

DC-3: Defined Contribution Administrative Issues – Advanced Topics 2012 Syllabus

Course Overview

The DC-3 course is designed for retirement plan professionals who have mastered the basics of qualified plans and are ready to take on more advanced topics. The coursework begins with a study of leased employees and the different types of business entities. It then moves on to cover employer situations such as determining controlled groups and affiliated service groups.

Compensation is a key component of proper plan administration and the candidate will identify different types of compensation as well as investigate when a definition of compensation may be subject to additional nondiscrimination testing.

Advanced coverage topics include average benefit testing and plan aggregation with an emphasis on how choices made in coverage testing affect nondiscrimination methodologies. A significant portion of the course involves advanced nondiscrimination testing techniques including general testing, identifying rate groups and the intricacies involved in the average benefit test.

An advanced retirement plan professional should have a basic understanding of employee stock ownership plans (ESOPs). The textbook includes a chapter dedicated to ESOPs that explains how these plans operate and the special rules that apply to them.

In addition, this course covers fiduciary issues, including fiduciary responsibilities, standards and consequences of fiduciary breaches, prohibited transactions, advanced distribution issues and life insurance in plans.

Finally, candidates will learn about the ASPPA Code of Professional Conduct and how to identify ethical dilemmas that may be faced by retirement plan professionals.

It is presumed that a candidate sitting for the DC-3 examination will have the knowledge of material covered in the Retirement Plan Fundamentals (RPF) examination series, DC-1 and DC-2 examinations.

Required Reading

Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Recommended Reading

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

Supplementary Study Materials

Webcourse

ASPPA webcourses cover an extensive variety of topics essential to retirement plan professionals. The webcourses can be utilized for training purposes and to assist candidates preparing for ASPPA examinations. ASPPA Webcourses provide introductory training for new employees and topical training for exam candidates and other professionals seeking education in specific areas.

It is expected that webcourse registrants preparing for an examination will thoroughly study the topics covered in this syllabus and the required reading for the corresponding examination. The webcourse sessions should not be used as a substitute for these materials, and candidates should be aware that some currently available webcourses may have been produced in previous program years. While these webcourses are still relevant, candidates should use them as a supplementary exam preparation tool. Visit www.asppa.org/webcourse for more information.

Practice Examinations

Practice examinations are available for purchase through the ASPPA bookstore at www.asppa.org/practice-exams.

Educational Material Copyright

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Exam

The corresponding exam will include 55 multiple choice questions for which a candidate will have 2 hours to complete. Candidates will receive a grade immediately upon

completing the exam. Exams are given in a proctored setting at Prometric Testing Centers during two examination windows.

Additional Information

All candidates are encouraged to visit ASPPA's Candidate Corner (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.

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. It is the candidate's responsibility to check this page regularly for any updates prior to taking an examination.

Topic 1 – Leased Employees

Overview

Retirement plan professionals need to understand who is considered a leased employee and how such employees affect retirement plans. Candidates are expected to know how to identify a leased employee, understand the procedures for making such determination and the consequences of such a determination.

Learning Objectives

The successful candidate will be able to:

- 1.01 Identify a leased employee under IRC §414(n).
- 1.02 Discuss the consequences leased employees have on the recipient client organization's plan.
- 1.03 Describe how the employer obtains a determination letter regarding leased employee status.

Exam Weighting

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading

Chapter 1: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 2 – Other Employer Situations

Overview

Retirement plan professionals need to understand the various types of business entities including unincorporated entities and how each entity is affected by plan qualification rules.

Learning Objectives

The successful candidate will be able to:

- 2.01 Identify a multiple employer plan and describe its impact on plan administration.
- 2.02 Identify a multiemployer plan and its impact on plan administration.
- 2.03 Calculate the compensation for and the allocation to a self employed person.
- 2.04 Discuss the characteristics of the different types of business entities.

Exam Weighting

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading

Chapter 2: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 3 – Controlled Groups and Affiliated Service Groups

Overview

Retirement plan professionals will encounter many different types of employer situations. It is imperative that such professionals understand when employers are considered “related” and what the consequences of these relationships are to plan qualification. Under this topic, candidates will learn how to identify controlled groups and the effect of such a determination on various plan qualification rules. Another type of employer relationship that retirement plan professionals need to be prepared to handle is affiliated service groups. Candidates will learn how to identify affiliated service groups and the effect of such a determination on various plan qualification rules.

