

ASPPA

RPF-2: Retirement Plan Fundamentals - 2 Examination

Version 1

Examination Completion Deadline: December 15, 2008 {midnight ET}

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RETIREMENT PLAN FUNDAMENTALS II (RPF-2)

RPF-2 2008

COURSE EXAM VERSION 1

TRUE/FALSE

1. Participants in daily valuation plans who initiate a transaction on an automated response unit will always have the transaction extracted and traded the following business day.
 - A. True
 - B. False

2. The three key elements of a defined contribution permitted disparity allocation formula are the integration level, base contribution percentage and excess contribution percentage.
 - A. True
 - B. False

3. Elective deferrals must be deposited to the 401(k) plan at the end of each month.
 - A. True
 - B. False

4. A qualified automatic contribution arrangement automatically satisfies the ADP Test.
 - A. True
 - B. False

5. All banks providing administrative, investment and trustee services make it easy to compare their services to other service providers since they disclose the trustee fee.
 - A. True
 - B. False

6. An equity wash restriction requires a participant-directed transfer from a fixed rate investment contract to be directed into an equity fund for a specified period of time before investing into a competing fixed rate investment contract.
 - A. True
 - B. False

7. A 401(k) plan where the NHCEs have an average deferral ratio of 4% and the HCEs have an average deferral ratio of 6.5% passes the ADP test.
 - A. True
 - B. False

8. Exchange-traded funds (ETFs) may have lower operating expenses than mutual funds but also have brokerage commission and other costs to buy and sell ETF shares.
 - A. True
 - B. False

9. The market value adjustment that may be charged by a GIC contract is to encourage investors to liquidate the GIC when the interest rate paid is less than what could be obtained on the current market.
 - A. True
 - B. False

10. Two methods used to account for employer stock in a daily valuation defined contribution plan are the stock liquidity fund method and the unitized stock method.
- A. True
 - B. False

MULTIPLE CHOICE

11. All of the following are collected to serve as the basis for plan administration, **EXCEPT**:
- A. Copy of the plan sponsor's mortgage agreement
 - B. Copy of the Summary Plan Description
 - C. Copy of the IRS determination letter or opinion letter
 - D. Copy of the Annual Return/Report of Employee Benefit Plan
 - E. Copy of the current plan
12. All of the following are objectives a fiduciary must balance when choosing investments for a participant directed defined contribution plan, **EXCEPT**:
- A. Offer a reasonable number of funds that will not overwhelm the participant with choices
 - B. Maximize administrative fees absorbed by participant accounts
 - C. Offer suitable funds for a given investment class
 - D. Make plan attractive to participants
 - E. Provide a broad range of investment choices

13. All of the following are fees that banks may charge when offering daily valuation services through a 401(k) plan, **EXCEPT**:
- A. Flat fees
 - B. Asset based fees
 - C. Trustee fees
 - D. Variable rate fees
 - E. Combination of flat fees and asset based fees
14. All of the following are allocations included in the annual additions limit, **EXCEPT**:
- A. Forfeiture allocations
 - B. Rollover contributions
 - C. Elective deferral contributions
 - D. Profit sharing contributions
 - E. After-tax employee contributions
15. All of the following are reasons that trading errors occur in daily valuation processing, **EXCEPT**:
- A. A fee processed for payment from the plan that is owed by the plan sponsor
 - B. A fund over priced on a transfer
 - C. A distribution processed upon receipt of request
 - D. A dividend is allocated twice
 - E. A distribution processed multiple times

16. All of the following are requirements for a terminating plan, **EXCEPT**:
- A. Amend a defined benefit plan to cease benefit accruals
 - B. Submit plan to the IRS for the required favorable determination letter to terminate
 - C. Amend plan to comply with all laws and regulations in effect as of plan termination date
 - D. Adopt a resolution to terminate the plan
 - E. Provide an ERISA §204(h) notice for a money purchase plan
17. All of the following employees may be excluded under the minimum coverage test, **EXCEPT**:
- A. A union employee who's retirement benefit was the subject of good faith bargaining
 - B. An employee who did not meet the plan's minimum age requirement
 - C. A terminated employee who benefited during the year
 - D. A nonresident alien employee who received no U.S. income
 - E. A terminated participant who worked 200 hours and did not benefit
18. All of the following are processes temporarily suspended during a blackout period, **EXCEPT**:
- A. Investing employee deferrals
 - B. Processing loan repayments
 - C. Paying out vested account balances
 - D. Distributing funds for hardship withdrawals
 - E. Processing sales for participant fund transfers

