

TGPC-1: Tax-Exempt & Governmental Plan Administration-1

Course Overview

This course focuses on the administration and compliance requirements of 403(b), 457(b), and other plans maintained by tax-exempt and governmental entities. The topics covered include employee eligibility, vesting, contribution types and limits, nondiscrimination rules, allowable investments, contract exchanges, transfers, and plan documents. Also, the ethical responsibilities of a retirement plan professional are discussed.

The candidate will be awarded the Tax-Exempt & Governmental Plan Administration certificate upon successful completion of this open book exam. The exam is provided exclusively through on-line resources.

If candidates choose to continue their education of tax-exempt and governmental plans, an additional course, the Tax-Exempt & Governmental Plan Consultant-2 (TGPC-2) is offered. This second course is geared towards the financial professional and focuses on fiduciary issues, church plans, 457(f) plans, and investment and product fees. View additional information on the Tax-Exempt & Governmental Plan Consultant (TGPC) credential at www.asppa-net.org/tgpc.

Suggested Reading

TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

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

Supplementary Study Materials

Practice examinations are available for purchase at www.asppa-net.org/practice-exams.

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Please note that only products noted as distributable can be distributed. Purchasers of these products are allowed to distribute to direct employees of their Company. In addition, authorized Universities offering ASPPA education are eligible to distribute the purchased materials to their students. Purchasers of this product are prohibited from distribution of these materials to any other parties unless agreed upon by ASPPA in writing. Materials may be e-mailed directly to the above-mentioned parties or published

on a non-public portion of the Purchaser's website for access/distribution. Materials may not be placed on a site that has general public access. All other use or distribution of these materials is explicitly prohibited unless otherwise approved in writing by ASPPA.

Exam

The corresponding online open-book exam will include 75 questions, of which 65 are multiple choice, and 10 are True/False. Upon completion of the exam, a candidate will receive an immediate score and feedback report. **A score of 64 or more out of 75 is a passing score.** There are two attempts of the examination. If a candidate fails one attempt of the TPGC-1 exam, he/she may register, pay and take the second version within the same year. **Please note that the enrollment period for each attempt is six months. Exams must be submitted six months from first enrollment date.** Upon successful completion of the exam, the Tax-Exempt and Government Plan Administration certificate will be immediately issued to the candidate.

Additional Information

All candidates are encouraged to visit Candidate Corner (www.asppa-net.org/candidate-corner) for additional information regarding this exam. It is the candidate's responsibility to check the website for the most current information on examinations and publications. The Candidate Corner includes information about 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: An Overview: Historical Perspective and Current Trends

Overview

In order for a candidate to understand the unique set of rules for 403(b) plans, it is important to follow their legislative history and see how they have evolved over time. Candidates will be given a brief history lesson, including the investment trends and evolution of 403(b) investment products. Also covered is a detailed explanation of the entities that are considered eligible employers to sponsor these plans.

Learning Objectives

The successful candidate will be able to:

- 1.01 State when elective deferral 403(b) programs became available to IRC §501(c)(3) organizations and public education institutions.
- 1.02 Identify the types of employers that are eligible to sponsor 403(b) plans and discuss what documentation may be required by an investment provider or IRS as proof of that eligibility.
- 1.03 Identify the types of investment options that may be offered in a 403(b) plan.

Exam Weighting

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

Suggested Reading

Chapter 1: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 2: General Rules for 403(b) Plans

Overview

This topic introduces the impact of ERISA on 403(b) plans. The candidate will learn about the specific employer actions that may subject a plan to ERISA and also what types of employers are not subject to ERISA requirements. Also discussed are core issues including employee eligibility, salary reduction agreements, contribution remittance requirements and the effect of bankruptcy on plan assets. Additionally, candidates are shown how to calculate a participant's maximum contribution amount including available catch-up options. Also covered are the rules regarding a participant's ability to make post-employment contributions to his or her 403(b) account.

Learning Objectives

The successful candidate will be able to:

- 2.01 Identify the types of employers that are statutorily exempt from ERISA requirements.
- 2.02 Explain when a 403(b) plan is subject to ERISA, including the specific employer's actions that could subject the plan to ERISA.
- 2.03 Explain the universal availability rules that are applicable to 403(b) plans.

- 2.04 Explain the requirement of offering an eligible employee a "meaningful opportunity to participate" in a 403(b) plan and identify which types of employers are exempt from this requirement.
- 2.05 Explain the contribution limits of a 403(b) plan including the catch-up provisions.
- 2.06 Explain the eligibility requirements for the 15 year catch-up provision and how it is coordinated with the age 50 catch-up provision.
- 2.07 Explain the W-2 reporting requirements that are applicable to elective deferrals in a 403(b) plan.
- 2.08 Define includible compensation in a 403(b) plan.
- 2.09 Explain the differences between the federal taxation and reporting of elective (pre-tax and Roth) contributions and employer contributions in a 403(b) plan.
- 2.10 Explain the general rules of salary reduction agreements for elective deferrals into a 403(b) plan during employment and post-employment.
- 2.11 Explain the type of post-employment elective deferrals that may be made to a 403(b) plan.
- 2.12 List the advantages and disadvantages of adding a designated Roth provision to a 403(b) plan.
- 2.13 Define the timing rules for remitting contributions to ERISA and non-ERISA 403(b) plans.
- 2.14 Explain whether ERISA 403(b) and non-ERISA 403(b) plan assets are subject to creditors of the employer and the employee.

