

DC-1: Defined Contribution Administrative Issues – Basic Concepts

Course Overview

Qualified retirement plans are afforded favorable tax treatment, including tax deductible contributions, deferral of taxation to the employee, and tax deferred investment earnings on assets. In order to be afforded this special treatment, qualified plans must satisfy certain requirements in the Internal Revenue Code (IRC) and Treasury Regulations.

This course begins with the basic plan qualification requirements including plan document requirements. The course then explores the different types of qualified plans before delving into specific qualification requirements and concepts including eligibility, participation, highly compensated employees (HCEs), key employees, and top-heavy plans.

Candidates will learn about contributions and allocations, deductibility of contributions, vesting and forfeiture issues. The course also reviews plan amendments, plan terminations and annual reporting requirements (Form 5500 filings).

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.

It is presumed that a candidate sitting for the DC-1 examination will have the knowledge of material covered in the Retirement Plan Fundamentals (RPF) course. All suggested reading material is listed in each topic.

Suggested Reading

DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th 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 63 multiple choice questions for which a candidate will have 2½ 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 Policies (<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.

Topic 1 – Plan Qualification Requirements

Overview

Retirement plan professionals are expected to know about plan qualification requirements. Under this topic, candidates will learn the various requirements necessary for plan qualification, the different types of plan documents available to a plan sponsor, the disclosure requirements of a summary plan description (SPD), and the consequences of plan disqualification. They will also learn about the Internal Revenue Service (IRS) program Employee Plans Compliance Resolution System (EPCRS), which helps plan administrators resolve problems regarding plan qualification issues.

Learning Objectives

The successful candidate will be able to:

- 1.01 Describe the basic requirements for a plan to be qualified under the IRC.
- 1.02 Distinguish between the different types of plan documents (master plan, prototype, volume submitter, individually designed and trust document).
- 1.03 Explain when it is appropriate to submit a plan to the IRS for qualification review and describe the corresponding procedures.
- 1.04 Describe an SPD, SMM and the disclosure requirements.
- 1.05 Identify potential plan disqualification issues and consequences.
- 1.06 Describe the general characteristics of SCP, VCP and Audit CAP.
- 1.07 State the general correction principles of the EPCRS program.

Exam Weighting

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

Suggested Reading

Chapter 1: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 2 – Types of Plans

Overview

Retirement plan professionals are expected to know about the different types of qualified plans available to plan sponsors. Under this topic, candidates will learn the differences between pension and non-pension plans and the various distinguishing characteristics of different types of defined contribution plans.

Learning Objectives

The successful candidate will be able to:

- 2.01 Explain the differences between a pension and a non-pension plan.
- 2.02 Describe the distinguishing characteristics of different types of defined contribution plans.

Exam Weighting

This topic will comprise approximately 2 to 4 percent of the exam questions.

Suggested Reading

Chapter 2: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 3 – Requirements for Eligibility and Participation

Overview

Retirement plan professionals are expected to know the eligibility requirements applicable to qualified plans and the issues surrounding when an employee can/must become a participant. Under this topic, candidates will learn about plan eligibility requirements, a year of service, plan entry date rules, break-in-service rules and the rule of parity as it applies to eligibility requirements.

Learning Objectives

The successful candidate will be able to:

- 3.01 Explain the statutory eligibility and entry requirements for qualified plans.
- 3.02 Define year of service for eligibility purposes.
- 3.03 Explain the rules regarding eligibility computation periods and determination methods.
- 3.04 Determine a participant's entry date into a plan or portion of a plan.
- 3.05 Define break in service and determine how break in service rules operate and affect eligibility determination.
- 3.06 Determine the effect of a change in a plan's eligibility requirements on current participants.

Exam Weighting

This topic will comprise approximately 10 to 12 percent of the exam questions.

Suggested Reading

Chapter 3: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 4 – Highly Compensated Employees

Overview

Retirement plan professionals are expected to know how to determine which employees are Highly Compensated Employees (HCEs), and why that determination is crucial to maintaining a plan's qualified status. Under this topic, candidates will learn how to determine HCEs including advanced methodologies like the top-paid group election and calendar year data election.