19. All of the following are procedures that can be implemented to avoid trading errors in daily valuation processing, **EXCEPT**:
- A. Validate that distributions were processed for the correct participants
 - B. Validate that investments have had an increase in market value
 - C. Communicate with participants who initiate trades that erred upon entry
 - D. Update pricing information using audited prices
 - E. Track pending activity to be sure trades are completed in a timely manner
20. All of the following are processes that affect how quickly the first participant statement will be provided after changing from balance-forward administration to daily valuation administration, **EXCEPT**:
- A. How quickly the plan sponsor provided the on going contribution information
 - B. Whether account balance data is provided electronically
 - C. How quickly assets are liquidated and transferred to the new trustee
 - D. How quickly information is passed between the plan administration firms
 - E. Whether the balance-forward valuation is prepared on a cash basis
21. All of the following are fiduciaries, **EXCEPT**:
- A. The plan sponsor
 - B. The investment advisor managing plan assets
 - C. The trustee
 - D. The plan administrator named in the plan document
 - E. The highest paid non-shareholder

22. All of the following are reasons an employer might merge two retirement plans, **EXCEPT:**
- A. One of the retirement plans has a disqualifying event
 - B. Acquisition of an employer with a plan of its own
 - C. Free up time for human resource employees
 - D. Cost to maintain each plan
 - E. Convert the plan into a new plan type
23. All of the following are issues that must be discussed when changing the valuation method from balance-forward to daily valuation, **EXCEPT:**
- A. Frequency of distributions
 - B. Frequency of valuations
 - C. Frequency of transfers
 - D. Frequency of contribution allocations
 - E. Frequency of completion of Form 5500
24. All of the following are disclosures that must be provided to participants to comply with ERISA §404(c), **EXCEPT:**
- A. The allocation ratio participants should invest in the funds
 - B. The identity of designated investment managers
 - C. A copy of the most recent investment prospectuses
 - D. An explanation of how to change investment instructions
 - E. An explanation that the plan intends to comply with ERISA §404(c)

25. All of the following are charges that can occur in a variable annuity contract, **EXCEPT:**

- A. Guaranteed death benefit charges
- B. Investment management charges on the underlying investments
- C. Self-directed brokerage account charges
- D. Per participant charges to cover cost of voice response access
- E. Preparation of Form 5500 charges

26. All of the following are documents that are gathered when changing plan administration firms, **EXCEPT:**

- A. Participant loan information
- B. Summary Plan Description
- C. Plan asset statements
- D. Specification on the plan's software system
- E. Plan document

27. Which of the following statements regarding key elements that should be used when discussing investment options with participants is/are **TRUE**?
- I. The presenter must be objective.
 - II. Examples of investment allocations should be provided.
 - III. Discussion of how investments react to different market cycles will help participants understand the future expectations of investments.
- A. I only
 - B. II only
 - C. I and III only
 - D. II and III only
 - E. I, II and III
28. Which of the following statements regarding the diversification notice used when employer securities are an investment option is/are **TRUE**?
- I. Participants must be notified of their right to sell any publicly traded employer securities 30 days before first eligible to exercise the right.
 - II. The notice must describe the importance of diversification.
 - III. Participants that have employer stock in their matching account have the right to diversify as soon as the stock is allocated to the participants' account.
- A. I only
 - B. II only
 - C. I and II only
 - D. II and III only
 - E. I, II and III

29. Which of the following statements regarding investment education and advice is/are **TRUE**?
- I. Investment education includes providing general financial and investment information.
 - II. Investment advice is providing specific investment information to a participant based on that participant's response to a set of questions.
 - III. Investment advisors who provide investment education need to be objective in their presentation.
- A. I only
 - B. III only
 - C. I and II only
 - D. II and III only
 - E. I, II, and III
30. Which of the following statements regarding investment standards established to process investments efficiently in daily valuation plans is/are **TRUE**?
- I. An efficient investment includes the ability for the investment to be bought and sold in fractional shares.
 - II. Standards are necessary in order to allow daily transfers.
 - III. Privately held employer stock can meet the efficient investment standards.
- A. I only
 - B. III only
 - C. I and II only
 - D. II and III only
 - E. I, II, and III

31. Which of the following statements regarding the three basic asset classes that mutual funds invest in is/are **TRUE**?

