

ASPPA

C-4: Advanced Retirement Plan Consulting 2008 Syllabus

Course Overview:

As the culminating course and examination for the Certified Pension Consultant (CPC) designation, the C-4 course 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 toward 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. The C-4 course explores in detail certain advanced areas of retirement plan design and compliance in a review of some of the more complex tools available to a proficient plan consultant. These advanced topics include common control, coverage and nondiscrimination, 401(k) plans, defined benefit plans, plan design, IRS correction programs, employee stock ownership plans, governmental and tax-exempt plans, and nonqualified plans.

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 part of the C-4 course of study.

Study materials:

It is presumed that a candidate sitting for the C-4 examination will have the knowledge of materials covered in the following examinations: Pension Administrator (PA) or Retirement Plan Fundamentals (RPF) series, Defined Contribution (DC) series, Administrative Issues of Defined Benefit Plans (DB), and Financial and Fiduciary Aspects of Qualified Plans (C-3).

Additionally, all required and suggested reading materials are listed below and under each topic.

Required Reading

C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition. Arlington, VA: ASPPA. The study guide includes the ASPPA Code of Professional Conduct.

Suggested Readings

401(k) Answer Book, by EMJAY Corporation, a Wells Fargo Company. New York, NY: Panel Publishers, Inc.

How The ESOP Really Works, The ESOP Association, Washington, D.C.

403(b) Answer Book, by Donald R. Levy, Barbara A. Seymon-Hirsch, Esq., and

Janet M. Anderson, Esq., New York, NY: Panel Publishers, Inc.

Nonqualified Deferred Compensation Answer Book, by Henry A. Smith, III JD, MLA, Barry K. Downey, Esq. JD, MLA, Michael P. Connors, Esq. JD., New York, NY: Panel Publishers, Inc.

It should be noted that these materials do not constitute the only items available to prepare for the examination. The materials cited are evaluated by the members of ASPPA's Education and Examination Committee for the purpose of increasing the candidate's understanding of the various concepts presented.

These readings do not reflect any official interpretation, opinion, or endorsement of ASPPA or its Education and Examination Committee.

Exam:

The corresponding exam will consist of eight essay questions covering six core and two non-core topics. The C-4 syllabus includes three non-core topics, but only two of the three non-core topics will be on the examination. The candidate will be required to answer all six core questions and to select and answer one of the two non-core questions. Thus, the candidate will be required to answer seven questions in total. No additional credit is granted for answering more than one non-core question. Candidates have a four-hour period to complete the examination.

Additional Information:

All candidates are encouraged to visit ASPPA's Candidate Corner (www.asppa.org/candidate) for this exam for additional information. It is the candidate's responsibility to check the ASPPA website for the most current information on examinations and publications. The Candidate Corner includes directions for contacting your nearest Prometric site to schedule examinations, exam windows and dates, helpful studying and exam hints, up-to-date information on regulatory limits and other helpful information. You may also contact ASPPA with questions at educasppa@asppa.org.

Core Topic 1 – Common Control and Related Issues

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 is critical to ensuring continued qualified status for retirement plans. In this topic's material, the various types of these arrangements and the integral rules of attribution are examined. Additionally, leased employee status and the complexities involved in distinguishing common law employees

from independent contractors are explored. 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 under IRC §§414(b) and 414(c) exists.
- 1.02 Apply the controlled group attribution rules under IRC §1563.
- 1.03 Explain modified stock attribution rules for parent-subsidary groups under IRC §415(h).
- 1.04 Discuss the impact of controlled group status on qualified plan requirements.
- 1.05 Distinguish between and identify whether an entity is an A-Org, B-Org, or an FSO.
- 1.06 Apply the ASG attribution rules under IRC §318.
- 1.07 Analyze a fact pattern and conclude whether an ASG exists under IRC §414(m).
- 1.08 Discuss the impact of ASG status on qualified plan provisions.
- 1.09 Analyze a fact pattern and conclude whether a multiple employer plan exists.
- 1.10 Discuss the advantages and disadvantages of establishing multiple employer plans.
- 1.11. 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.
- 1.12 Discuss the effect of an operational failure with one member of a multiple employer plan has on the plan as a whole.
- 1.13 Discuss the risks of a PEO sponsoring a single employer retirement plan including the potential for exclusive benefit rule violations.
- 1.14 Determine whether a worker is a leased employee under IRC §415(n).
- 1.15 Conclude the proper employer using the 20 factor test of IRS Rev. Rul. 87-14.
- 1.16 Discuss the consequences of leased employees on the recipient client organization's plan.
- 1.17 Analyze the effect of a merger or acquisition on qualified plan provisions under IRC §410(b)(6).
- 1.18 Analyze a transaction involving an acquisition or disposition upon nondiscrimination testing.