Learning Objectives

The successful candidate will be able to:

- 4.01 Describe the five-percent owner test and the compensation test related to the determination of HCEs.
- 4.02 Explain family attribution as it relates to the determination of HCEs.
- 4.03 Describe the calendar year data election as it relates to the determination of HCEs.
- 4.04 Describe the top-paid group election as it relates to the determination of HCEs and determine when it is appropriate or useful.
- 4.05 Calculate the number of employees included in the top-paid group.
- 4.06 Determine an individual's HCE status under IRC §414(q).

Exam Weighting

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

Suggested Reading

Chapter 4: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 5 – Key Employees and Top-Heavy Plans

Overview

Retirement plan professionals need to know about top-heavy requirements including the determination of key employees and the plan qualification issues associated with top-heavy plans. Under this topic, candidates will learn how to identify key employees, how to determine the top-heavy ratio and the additional requirements for top-heavy plans.

Learning Objectives

The successful candidate will be able to:

- 5.01 Determine whether an individual is a key employee, former key employee or a non-key employee.
- 5.02 Identify when plans may be and when they must be aggregated to determine top-heavy status and explain how aggregation affects the top-heavy status of each plan in the group.
- 5.03 Identify the various components included in determining the top-heavy ratio.
- 5.04 Calculate the top-heavy ratio.
- 5.05 Identify the allocations that are used to determine key employees' allocation rates for purposes of determining a plan's top heavy minimum contribution.
- 5.06 Describe the allocation conditions necessary to receive a top-heavy minimum contribution.
- 5.07 Calculate the amount of the required top-heavy minimum contribution.

Exam Weighting

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

Suggested Reading

Chapter 5: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 6 – Requirements for Coverage

Overview

Retirement plan professionals are expected to understand coverage requirements as they pertain to maintaining a plan's qualified status. Under this topic, candidates will learn about the two tests used to satisfy coverage requirements, with an emphasis on the ratio percentage test, and how to correct coverage failures in a plan.

Learning Objectives

The successful candidate will be able to:

- 6.01 Describe the two tests that may be used to demonstrate that a plan satisfies the minimum coverage requirements under IRC §410(b).
- 6.02 Determine who is included in the coverage testing group.
- 6.03 Determine who is included in the benefiting group.
- 6.04 Describe how certain conditions placed on allocations affect coverage testing.
- 6.05 Perform the ratio percentage test.
- 6.06 Describe special coverage rules including those applicable to 401(k) plans, aggregation, disaggregation, and leased employees.
- 6.07 State three situations in which a plan is deemed to pass the coverage test.
- 6.08 Describe the options for correcting an IRC §410(b) coverage failure, including fail-safe provisions that may be included in the plan document.

Exam Weighting

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

Suggested Reading

Chapter 6: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 7 – Defined Contribution Plans: Contributions and Allocations

Overview

Retirement plan professionals need to know how much a participant can receive as an allocation during the plan year, conditions that may be placed on such allocations and how those allocations are made to the plan. Under this topic, candidates will learn about allocation methods, the compensation used to allocate contributions, when that compensation may be subject to additional nondiscrimination testing, and annual addition limits and corrections.

Learning Objectives

The successful candidate will be able to:

- 7.01 Determine when various contribution types are allocated and describe the allocation conditions that may be imposed on a plan participant.
- 7.02 Describe allowable contribution allocation methods.
- 7.03 Calculate a *pro rata* contribution allocation.
- 7.04 Describe the annual addition limit under IRC §415 and determine if the annual addition limits have been satisfied.
- 7.05 Explain the consequences of exceeding the annual additions limit and identify applicable correction methods.
- 7.06 Differentiate between compensation as defined under IRC §§415 and 414(s) and identify which definition of compensation must be used for various qualified plan purposes.
- 7.07 Identify scenarios in which a plan's definition of compensation for allocation purposes may be subject to nondiscrimination testing.

Exam Weighting

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

Suggested Reading

Chapter 7: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 8 – Deductions

Overview

Retirement plan professionals are expected to understand when an employer's contribution is deductible along with the amounts of any required contributions for a plan year. Under this topic, candidates will learn about the maximum deduction limits for qualified plans, the compensation used to determine deductibility, deadlines for deductibility purposes and what to do about a nondeductible contribution.

