

## **DC-3: Defined Contribution Administrative Issues – Advanced Topics**

### **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. 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 and standards, 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 knowledge of the material covered in the Retirement Plan Fundamentals (RPF) course, DC-1 and DC-2 examinations.

### **Suggested Reading**

DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

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

## **Supplementary Study Materials**

Practice examinations are available for purchase at <https://www.asppa.org/professional-development/product-quick-links>.

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## **Exam**

The corresponding exam will include 50 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.

## **Additional Information**

All candidates are encouraged to visit ASPPA's Examination Policy (<https://www.asppa.org/sites/asppa.org/files/PDFs/Education/NewEducation/Policies/ASPPA%20Exam%20Policy.pdf>) 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 policy includes instructions for locating Prometric test centers to schedule examinations, study tips, current information on regulatory limits, and other helpful information. You may also contact ASPPA with questions at [rpa@usaretirement.org](mailto:rpa@usaretirement.org).

## 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 Describe a multiple employer plan and describe its impact on plan administration.
- 1.02 Identify a multiemployer plan and its impact on plan administration.
- 1.03 Describe the four requirements that must be met to treat an individual as a leased employee under IRC §414(n).
- 1.04 Compare the treatment of leased employees in a recipient client organization's single employer plan to that in a multiple employer plan sponsored by the leasing organization.

### Exam Weighting

This topic will comprise approximately 5 to 9 percent of the exam questions.

### Suggested Reading

Chapter 1: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

## 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 Discuss the characteristics of different types of business entities.
- 2.02 Calculate compensation for purposes of contribution allocation to a self-employed person.
- 2.03 Describe what a QSLOB is and how it impacts the plan's testing.
- 2.04 Identify the six safe harbor tests that a QSLOB can use to satisfy the administrative scrutiny test.

### Exam Weighting

This topic will comprise approximately 5 to 9 percent of the exam questions.

## **Suggested Reading**

Chapter 2: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

## 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 Discuss the impact of controlled group status when applied to the qualified plan requirements.
- 3.02 Differentiate between a brother-sister controlled group and a parent subsidiary group.
- 3.03 Explain the attribution rules applicable to controlled groups under IRC §1563, including exceptions to spousal attribution.
- 3.04 Determine whether a controlled group exists.
- 3.05 Discuss the impact of affiliated service group status when applying the qualified plan requirements.
- 3.06 Determine whether an organization is a service organization, a professional service organization or an FSO.
- 3.07 Determine whether an organization is a management organization based on the type and degree of services performed.
- 3.08 Explain the attribution rules applicable to affiliated service groups under IRC §318.
- 3.09 Determine whether an ASG exists under IRC §414(m).

### **Exam Weighting**

This topic will comprise approximately 11 to 15 percent of the exam questions.

### **Suggested Reading**

Chapter 3: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

## 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 definitions of compensation under IRC §§415 and 414(s).
- 4.02 Explain when a plan's definition of compensation is subject to nondiscrimination testing.
- 4.03 Calculate the compensation nondiscrimination test.
- 4.04 Determine the impact of short plan years and short tax years on deduction limits.
- 4.05 Determine the deduction limits as they apply to overlapping defined benefit/defined contribution plans.

### Exam Weighting

This topic will comprise approximately 5 to 9 percent of the exam questions.

### Suggested Reading

Chapter 4: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

## 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 Explain the otherwise excludable rules regarding coverage testing.
- 5.04 Describe how mergers, acquisitions and spin-offs affect coverage testing.
- 5.05 Identify the three simplified procedures for establishing employee data for testing coverage in a plan year.

- 5.06 Determine the impact of leased employees on coverage testing.
- 5.07 Determine corrections that can be made when a plan does not satisfy coverage requirements.

### **Exam Weighting**

This topic will comprise approximately 9 to 13 percent of the exam questions.

### **Suggested Reading**

Chapter 5: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

## 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, and the rights and features that are subject to nondiscrimination testing.

### **Learning Objectives**

The successful candidate will be able to:

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

### **Exam Weighting**

This topic will comprise approximately 11 to 15 percent of the exam questions.

### **Suggested Reading**

Chapter 6: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

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

### Exam Weighting

This topic will comprise approximately 11 to 15 percent of the exam questions.

### Suggested Reading

Chapter 7: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

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

## Exam Weighting

This topic will comprise approximately 5 to 9 percent of the exam questions.

## Suggested Reading

Chapter 8: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

# Topic 9 - Prohibited Transactions

## Overview

In order to give clients the highest level of service and professionalism, it is important that retirement plan professionals are 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. Also covered are the new covered service provider disclosures, who is a covered service provider, required disclosures, and penalties for failing to disclose.

## Learning Objectives

The successful candidate will be able to:

- 9.01 Identify a disqualified person.
- 9.02 Identify a party-in-interest.
- 9.03 Illustrate a prohibited transaction.
- 9.04 Explain 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 Identify the form required to transmit the prohibited transaction excise taxes to the IRS and its due date.
- 9.07 Identify who is a covered service provider under the fiduciary fee disclosure regulations.
- 9.08 Explain the consequences for failing to make required fiduciary fee disclosures.

## **Exam Weighting**

This topic will comprise approximately 11 to 15 percent of the exam questions.

## **Suggested Reading**

Chapter 9: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

Hurd, Kelly Marie. *DOL Final Regulations under §408(b)(2) Fiduciary Fee Disclosure. ASPPA asap*. July 20, 2012, No. 12-20. ASPPA. (provided within)

## Topic 10 - Distributions Upon Death 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.

On June 26, 2013, the Supreme Court, in *U.S. v Windsor*, declared §3 of the Defense of Marriage Act (DOMA) unconstitutional. Section 3 stated that a marriage for Federal law purposes meant only a legal union between one man and one woman as husband and wife, and the word spouse referred only to a person of the opposite sex who was a husband or wife. This affects several areas of retirement plan administration which will be reviewed under this topic.

### **Learning Objectives**

The successful candidate will be able to:

- 10.01 Identify the information that must be provided to a participant in the required notice for a distribution to occur, and whether consent is required.
- 10.02 Identify the impact of the repeal of DOMA on the definition of spouse for various plan purposes, including attribution rules, definition of HCE, definition of key employee, distribution, and beneficiary purposes.
- 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 9 percent of the exam questions.

## **Suggested Reading**

Chapter 10: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

## 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 knowledge of the provisions of the ASPPA Code of Professional Conduct.

### **Exam Weighting**

This topic will comprise approximately 1 to 4 percent of the exam questions.

### **Suggested Reading**

Chapter 11: DC-3: *DC-3 Study Guide: Advanced Compliance and Administration Topics, 8<sup>th</sup> Edition*. Arlington, VA: ARA, 2019.

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