Exam Weighting:

This topic will comprise approximately 13% of the exam questions.

Required Reading:

Chapter 1: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Core Topic 2 – Coverage and Nondiscrimination Issues

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's material 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 Summarize the interrelationship and process for performing nondiscrimination, participation, and coverage tests under IRC §§410(b), 401(a)(4) and 401(a)(26).
- 2.02 Analyze a fact pattern and apply the minimum participation rules of IRC §401(a)(26).
- 2.03 Analyze a fact pattern and discuss the consequences of a failed coverage test, including determination of an appropriate method of correction.
- 2.04 Discuss the requirements that must be met by defined contribution plans in order to satisfy IRC §401(a)(4) safe harbor designs.
- 2.05 Discuss the requirements that must be met by defined benefit plans in order to satisfy IRC §401(a)(4) safe harbor designs.
- 2.06 Explain the consequences and correction alternatives for a failed nondiscrimination test under IRC §401(a)(4).

- 2.07 Analyze a fact pattern and perform a rate group test on a defined contribution plan.
- 2.08 Perform cross-testing given a specific fact pattern, including use of the gateway test.
- 2.09 Perform cross-testing given a specific fact pattern, including imputation of permitted disparity.
- 2.10 Illustrate the effect of allocation conditions on a cross-tested plan.
- 2.11 Describe the effect of census changes on a small plan with a new comparability design.
- 2.12 Analyze a fact pattern and determine what plans or components of a plan may or must be aggregated or disaggregated in testing plan coverage.
- 2.13 Explain when 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).
- 2.14 Analyze whether aggregation can be applied for testing a benefit, right, or feature for nondiscrimination, including where at least one plan is a defined contribution plan and at least one is a defined benefit plan.
- 2.15 Perform nondiscrimination tests by aggregating plans including a defined benefit and defined contribution plan combination.
- 2.16 Explain the requirements that must be met for an employer to satisfy the QSLOB rules.
- 2.17 Analyze how QSLOBs affect testing under IRC §§410(b), 401(a)(26) and 401(a)(4) including performance of each test when a QSLOB exists.
- 2.18 Perform a test to determine whether a compensation definition is discriminatory.

Exam Weighting:

This topic will comprise approximately 14% of the exam questions.

Required Reading:

Chapter 2: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Core 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 Internal Revenue Code 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's material addresses these qualification

requirements within the context of the specific testing required of 401(k) plans to demonstrate compliance.

Learning Objectives:

The successful candidate will be able to:

- 3.01 Demonstrate how exceeding an applicable limit affects related limits, tests, and determinations in a 401(k) plan.
- 3.02 Discuss pre-funding of elective deferrals and matching contributions.
- 3.03 Describe the advantages and disadvantages of adding a designated Roth feature to a 401(k) plan.
- 3.04 Explain the recharacterization of elective deferrals as catch-up contributions and the current and effective availability requirements.
- 3.05 Analyze a fact pattern and demonstrate 401(k) plan design alternatives that will improve nondiscrimination test results.
- 3.06 Discuss the requirements for a safe harbor 401(k) plan, including the safe harbor available to plans with a qualified automatic contribution arrangement, and assess whether a given plan design satisfies these requirements.
- 3.07 Determine possible correction methods for a failed ADP or ACP test, recommend a solution and support your recommendation.
- 3.08 Analyze compliance issues in non-calendar year 401(k) plans.
- 3.09 Explain the effects of mergers, acquisitions and spin-offs on ADP and ACP testing.
- 3.10 Discuss permissible testing alternatives and issues that arise when related employers maintain 401(k) plans.
- 3.11 Define 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.
- 3.12 Summarize the two methods of self-correction under EPCRS if the 12-month correction period has passed for ADP and ACP testing.

Exam Weighting:

This topic will comprise approximately 13% of the exam questions.

Required Reading:

Chapter 3: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
This chapter includes various articles from industry sources.

Suggested Reading:

401(k) Answer Book, by EMJAY Corporation, a Wells Fargo Company. New York, NY: Panel Publishers, Inc.

Core 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. In addition, the topic's material discusses funding requirements, benefit limitations, and the role of the Pension Benefit Guaranty Corporation.

