

ASPPA
DC-3: Defined Contribution Administrative Issues – Advanced Topics
2008 Syllabus

Course Overview:

This course is designed for those retirement plan professionals who want to learn more than just the basics about qualified plans. It not only goes into more depth on the basics of coverage and nondiscrimination but also covers a range of more advanced topics.

The course begins with leased employees and different types of business entities and moves to employer situations such as determining controlled groups and affiliated service groups.

Compensation is a key component of proper plan administration and here we identify different types of compensation as well as look at when a definition of compensation may be subject to additional nondiscrimination testing.

Advanced coverage topics like average benefit testing and plan aggregation are discussed with 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 needs a basic understanding of employee stock ownership plans and how they may be different from other types of defined contribution plans.

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 be able to identify ethical dilemmas that may be faced by retirement plan professionals.

Study materials:

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. All required reading material is listed in each topic.

Required Reading:

Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition. Arlington, VA: ASPPA.

Exam:

The corresponding exam will include 55 multiple choice questions for which you will have 2 hours to complete.

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.

Topic 1 – Leased Employees

Overview:

Retirement plan professionals need to understand leased employees and how such employees affect retirement plans. Candidates are expected to know how to identify a leased employee, the consequences of such determination and the procedures for making such 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 Explain 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: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 2 – Other Employer Situations

Overview:

Retirement plan professionals need to understand the various types of business entities and how the type of entity affects plan qualification rules. Under this topic, candidates will learn about various entities, including self-employed individuals, and how these entities affect plan qualification.

Learning Objectives:

The successful candidate will be able to:

- 2.01 Define a multiple employer plan.
- 2.02 Identify a multiemployer plan and describe the general concepts of multiemployer plans on plan administration.
- 2.03 Identify the plan requirements for which a multiple employer plan is treated as a single employer and those for which the plan is treated separately.
- 2.04 Calculate the compensation for and the allocation to a self employed person.
- 2.05 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: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

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 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 retirement plan professionals will encounter is affiliated service groups. Under this topic, candidates will also learn how to identify affiliated service groups and know 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 activities that constitute management functions.
- 3.07 Apply the attribution rules applicable to affiliated service groups under IRC §318.
- 3.08 Describe the procedure for obtaining an IRS determination letter concerning affiliated service group status, including required disclosures.
- 3.09 Discuss the affect of affiliated service group status when applying the qualified plan requirements.

Exam Weighting:

This topic will comprise approximately 11 to 13 percent of the exam questions.

Required Reading:

Chapter 3: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 4 – Compensation

Overview:

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 Distinguish between the various definitions of compensation.
- 4.02 Identify when a plan's definition of compensation is subject to nondiscrimination testing and perform such testing.

Exam Weighting:

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

Required Reading:

Chapter 4: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 5 - Average Benefit Test and Special Rules

Overview:

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

Exam Weighting:

This topic will comprise approximately 13 to 15 percent of the exam questions.

Required Reading:

Chapter 5: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 6 - Nondiscrimination

Overview:

Nondiscrimination testing is at the core of plan qualification requirements. Retirement plan professionals need to understand the advanced testing methods used to show that a plan is nondiscriminatory. Under this topic, candidates will learn to identify rate groups, 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 rate groups.
- 6.02 Demonstrate whether rate groups are nondiscriminatory.
- 6.03 Perform an IRC §401(a)(4) general test calculation.
- 6.04 Describe the concept of cross-testing and demonstrate its use.
- 6.05 Describe the gateway test and determine when it is required.
- 6.06 Identify aggregation, disaggregation and restructuring issues associated with nondiscrimination testing.
- 6.07 Identify a plan's benefits, rights and features and describe testing such features for current and effective availability.
- 6.08 Describe the interaction of coverage testing under IRC §410(b) and nondiscrimination testing under IRC §401(a)(4).
- 6.09 Describe corrections that can be made when a plan does not satisfy nondiscrimination requirements.

Exam Weighting:

This topic will comprise approximately 21 to 23 percent of the exam questions.

Required Reading:

Chapter 6: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 7 - Employee Stock Ownership Plans

Overview:

Retirement plan professionals may on occasion encounter an employee stock ownership plan (ESOP). 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 Name the primary characteristics of an ESOP.
- 7.02 List the key features of a stock bonus plan.
- 7.03 Discuss the reasons a plan sponsor might establish an ESOP.
- 7.04 Identify the special rules regarding plan operation and administration of a leveraged ESOP.
- 7.05 Identify participants eligible to diversify their accounts.
- 7.06 Perform a diversification calculation.
- 7.07 Be familiar with the rules that differentiate ESOPs sponsored by S Corporations including reporting requirements.

Exam Weighting:

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

Required Reading:

Chapter 7: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 8 - Fiduciary Standards

Overview:

Retirement plan professionals are now more than ever exposed to fiduciary issues and questions that arise in qualified plans. 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.

Exam Weighting:

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

Required Reading:

Chapter 8: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 9 - Prohibited Transactions

Overview:

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 and understand 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.

Exam Weighting:

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

Required Reading:

Chapter 9: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 10 - Distributions and Life Insurance

Overview:

Retirement plan professionals are ever increasingly called on to guide plan sponsors through plan distribution processes. Under this topic, candidates will look at how QJSA and 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 Identify 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 order for a distribution to occur.
- 10.03 Identify the types of insurance benefits that may be provided in a defined contribution plan.
- 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: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 11 - ASPPA Code of Professional Conduct

Overview:

Retirement plan professionals have certain ethical duties owed to the plan sponsor and to 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 1 to 3 percent of the exam questions.

Required Reading:

Chapter 11: *Defined Contribution Plans Volume 3: Advanced Compliance and Administrative Topics, 2nd Edition*. Arlington, VA: ASPPA.