- I. A stock is a security that represents proportionate ownership in a corporation.
- II. Entities interested in raising capital may issue bonds.
- III. Certificates of deposits, treasury bills and money market funds are considered cash investments.

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

32. Which of the following statements regarding terminating a defined benefit plan covered by the PBGC is/are **TRUE**?

- I. The Post-Distribution Certification must be filed with PBGC within 30 days of distribution of all assets.
- II. The Standard Termination Notice notifies the PBGC of the standard termination.
- III. If PBGC does not issue a Notice of Non Compliance within 60 days of receipt of Form 500, the plan sponsor should wait to distribute assets.

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

33. Which of the following statements regarding processing distributions in a daily valuation plan is/are **TRUE**?

- I. A total distribution is processed as a dollar certain sale.
- II. Most hardship withdrawals are dollar certain sales.
- III. Most in-service withdrawals are dollar certain sales.

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

34. Which of the following statements regarding mutual fund fees is/are **TRUE**?

- I. Transaction fees are assessed to cover the buys and sells incurred in the process of managing the funds portfolio.
- II. The largest single fee assessed against a mutual fund is the investment management fee which is charged against fund assets.
- III. Custodial and transfer agent fees are assessed quarterly to compensate those who hold title to, transfer the fund's securities and track shares held by investors.

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

35. Which of the following statements regarding correction methods for a failed ACP Test is/are **TRUE**?

- I. A qualified non elective contribution must be allocated to the HCEs to satisfy the test.
- II. The return of excess aggregate contributions to the HCEs will satisfy the test.
- III. Forfeiture of the necessary non vested matching contribution from the HCEs account will satisfy the test.

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

36. Which of the following statements regarding common payroll processing issues in a daily valuation plan is/are **TRUE**?

- I. Contributions from participants with missing investment elections can be invested into a default fund to avoid delaying the investment.
- II. Contributions deposited that do not match the total reflected by the payroll reports are quickly resolved by the recordkeeper after processing trades.
- III. Trailing contributions can cause an additional distribution to be processed for a terminated participant.

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

37. Which of the following statements regarding how dividends are credited to participants in daily recordkeeping is/are **TRUE**?
- I. Mutual fund dividends are allocated to participants who own a share on the record date.
 - II. Mutual fund dividends are automatically reinvested in the investment that generated the income.
 - III. Terminated participants who have been paid out never receive an allocation of the dividend if they were a shareholder on the record date.
- A. I only
 - B. III only
 - C. I and II only
 - D. II and III only
 - E. I, II, and III
38. Which of the following statements regarding the role of the recordkeeper vs. the administrator in performing daily valuation administration is/are **TRUE**?
- I. The recordkeeper updates daily investment pricing.
 - II. The administrator determines eligibility.
 - III. The recordkeeper focuses on nondiscrimination testing.
- A. I only
 - B. III only
 - C. I and II only
 - D. II and III only
 - E. I, II, and III

39. Which of the following statements regarding daily valuation service agreements is/are **TRUE**?
- I. It should include a statement that the plan administration firm's services cannot guarantee compliance with ERISA §404(c).
 - II. It should disclose who is responsible should a trade occur when cash is insufficient to cover the buy.
 - III. It should include a statement prohibiting liability in the event promised service cannot be performed due to events beyond the control of the service provider.
- A. I only
 - B. III only
 - C. I and II only
 - D. I and III only
 - E. I, II, and III
40. Which of the following statements regarding ethical concerns that arise when correcting trade errors in a daily valuation plan is/are **TRUE**?
- I. Service providers may benefit from the correction of trading errors.
 - II. Who pays for the correction can be determined by who is accountable for the error.
 - III. Trade accountability should be outlined in a service agreement.
- A. I only
 - B. III only
 - C. I and II only
 - D. II and III only
 - E. I, II, and III