Learning Objectives

The successful candidate will be able to:

- 8.01 Describe the requirements of IRC §404, including factors that affect the deduction limit, compensation used and the computation period.
- 8.02 Calculate the maximum deduction for all types of defined contribution plans including situations in which the employer sponsors multiple retirement plans.
- 8.03 Explain the impact of a defined benefit plan on the defined contribution plan deduction limits.
- 8.04 Determine the contribution deadlines for tax deduction purposes for the different types of business entities.
- 8.05 Describe the rules regarding nondeductible contributions, determine the amount of a nondeductible contribution, and calculate the related excise tax.

Exam Weighting

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

Suggested Reading

Chapter 8: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 9 – Requirements for Vesting

Overview

Retirement plan professionals are expected to know the vesting and forfeiture rules applicable to qualified plans. Under this topic, candidates will learn about how vesting works, including break-in-service and forfeiture rules.

Learning Objectives

The successful candidate will be able to:

- 9.01 Explain how vesting works.
- 9.02 List the statutory minimum vesting schedules.
- 9.03 Identify the conditions under which a participant must become fully vested.
- 9.04 Define year of service for vesting purposes.
- 9.05 Define break in service and determine how breaks in service affect vesting service credits and vesting percentages.
- 9.06 Determine a participant's years of service for vesting purposes, vested percentage and vested balance.
- 9.07 Calculate a terminated participant's forfeiture amount.
- 9.08 Determine when a forfeiture is deemed to occur and describe allowable forfeiture allocation methods.

Exam Weighting

This topic will comprise approximately 12 to 14 percent of the exam questions.

Suggested Reading

Chapter 9: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 10 – Plan Amendments and Terminations

Overview

Retirement plan professionals will encounter plan amendments and plan terminations. Under this topic, candidates will learn about plan amendments, changes that necessitate an ERISA §204(h) notice, plan terminations and anti-cutback rules.

Learning Objectives

The successful candidate will be able to:

- 10.01 Determine when a plan amendment is needed and what type of plan amendment should be used.
- 10.02 Identify what benefits are protected by the anti-cutback rules.
- 10.03 Define the remedial amendment period.
- 10.04 Determine when an SMM is required to be provided to a participant.
- 10.05 Describe the purpose and contents of the ERISA §204(h) notice and explain to whom and under what conditions it should be distributed.
- 10.06 Describe the process for terminating a defined contribution plan.

Exam Weighting

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

Suggested Reading

Chapter 10: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 11 – Annual Reporting Requirements

Overview

Retirement plan professionals are expected to know the rules regarding Form 5500 and other annual reporting requirements. Under this topic, candidates will learn about the Form 5500 and be able to determine which Form and accompanying schedules must be filed. In addition, candidates will learn about the filing deadlines, the penalties for failure to comply with the reporting requirements, plan audit requirements and the small plan audit waiver.

Learning Objectives

The successful candidate will be able to:

- 11.01 Identify which plans are subject to Title I of ERISA and the applicable reporting requirements.
- 11.02 Explain the fidelity bond requirement and how the bond amount is calculated.
- 11.03 Determine which Form 5500 is filed based on the type and size of the plan.
- 11.04 Determine the various schedules that are required to be filed with Form 5500.
- 11.05 Describe the purpose of Form 8955-SSA and determine when it is required to be filed.
- 11.06 Describe the filing deadlines for the Form 5500 series and how those deadlines are modified by a short plan year or a plan termination.
- 11.07 Describe the penalties for not satisfying Form 5500 filing requirements for 5500 filers and for 5500-EZ filers.
- 11.08 Describe the purpose and requirements of the DFVC Program.

- 11.09 Describe the plan audit requirements and the items covered in the accountant's report.
- 11.10 Describe the small plan audit waiver, the requirements for additional disclosure to participants and additional bonding that may be required for small plans.

Exam Weighting

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

Suggested Reading

Chapter 11: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

Topic 12 – 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:

- 12.01 Demonstrate awareness of the provisions of the ASPPA Code of Professional Conduct.
- 12.02 Identify the action required of an ASPPA member in areas relating to the ASPPA Code of Professional Conduct.

Exam Weighting

This topic will comprise approximately 4 to 6 percent of the exam questions.

Suggested Reading

Chapter 12: DC-1: *DC-1 Study Guide: Plan Qualification and Compliance Basics, 9th Edition*. Arlington, VA: ARA, 2019.

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