Learning Objectives:

The successful candidate will be able to:

- 4.01 Describe the three permissible accrual rules of IRC §411(b).
- 4.02 Define the requirements that a defined benefit plan must satisfy in determining a participant's average annual compensation.
- 4.03 Describe the impact that actuarial assumptions have on plan liabilities and contributions.
- 4.04 Discuss the calculation of the maximum deductible contribution for a defined benefit plan.
- 4.05 Discuss the calculation of the maximum deductible limit for a plan sponsor that sponsors both defined benefit and defined contribution plans.
- 4.06 Discuss the penalty for making contributions that exceed the maximum deductible contribution.
- 4.07 Describe the pension disclosures that must be included within a plan sponsor's financial statements.
- 4.08 Discuss the optional forms of benefit payment under defined benefit plans.
- 4.09 Explain when an IRC §412(e)(3) (formerly IRC §412(i)) fully insured defined benefit plan would be better suited for a client than a traditional defined benefit plan.
- 4.10 Describe the requirements for an IRC §412(e)(3) plan to be exempt from the minimum funding standards of IRC §412.
- 4.11 Discuss the special nondiscrimination rules that a floor offset plan must satisfy.
- 4.12 Distinguish a cash balance plan from both a traditional defined benefit plan and a defined contribution plan.
- 4.13 Explain why a plan sponsor might choose a cash balance plan instead of a traditional defined benefit plan.
- 4.14 Identify and discuss the legal issues that should be considered before converting a traditional defined benefit plan to a cash balance plan.
- 4.15 List the notice requirements for plans that reduce or cease future benefit accruals.
- 4.16 Identify the requirements that must be met to file a distress termination with the PBGC.

Exam Weighting:

This topic will comprise approximately 13% of the exam questions.

Required Reading:

Chapter 4: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Core Topic 5 - 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 meeting 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. A large portion of the discussion under this topic is contained in the sample examination question analyses. These are questions with corresponding answers, taken from previous examinations, wherein the candidate is presented with a client situation and asked to recommend and support a suitable retirement program.

Learning Objectives:

The successful candidate will be able to:

- 5.01 Analyze a unique fact pattern and identify relevant issues affecting plan design choices.
- 5.02 Select and explain the most appropriate type of plan and most effective plan provisions based on the fact pattern given.
- 5.03 Describe advantages and disadvantages of selected plan designs.
- 5.04 Compare and contrast potential plan designs.

Exam Weighting:

This topic will comprise approximately 20% of the exam questions.

Required Reading:

Chapter 5: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Core Topic 6 - Correction Programs and 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 Internal Revenue Service Employee Plans Compliance Resolution System (EPCRS) Program as an avenue for correction. 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:

- 6.01 Explain the available correction programs under EPCRS including their purpose and eligibility requirements.
- 6.02 Discuss and identify the differences between significant and insignificant operational defects, plan document defects and demographic failures.
- 6.03 Describe situations when an Anonymous (John Doe) or Group Submission should be used.
- 6.04 Discuss plan amendments and IRS letters of determination within the context of correction programs.
- 6.05 Summarize the applicable IRS fees under EPCRS.
- 6.06 Analyze a fact pattern and recommend the most appropriate correction program under EPCRS.
- 6.07 Analyze a fact pattern and apply the ASPPA Code of Professional Conduct.

Exam Weighting:

This topic will comprise approximately 14% of the exam questions.

Required Reading:

Chapter 6: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Suggested Reading:

Rev. Proc. 2006-27, available on the IRS Web site, www.irs.gov.

Non-Core Topic 7 - Employee Stock Ownership Plans

Overview:

This non-core topic reviews the main Employee Stock Ownership Plan (ESOP) provisions of the Internal Revenue Code. As a viable employee benefit program as well as a corporate financing tool, ESOPs were founded on the fundamental philosophy of ownership. ESOPs have frequently been given special treatment not available to other retirement or financing programs. Within the topic's material, candidates will review a discussion of plan and statutory provisions particular to ESOPs.

Learning Objectives:

The successful candidate will be able to:

- 7.01 Discuss stock voting rights as they apply to corporate transactions regarding ESOPs.
- 7.02 Explain the investment diversification rules under ESOPs.
- 7.03 Explain and apply the increased deduction limits for ESOPs.
- 7.04 Summarize the dividend deduction rule.
- 7.05 Describe the two permissible methods for the release of shares under a leveraged ESOP.
- 7.06 Explain and apply the special IRC §415 rules for ESOPs.
- 7.07 Explain and demonstrate application of the nondiscrimination requirements of IRC §401(a)(4) and coverage requirements of IRC §410(b) for ESOPs.
- 7.08 Discuss the special distribution rules applicable to an ESOP.
- 7.09 Explain the application of the ESOP rule regarding deferred taxation of net unrealized appreciation.
- 7.10 Describe the corporate financing and employee relations objectives that may be accomplished by establishing an ESOP.
- 7.11 Summarize the tax advantages a shareholder of a closely-held corporation may receive by establishing an ESOP.
- 7.12 Apply the rules regarding an IRC §1042 election, including the allocation restrictions.
- 7.13 Analyze the impact an ESOP repurchase liability may have on the plan sponsor, and discuss strategies to mitigate that impact.
- 7.14 Discuss the requirements for the valuation of stock held by ESOPs in non-publicly traded companies.
- 7.15 Differentiate rules applicable to ESOPs sponsored by S Corporations including reporting requirements.