Learning Objectives

The successful candidate will be able to:

- 3.01 Distinguish between a brother-sister controlled group and a parent subsidiary group.
- 3.02 Apply the attribution rules under IRC §1563, including exceptions to spousal attribution.
- 3.03 Determine whether a controlled group exists.
- 3.04 Discuss the affect of controlled group status when applying qualified plan requirements.
- 3.05 Determine whether an organization is a service organization, a professional service organization or an FSO.
- 3.06 Discuss what constitutes management functions performed by a management group in regards to the affiliated service group rules.
- 3.07 Apply the attribution rules applicable to affiliated service groups under IRC §318.
- 3.08 Determine whether an ASG exists under IRC §414(m).
- 3.09 Describe the procedure for obtaining an IRS determination letter concerning affiliated service group status, including required disclosures.
- 3.10 Discuss the affect of affiliated service group status when applying the qualified plan requirements.

Exam Weighting

This topic will comprise approximately 9 to 11 percent of the exam questions.

Required Reading

Chapter 3: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 4 – Compensation

Overview

Compensation is the building block of many qualified plan issues. Retirement plan professionals need to understand the different types of compensation and when different definitions may be used. Under this topic, candidates will learn how to identify various definitions of compensation and when a plan's definition of compensation may be subject to additional nondiscrimination testing.

Learning Objectives

The successful candidate will be able to:

- 4.01 Compare the various definitions of compensation.

- 4.02 Determine when a plan's definition of compensation is subject to nondiscrimination testing and be able to demonstrate such testing.
- 4.03 Determine the impact of short plan years and short tax years on deduction limits.
- 4.04 Determine the deduction limits as they apply to overlapping defined benefit/defined contribution plans.

Exam Weighting

This topic will comprise approximately 9 to 11 percent of the exam questions.

Required Reading

Chapter 4: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 5 - Average Benefit Test and Special Rules

Overview

This topic discusses the available coverage testing options, the special situations that may affect coverage testing and how choices made in testing for coverage affect nondiscrimination testing. Under this topic, candidates will learn how to apply the average benefit test, the effect of plan aggregation and disaggregation and how leased employees affect coverage testing.

Learning Objectives

The successful candidate will be able to:

- 5.01 Identify the components of the average benefit test and be able to demonstrate such testing.
- 5.02 Determine which plans or components of a plan may or must be aggregated or disaggregated for minimum coverage purposes.
- 5.03 Summarize the otherwise excludable rules regarding coverage testing.
- 5.04 Determine the impact of leased employees on coverage testing and plan design.
- 5.05 Identify three options for testing coverage in a plan year.
- 5.06 Describe how mergers, acquisitions and spin-offs affect coverage testing.
- 5.07 Describe corrections that can be made when a plan does not satisfy coverage requirements.

Exam Weighting

This topic will comprise approximately 15 to 17 percent of the exam questions.

Required Reading

Chapter 5: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 6 - Nondiscrimination

Overview

Nondiscrimination testing is at the core of plan qualification requirements. Retirement plan professionals must understand the advanced testing methods used to show that a plan is nondiscriminatory. Under this topic, candidates will learn how to identify rate groups, determine equivalent benefit accrual rates (EBARs), perform the general test under IRC §401(a)(4) and identify benefits, rights and features that are subject to nondiscrimination testing.

Learning Objectives

The successful candidate will be able to:

- 6.01 Describe rate group testing and determine EBARs and rate groups.
- 6.02 Illustrate an IRC §401(a)(4) general test calculation.
- 6.03 Describe the concept of cross-testing and illustrate its use.
- 6.04 Describe the gateway test and determine when it is required.
- 6.05 Identify aggregation, disaggregation and restructuring issues associated with nondiscrimination testing.
- 6.06 Describe a plan's benefits, rights and features and explain the testing of such features for current and effective availability.
- 6.07 Discuss the interaction of coverage testing under IRC §410(b) and nondiscrimination testing under IRC §401(a)(4).
- 6.08 Describe corrections that can be made when a plan does not satisfy nondiscrimination requirements.

Exam Weighting

This topic will comprise approximately 19 to 21 percent of the exam questions.

Required Reading

Chapter 6: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 7 - Employee Stock Ownership Plans (ESOPs)

Overview

Retirement plan professionals may occasionally work with clients who either have an ESOP or want to learn more about them. It's important to be able to answer questions about how an ESOP operates and why an employer may want to establish one. Under this topic, candidates will learn the primary characteristics of an ESOP including the special diversification rules applicable to ESOPs.