41. Which of the following statements regarding the disclosures contained in the black out notice issued during a plan conversion is/are **TRUE**?
- I. The notice must state when the black out period will occur.
 - II. The notice must contain a person's name or department to contact for additional information.
 - III. The notice must describe the specific rights that are suspended.
- A. I only
 - B. III only
 - C. I and II only
 - D. I and III only
 - E. I, II, and III
42. Which of the following statements regarding the investment strategies used when changing from one plan administration firm to another is/are **TRUE**?
- I. The investment conversion method where the assets remain the same and the recordkeeping method is converted from balance-forward to daily valuation is called recordkeeping only conversion.
 - II. The investment conversion method where all assets are liquidated, deposited into a money market fund and later invested based on participant elections is called total asset liquidation.
 - III. The investment conversion method where all assets are liquidated and immediately invested in like funds is called mapping.
- A. I only
 - B. III only
 - C. I and II only
 - D. I and III only
 - E. I, II, and III

43. Which of the following statements regarding the IRS limit on early deposit of salary deferral contributions into a 401(k) plan is/are **TRUE**?

- I. The DOL states that employee monies must be transmitted to the plan as of the earliest date on which such contribution can reasonably be segregated from the employer's general assets.
- II. The same standard that applies to employee monies applies to loan payments.
- III. The same standard that applies to employee monies applies to matching contributions.

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

44. Which of the following statements regarding the description of daily valuation is/are **TRUE**?
- I. Daily valuation is a valuation process used in defined contribution plans where the valuation of plan investments are determined daily.
 - II. Daily valuation responds to participant demands for immediate access to information.
 - III. Daily valuation accommodates faster processing of fund transfers than balance-forward.
- A. I only
 - B. III only
 - C. I and II only
 - D. II and III only
 - E. I, II and III
45. Based on the following information, determine whether the ratio percentage test (RPT) satisfies the minimum coverage requirements:
- 45 out of 70 nonexcludable NHCEs are considered to be benefiting.
 - All HCEs are benefiting.
 - There are 4 HCEs.
 - All are employed at the end of the plan year.
- A. The RPT is 64% and it passes
 - B. The RPT is 64% and it does not pass
 - C. The RPT is 70% and it passes
 - D. The RPT is 70% and it does not pass
 - E. The RPT is 100% and it passes

46. Based on the following information, determine all 2007 key employees in a company of 100 employees:

<u>Name</u>	<u>Direct</u>			<u>Compensation</u>
	<u>Ownership</u>	<u>Officer</u>	<u>Relationship</u>	
A	8% owner	Yes	None	\$ 60,000
B	55% owner	Yes	Married to D	\$175,000
C	37% owner	Yes	None	\$ 70,000
D	No	No	Married to B	\$ 55,000
E	No	No	None	\$150,000
F	No	No	None	\$ 75,000

- A. Participant B
- B. Participants B and D
- C. Participants A, B and C
- D. Participants A, B, C and D
- E. Participants A, B, C, D and E

47. Based on the following information, determine the participant's annual additions *limit* for 2007:

Gross compensation	\$50,000
Elective deferrals	\$8,000
Catch-up contributions	\$4,000

- A. \$0
- B. \$12,000
- C. \$12,500
- D. \$45,000
- E. \$50,000

48. Based on the following information, determine Participant Z's allocation of the employer's discretionary contribution for the 2007 calendar year:

- The pro rata allocation formula is used.
- The employer contribution is \$75,000.
- Total compensation for all eligible participants is \$1,000,000.
- No eligible participant's compensation is above the maximum compensation limit.
- Participant Z's compensation is \$150,000.

- A. \$ 7,500
- B. \$11,250
- C. \$15,000
- D. \$37,500
- E. \$45,000

49. All of the following statements regarding the use of a default investment alternative to obtain fiduciary relief under ERISA §404(c) are **TRUE, EXCEPT:**

- A. The plan sponsor must provide investment consulting to the participants whose assets are invested in the qualified default investment alternative.
- B. Each quarter the participant must be given the opportunity to transfer to another plan investment without financial penalty.
- C. The plan must offer a broad range of investments.
- D. A prospectus about the qualified default investment must be given to the participants.
- E. The default fund must be a qualified default investment alternative.