7.16 Explain the rules regarding the termination of an ESOP.

Exam Weighting:

If offered as a non-core question alternative, this topic will comprise approximately 13% of the exam questions.

Required Reading:

Chapter 7: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Suggested Reading:

How The ESOP Really Works, The ESOP Association, Washington, D.C.

Non-Core Topic 8 – Church, Governmental and Other Tax Exempt Plans

Overview:

Since the universe of retirement planning encompasses plans available to tax-exempt and governmental organizations, this non-core topic material provides discussion of IRC §403(b) Tax-Sheltered Annuity ("TSA") Plans, IRC §414(e) Church Plans, and both Governmental and Non-governmental IRC §457(b) Plans.

Learning Objectives:

The successful candidate will be able to:

- 8.01 Identify the employers eligible to sponsor church plans, 403(b) plans, and governmental 457(b) plans.
- 8.02 Explain the eligibility requirements, contribution limits and nondiscrimination rules for church plans.
- 8.03 Describe the distribution rules, including early and minimum distributions, and applicable taxation for church plans.
- 8.04 Explain the eligibility requirements, contribution limits and nondiscrimination rules for 403(b) plans.
- 8.05 Describe the distribution rules, including early and minimum distributions, and applicable taxation for 403(b) plans.
- 8.06 Compare ERISA and non-ERISA 403(b) plans.
- 8.07 Explain the eligibility requirements, contribution limits and nondiscrimination rules for governmental 401(a) and 457(b) plans.

- 8.08 Describe the distribution rules, including early and minimum distributions, and applicable taxation for governmental 401(a) and 457(b) plans.
- 8.09 Define the applicable rollover and transfer rules for 403(b) plans, church plans and 457 plans.

Exam Weighting:

If offered as a non-core question alternative, this topic will comprise approximately 13% of the exam questions.

Required Reading:

Chapter 8: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Suggested Reading:

403(b) Answer Book, by Donald R. Levy, Barbara A. Seymon-Hirsch, Esq., and Janet M. Anderson, Esq., New York, NY: Panel Publishers, Inc.

Non-Core Topic 9 - Nonqualified Plans

Overview:

Historically, nonqualified deferred compensation plans have been established to supplement the retirement benefits of a select group of management or highly compensated employees. Compensation and benefit limitations as well as restrictive discrimination and coverage rules imposed on qualified plans are not similarly imposed on nonqualified plans. This has made nonqualified deferred compensation plans more appealing to employers. However, nonqualified deferred compensation plans do not receive the particular tax treatment afforded to qualified plans. This non-core topic incorporates the main provisions and features of nonqualified arrangements.

Learning Objectives:

The successful candidate will be able to:

- 9.01 Discuss the primary objectives of establishing nonqualified plans.
- 9.02 Compare the various types of stock plans.
- 9.03 Discuss the application of 457(f) to nonqualified plans of governmental and tax-exempt employers.
- 9.04 Describe the general features of plans arrangements subject to 409A.

- 9.05 Explain the deferral requirements, distribution restrictions, taxation rules, and penalties associated with plans subject to 409A.
- 9.06 List the requirements for a plan to be exempt from ERISA coverage.
- 9.07 Describe the various funding methods used in nonqualified plans, including the various trusts and investment arrangements.
- 9.08 Differentiate a funded from unfunded plan under ERISA.

Exam Weighting:

If offered as a non-core question alternative, this topic will comprise approximately 13% of the exam questions.

Required Reading:

Chapter 9: *C-4 Study Guide: Advanced Retirement Plan Consulting, 2008 Edition*.
Arlington, VA: ASPPA. This chapter includes various articles from industry sources.

Suggested Reading:

Nonqualified Deferred Compensation Answer Book, by Henry A. Smith, III JD, MLA,
Barry K. Downey, Esq. JD, MLA, Michael P. Connors, Esq. JD., New York, NY:
Panel Publishers, Inc.