Learning Objectives

The successful candidate will be able to:

- 7.01 List the primary characteristics of an ESOP.
- 7.02 Describe the key features of a stock bonus plan.
- 7.03 Discuss the reasons a plan sponsor might establish an ESOP.
- 7.04 Explain the special rules regarding plan operation and administration of a leveraged ESOP.
- 7.05 Determine which participants are eligible to diversify their accounts and be able to demonstrate a diversification calculation.
- 7.06 Explain the rules regarding an IRC §1042 election including allocation restrictions.
- 7.07 Compare ESOP rules and reporting requirements for a plan sponsored by an S corporation versus a C corporation.
- 7.08 Understand the mechanics of the 409(p) rules and how they impact an S-Corporation ESOP.

Exam Weighting

This topic will comprise approximately 7 to 9 percent of the exam questions.

Required Reading

Chapter 7: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 8 - Fiduciary Standards

Overview

Over the past few years, retirement plan professionals have seen an increase in fiduciary issues arising in qualified plans. This is a topic that has been scrutinized by the media, court system and other government entities. Under this topic, candidates will learn how to identify a fiduciary and understand the standards for fiduciary conduct. In addition, candidates will learn about the consequences and liabilities associated with a breach of fiduciary conduct.

Learning Objectives

The successful candidate will be able to:

- 8.01 Define a fiduciary and identify the parties who serve as fiduciaries.
- 8.02 Identify fiduciary duties and responsibilities and describe the standards for fiduciary conduct.
- 8.03 Identify the actions which may result in fiduciary liability.
- 8.04 Identify the consequences and sanctions associated with a breach of fiduciary duty.
- 8.05 List the factors that a fiduciary should consider when choosing a service provider.

Exam Weighting

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading

Chapter 8: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 9 - Prohibited Transactions

Overview

In order to give clients the highest level of service and professionalism, it is important that retirement plan professionals be able to identify prohibited transactions. Under this topic, candidates will learn how to identify a disqualified person and a party-in-interest as well as the types of exemptions available for prohibited transactions. In addition, candidates will learn about the penalties and reporting requirements associated with prohibited transactions.

Learning Objectives

The successful candidate will be able to:

- 9.01 Identify a disqualified person.
- 9.02 Identify a party-in-interest.
- 9.03 Define a prohibited transaction.
- 9.04 Distinguish how a class exemption differs from an individual exemption and describe the major class exemptions.
- 9.05 Describe and calculate the penalties applicable to prohibited transactions including first and second tier taxes.
- 9.06 Describe reporting requirements that apply to prohibited transactions.
- 9.07 Identify disclosures that must be made under the new service provider fee disclosure regulations and the time frame for making those disclosures.

- 9.08 Identify who is a covered service provider under the new regulations and to which plans a service provider must make required disclosures,
- 9.09 Explain the consequences for failing to make required disclosures.
- 9.10 Describe the correction process for late deposits of deferrals and loan payments, eligible participants who were not enrolled, eligible participants who were not automatically enrolled and participants who were enrolled but never started.

Exam Weighting

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading

Chapter 9: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 10 - Distributions and Life Insurance

Overview

Retirement plan professionals are often called on to guide plan sponsors through the participant distribution process. Under this topic, candidates will look at how qualified joint and survivor annuity (QJSA) and qualified pre-retirement survivor annuity (QPSA) rules apply to defined contribution plans, identify the spousal consent rules applicable to distributions and learn about the various disclosures necessary when processing distributions. In addition, candidates will learn how life insurance interacts with defined contribution retirement planning.

Learning Objectives

The successful candidate will be able to:

- 10.01 Explain what is required for a spousal consent of a distribution to be valid.
- 10.02 Identify the information that must be provided to a participant in the required notice for a distribution to occur.
- 10.03 Explain how insurance works in a defined contribution including the calculation of death benefits.
- 10.04 State the applicable limits on the amount of life insurance in a defined contribution plan.

Exam Weighting

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading

Chapter 10: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Topic 11 - ASPPA Code of Professional Conduct

Overview

Retirement plan professionals have certain ethical duties and standards that must be maintained while working with the plan sponsor and the participants of the qualified plan. Under this topic, candidates will learn about the ASPPA Code of Professional Conduct.

Learning Objectives

The successful candidate will be able to:

- 11.01 Demonstrate awareness of the provisions of the ASPPA Code of Professional Conduct.

Exam Weighting

This topic will comprise approximately 3 to 5 percent of the exam questions.

Required Reading

Chapter 11: Ferenczy, Ilene. *The ASPPA Defined Contribution Plan Series Volume 3: Advanced Compliance and Administration Topics, 4th Edition*. Arlington, VA: ASPPA, 2012.

Recommended Reading

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