50. All of the following statements regarding the determination of a plan's top-heavy status are **TRUE, EXCEPT**:
- A. When determining top-heavy status for the 2008 calendar year plan, calculations are performed as of the last day of the preceding plan year for an existing plan.
 - B. For a new plan the last day of the first plan year will be used for determining top-heavy status for the first and second plan years.
 - C. A profit sharing plan is top-heavy if more than 60% of the total account balances for all participants are attributable to key employees.
 - D. Generally, a plan sponsor who has both a 401(k) plan and a defined benefit plan must determine top-heavy status separately for each plan.
 - E. Identification of who are the key employees must be made in order to determine the plan's top-heavy status.
51. All of the following statements regarding the processing of participant directed trade requests in daily valuation are **TRUE, EXCEPT**:
- A. The transfer agent sends fund pricing to the recordkeeper.
 - B. The recordkeeping system updates results on the automated response system for participant access.
 - C. The transfer agent communicates to the trading partner the results of the buys and sells.
 - D. The trading partner sends omnibus level trades to the transfer agent.
 - E. The recordkeeping system electronically sends and receives trades with the trading partner.

52. All of the following statements regarding safe harbor 401(k) plan requirements are **TRUE, EXCEPT**:
- A. Upon electing to use a safe harbor alternative the employer must continue it for at least five years.
 - B. Employees must receive a written notice describing the safe harbor options prior to the start of the year.
 - C. Contributions that satisfy the ADP safe harbor must be 100% immediately vested.
 - D. Contributions made in excess of the safe harbor amounts may be subject to a vesting schedule.
 - E. A safe harbor 401(k) plan that includes only safe harbor contributions is deemed to be a non-top-heavy plan.
53. All of the following statements regarding balance-forward and daily valuation transfer processing are **TRUE, EXCEPT**:
- A. Balance-forward transfers often occur 45-60 days after the valuation date.
 - B. Balance-forward participants typically request a transfer using an automated response system.
 - C. Daily valuation transfers are made no later than the next business day after receipt of request.
 - D. Daily valuation transfers can occur each business day.
 - E. Balance-forward transfers occur only with a valuation date.

54. All of the following statements regarding reasons that a conversion from balance-forward recordkeeping to daily valuation recordkeeping is challenging are **TRUE**, **EXCEPT**:
- A. Dollar accounting changes to share accounting.
 - B. The need for cooperation between the old and new recordkeeper.
 - C. Accounting method changes from cash to accrual.
 - D. Decisions are made about assets valued less frequently than daily.
 - E. Participants are educated about differences in recordkeeping methods.
55. All of the following statements regarding characteristics of a GIC are **TRUE**, **EXCEPT**:
- A. GIC contracts have one, three, five and ten year interest guarantees.
 - B. The insurance company guarantees the safety of the principal.
 - C. The insurance company invests the funds in securities that mature around the time the GIC matures.
 - D. Interest rates are usually higher than a money market.
 - E. It is an obligation of the insurance company's general account.

56. All of the following statements regarding balance-forward and daily valuation accounting are **TRUE, EXCEPT**:
- A. Balance-forward tracks investment information on a share basis where daily valuation tracks investments on a dollar basis.
 - B. Balance-forward reports on an after the fact basis where daily valuation reports as it occurs.
 - C. Balance-forward generally reports on an accrual basis where daily valuation reports on a cash basis.
 - D. Balance-forward reports the value on a specific date where daily valuation reports the value every day.
 - E. Balance-forward reports the same activity as daily valuation reports.
57. All of the following statements regarding the contribution requirements for a defined contribution top-heavy plan are **TRUE, EXCEPT**:
- A. Elective deferrals are included when determining the highest contribution rate for the key-employee.
 - B. The minimum contribution is allocated to a participant whose entry date was mid year based on compensation earned from date of participation.
 - C. All non-key participants employed at year end must receive the minimum contribution.
 - D. The percentage minimum is not greater than three percent.
 - E. Catch-up contributions are excluded when determining the highest contribution rate.

