loan program is properly designed.
- 5.10 Discuss and apply the available options for participant loan refinancing.
- 5.11 Summarize and apply the rules for loan repayment suspensions for both an unpaid leave of absence and an unpaid military leave of absence, and calculate latest possible repayment date for each.
- 5.12 Identify protected benefits under IRC §411(d)(6) and changes that can be made to a plan's distribution and loan options.

## Exam Weighting

This topic will comprise approximately 10 percent of the examination.

## Required Reading

Chapter 5: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.

## Topic 6: Fiduciary Responsibilities including ERISA §404(c)

### Overview

Fiduciary status and the attendant responsibilities and liabilities of that status are granted based on one's functional duties rather than by one's title. The implications of being a plan fiduciary are far-reaching and encompass, not merely, awareness that one is a fiduciary, but also what one must do and what one is prohibited from doing as a plan fiduciary. The repercussions for a qualified plan and its participants due to fiduciary failure can be severe, and therefore this topic's material includes a review of fiduciary status along with fiduciary duties and provides analyses of fiduciary breaches, the limitation of fiduciary liability, and available correction procedures.

## Learning Objectives

The successful candidate will be able to:

- 6.01 Define the roles and responsibilities of the various parties involved in managing plan assets, including investment managers, plan consultants, custodians and financial advisors.
- 6.02 Explain the exclusive benefit and prudent man rules and their application to plan activities.
- 6.03 Evaluate settlor vs. fiduciary functions and their implications regarding plan expenses.
- 6.04 Describe ways to minimize fiduciary liability.
- 6.05 Analyze a given fact pattern and propose approaches for reducing or eliminating fiduciary liability.
- 6.06 Discuss who is a covered service provider under the new regulations and to which plans a service provider must make required disclosures.
- 6.07 Discuss which plans are subject to the new participant fee disclosure regulations.
- 6.08 Describe the requirements that must be met for an investment to be a QDIA and provide examples of investments that would qualify.
- 6.09 Discuss the effect of investment advice and any liability on the plan fiduciaries under a qualified investment advice arrangement.
- 6.10 Discuss the impact of having a directed trustee.
- 6.11 Evaluate whether a transaction is a prohibited transaction under Title I of ERISA.

## Exam Weighting

This topic will comprise approximately 11 percent of the examination.

## Required Reading

Chapter 6: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.

## Topic 7: Correction Programs & Ethics

### Overview

Part of the consulting experience is the ability to assist clients in identifying and assessing the potential for or extent of plan defects and when necessary to recommend a suitable course of corrective action. This topic addresses the IRS Employee Plans Compliance Resolution System (EPCRS) Program as an avenue for correction. The Voluntary Fiduciary Compliance (VFC) program and Delinquent Filer Voluntary Compliance (DFVC) program will also be covered. Additionally, throughout the performance of service to clients, the pension consultant must contemplate his or her

professional, ethical duties owed to plan sponsors and participants. Consequently, this topic's required reading material also includes the ASPPA Code of Professional Conduct.

## **Learning Objectives**

The successful candidate will be able to:

- 7.01 Analyze a given fact pattern, and explain the methods of correcting and reporting a prohibited transaction under Title I of ERISA.
- 7.02 Explain the purpose of and eligibility for the available EPCRS correction programs.
- 7.03 Discuss the deposit timing requirements and the appropriate correction when deposits are not made timely.
- 7.04 Identify and discuss the differences between significant and insignificant operational defects, plan document defects and demographic failures.
- 7.05 Summarize the two stated methods of self-correction under EPCRS if the 12-month correction period has passed for ADP and ACP testing.
- 7.06 Describe the factors affecting IRS fees and sanctions under EPCRS.
- 7.07 Analyze a fact pattern and recommend a correction program under EPCRS.
- 7.08 Discuss the purpose, requirements and applicable penalties of the DFVC program.
- 7.09 Identify fiduciary breaches that can be corrected under the VFC program.
- 7.10 Analyze a fact pattern and apply the ASPPA Code of Professional Conduct.

## **Exam Weighting**

This topic will comprise approximately 8 percent of the examination.

## **Required Reading**

Chapter 7: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*. Arlington, VA: ASPPA, 2011.

## **Recommended Reading**

Bloom, Lauren. *Elegant Ethical Solutions*. Elegant Solutions Consulting: Goodlettsville, TN.

## **Topic 8: Plan Design**

### **Overview**

Central to the concept of pension consulting is the ability to craft a plan design or combination of plan designs best suited to satisfying the client's present and future benefit objectives. This topic's material covers plan design issues including the use of hybrid plans such as cash balance plans and times when less common plan designs like ESOPs should be considered.

## Learning Objectives

The successful candidate will be able to:

- 8.01 Differentiate between a cash balance plan, a traditional defined benefit plan and a defined contribution plan.
- 8.02 Identify situations where a defined benefit plan is more appropriate than a defined contribution plan.
- 8.03 Explain why a plan sponsor might choose a cash balance plan instead of a traditional defined benefit plan.
- 8.04 Discuss the effect of census changes on a small plan with a new comparability design.
- 8.05 Discuss the requirements for plans that reduce or cease future benefit accruals.
- 8.06 Summarize the corporate financing and employee relations objectives that may be accomplished by establishing an ESOP.
- 8.07 Identify the factors used to determine if a 403(b) plan is subject to ERISA.
- 8.08 Discuss the primary objectives of establishing nonqualified plans.
- 8.09 Discuss the advantages/disadvantages of the different types of plans.
- 8.10 Analyze a specific employer situation and recommend the most appropriate plan type(s).
- 8.11 Recommend plan provisions based on the plan sponsor's objectives.

## Exam Weighting

This topic will comprise approximately 18 percent of the examination.

## Required Reading

Chapter 8: *CPC Study Guide: Advanced Retirement Plan Consulting, 2<sup>nd</sup> Edition*.  
Arlington, VA: ASPPA, 2011.