58. All of the following statements regarding to whom and when a black out notice is provided are **TRUE, EXCEPT:**

- A. It must be given when distributions to terminated participants are prohibited for a period of more than three consecutive business days.
- B. It must be given to participants at least 30 days prior to the blackout.
- C. It must be given when there is a conversion from one retirement plan administration firm to another.
- D. It must be given when there is more than three consecutive business days that a participant is prohibited from obtaining a loan.
- E. It must restrict investment in employer stock outside the plan by directors and executives of privately held corporations.

59. All of the following statements regarding the types of mutual funds are **TRUE, EXCEPT:**

- A. Passively managed fund managers constantly analyze holdings of a mutual fund in an attempt to out perform the selected market index.
- B. Money market funds invest in short-term obligations that are constantly being bought and sold.
- C. Growth fund managers invest in stock of a company whose return is expected to grow faster than average.
- D. Age based funds allow participants to invest all their money in one fund and keep their money in it until retirement.
- E. Balanced funds invest in a fixed combination of both individual stocks and bonds.

60. All of the following statements regarding transaction processing in a daily valuation plan are **TRUE, EXCEPT**:
- A. Trading deadline is the time when all trades must be placed.
 - B. The settlement date is the day that money for a purchase must be received for the recordkeeper.
 - C. Fund positions are the number of shares of each mutual fund held by the plan.
 - D. Forward pricing is when buy and sells of mutual funds are computed at the close of business on the day the order is received.
 - E. Omnibus level trading is when trades for the same investment are combined to minimize cash flow and trade costs.
61. All of the following statements regarding participant transfer requests are **TRUE, EXCEPT**:
- A. Percent to percent transfers allow the participant to specify the percent of the fund to sell with the proceeds invested in other funds based on percentages.
 - B. A realignment transfer allows the participant to rebalance the account to its original investment strategy.
 - C. A dollar to percent transfer can accomplish the same result as a dollar to dollar transfer.
 - D. Dollar to percent transfers allow the participant to specify the percent to sell of a fund and then the amount of dollars to reinvest in each fund.
 - E. Dollar to dollar transfers allow the participant to specify the dollar amount to buy and sell in each fund.

62. All of the following statements regarding determining a participant's annual additions limit in a defined contribution plan are **TRUE, EXCEPT**:
- A. The limit is based on compensation received for the entire limitation year.
 - B. Compensation includes elective deferrals and catch-up contributions.
 - C. For a short first plan year the limitation year begins at the time of establishment of the plan.
 - D. Compensation is limited to the maximum compensation limit of \$225,000 in 2007.
 - E. It determines the maximum amount that can be allocated to a participant account annually.
63. All of the following are investment issues that fiduciaries consider to help satisfy their duty to provide a broad range of investments under ERISA §404(c) are **TRUE, EXCEPT**:
- A. Offering a variety of funds across all asset classes
 - B. Offering a money market, bond and stock fund
 - C. Offering a minimum of three core funds
 - D. Offering funds with high risk and low return
 - E. Offering participants the option to invest in any asset of their choice

64. All of the following statements regarding whether a participant is benefiting under the minimum coverage tests are **TRUE, EXCEPT**:
- A. A participant whose allocation is cut back due to the annual additions limit is considered benefiting.
 - B. A participant who receives an allocation of forfeitures is considered benefiting.
 - C. A participant who receives only an allocation of investment earnings is considered benefiting.
 - D. A participant who accrues a benefit during the year in a defined benefit plan is considered benefiting.
 - E. A participant who receives an allocation of the profit sharing contribution is considered benefiting.
65. All of the following statements regarding reasons the ending balance is different than the value of assets transferred during a conversion are **TRUE, EXCEPT**:
- A. Assets were liquidated but after the valuation date so realized gain or loss may not be reflected.
 - B. Forfeitures were transferred but tracked as a participant account on the valuation date.
 - C. The prior trustee deducted their fees after the valuation date but before the transfer of assets.
 - D. Loan payments were received from participants after the valuation date but before the transfer of assets.
 - E. A mutual fund declared a dividend before the liquidation but was paid after the valuation date.

66. All of the following statements regarding evaluating census data are **TRUE**, **EXCEPT**:
- A. Understanding the birth rate of the plan sponsor's employee group may explain the number of employees in each age group.
 - B. Understanding whether the plan sponsor's business is seasonal may affect the fluctuation in the number of employees.
 - C. Understanding the progression of compensation increases may validate the changes reflected in the compensation data.
 - D. Understanding the type of entity affects the form of compensation to request for the owners.
 - E. Understanding whether the plan sponsor acquired another business may explain a sharp increase in employees.
67. All of the following statements regarding safe harbor 401(k) plans are **TRUE**, **EXCEPT**:
- A. A QNEC of 2% will satisfy the safe harbor ADP allocated to eligible NHCEs.
 - B. Elective deferrals above 6% of compensation may not be matched.
 - C. A discretionary match is limited to 4% of compensation.
 - D. The rate of match can not increase as the rate of deferral increases.
 - E. HCEs cannot receive a greater rate of match than NHCEs deferring at the same rate.

68. All of the following statements regarding conditions that must be met (for plan years beginning in 2008) when utilizing mapping to minimize fiduciary liability under ERISA §404(c) are **TRUE, EXCEPT**:

- A. Implementation of the black out period requirements must be met.
- B. Participants must have exercised control over the investment of their assets prior to the effective date of the mapping changes.
- C. A notice explaining the existing and new investment options must be provided.
- D. A notice must be provided to the participants at least 30 days before the effective date of the mapping changes.
- E. The mapping of investments can be to new investment alternatives with different risk and rate of return characteristics than the existing investments.

69. All of the following statements regarding administration issues special to processing employer stock in a daily valuation defined contribution plan are **TRUE, EXCEPT**:

- A. Stock distributed to terminated participants may require several different calculations from the recordkeeper.
- B. Stock with voting rights may require the recordkeeper to provide the employer each participants, name, address and shares held.
- C. Publicly traded stock may require blackout periods during the year when certain employees can not buy or sell the stock.
- D. Publicly traded stock can sell whole and fractional shares.
- E. Stock that pays cash dividends may require the recordkeeper to provide the employer each participants name, address and shares held.

70. All of the following statements regarding the fiduciaries responsibility for assessing fees and disclosing expenses to participants are **TRUE, EXCEPT:**
- A. A fiduciary must consider costs charged to the plan when choosing a service provider.
 - B. A fiduciary is obligated to use plan assets to pay no more than reasonable fees for necessary plan services.
 - C. A fiduciary must choose the services with the lowest expenses.
 - D. A fiduciary should consider what services are necessary for the plan.
 - E. A fiduciary should determine whether the services will be delivered as promised.
71. All of the following statements regarding determining who are highly compensated employees (HCEs) in 2007 are **TRUE, EXCEPT:**
- A. An employee who is a 5% owner due to constructive ownership is an HCE.
 - B. An employee who meets either the 5% owner rule or the compensation rule is an HCE.
 - C. An employee who earns more than \$100,000 in the current year is an HCE.
 - D. An employee who is a 5% owner in the lookback year is an HCE.
 - E. An employee who is a 5% owner in the current year is an HCE.
72. A frozen plan is one that...
- A. governmental filings are discontinued.
 - B. assets are distributed.
 - C. more than 30% of it's employees terminated.
 - D. requires 100% immediate vesting.
 - E. benefit accruals have ceased.

73. Mutual fund 12B-1 fees are assessed to cover...
- A. distribution expenses related to advertising and sales support.
 - B. processing participant benefit pay outs.
 - C. completion of Form 5500.
 - D. up front one time sales commissions.
 - E. contingent deferred sales charges.
74. The named plan fiduciary **MUST**...
- A. minimize fiduciary liability under ERISA §404(c).
 - B. offer participant direction.
 - C. offer the best fund in every investment category.
 - D. review fund performance every five years.
 - E. balance several objectives when deciding what investment alternatives to offer.
75. Converting a trustee directed plan to a participant directed plan is challenging because...
- A. trustees must decide the participant eligibility provisions.
 - B. participants must be educated about investment choices.
 - C. trustees must spend time choosing the type of retirement plan to use.
 - D. trustees must decide when to vest participants.
 - E. participants must make retirement date decisions.

END OF EXAM