Exam Weighting

This topic will comprise approximately 12 to 16 percent of the exam questions.

Suggested Reading

Chapter 2: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 3: 403(b) Contract Exchanges and Plan-to-Plan Transfers

Overview

This topic introduces candidates to the differences between 403(b) contract exchanges and plan-to-plan transfers. It also covers what these terms mean in today's environment and what steps an administrator and employer may take to help facilitate the transaction process. Additionally, the tax-free transfer requirements of purchasing service credits in a state's defined benefit plan are explained.

Learning Objectives

The successful candidate will be able to:

- 3.01 Describe the information sharing process that occurs between an employer and a 403(b) provider or TPA.
- 3.02 Describe the types of tax-free transfers permitted from a 403(b) plan.
- 3.03 Identify what a contract exchange is as it relates to 403(b) plans.

- 3.04 Identify the types of pre-2009 403(b) accounts that must be included in a 403(b) plan.
- 3.05 Identify the types of pre-2009 403(b) accounts that do not have to be included in a 403(b) plan.
- 3.06 Describe an employer's responsibilities when sponsoring a 403(b) plan.
- 3.07 Explain how and for what reasons a 457(b) or 403(b) participant would purchase service credits in a state's defined benefit plan.

Exam Weighting

This topic will comprise approximately 6 to 8 percent of the exam questions.

Suggested Reading

Chapter 3: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 4: Distributions and Rollovers

Overview

“When can I get my money out of the plan?” is probably the most frequently asked question by retirement plan participants. It is the responsibility of plan professionals to answer this important question accurately and completely.

More participants may be willing to contribute to a retirement plan if they understand the rules regarding when they can withdraw their monies. They should also understand the tax ramifications of their withdrawals and the options they have to roll over their accounts to another retirement plan or IRA.

Learning Objectives

The successful candidate will be able to:

- 4.01 List the IRC distributable events that allow a participant to withdraw elective deferrals from a 403(b) plan.
- 4.02 List the IRC distributable events that allow a participant to withdraw employer contributions from a 403(b) plan.
- 4.03 Identify the sources within a 403(b) that have no IRC withdrawal restrictions.
- 4.04 Describe the rules for a safe harbor hardship distribution from a 403(b) plan.
- 4.05 Describe the rules for a facts and circumstances hardship distribution from a 403(b) plan.
- 4.06 Explain how the eligible rollover rules apply to governmental 457(b) and 403(b) plans.
- 4.07 Describe the involuntary cash-out procedure that applies to distributions from a 403(b) plan.
- 4.08 Explain the in-plan rollover rules for designated Roth accounts in 403(b) and governmental 457(b) plans.
- 4.09 Explain the rules regarding RMDs from 403(b) plans and how they differ from 401(k) plans.

4.10 Describe the death benefits available from a 403(b) plan.

Exam Weighting

This topic will comprise approximately 10 to 14 percent of the exam questions.

Suggested Reading

Chapter 4: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 5: Participant Loans

Overview

It is impossible to not notice the significant effects that the final 403(b) regulations have made on 403(b) plans and their plan sponsors. So, it should come as no surprise that the regulations have radically affected the way plan sponsors, i.e. the employers, administer their participant loan programs.

Because there is one single loan limit for each employee for all of an employer's plans, the regulations require that the plan sponsor assume responsibility for considering any and all loans that an employee might have in all plans that permit loans. The monitoring and coordination of loans will require a single source of information on any outstanding loans held by a participant in any of the employer's plans prior to the granting of a new loan for that participant.

As a financial professional, consultant or administrator, it is important to understand the details and nuances of the loan rules, so you may provide compliance and administrative support to your clients.

Learning Objectives

The successful candidate will be able to:

- 5.01 Explain the loan rules as they apply to 403(b) plans.
- 5.02 Calculate a participant's maximum available 403(b) loan amount.

Exam Weighting

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

Suggested Reading

Chapter 5: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 6: Plan Document, Annuity and Custodial Account Basics

Overview

Plan documents come in different "flavors," but all must include specific provisions mandated by the IRS to keep the plan qualified for favorable tax treatment. This topic

covers the different types of plan documents, along with a description of the IRS prototype programs including the program that is available to 403(b) plans.

In addition to plan document requirements, 403(b) plans must be funded through an annuity or custodial arrangement. Therefore, each plan will have an underlying annuity contract and/or custodial agreement. The basics of each arrangement is explored, showing the similarities and differences between these two funding arrangements.

Learning Objectives

The successful candidate will be able to:

- 6.01 Discuss the optional and required provisions in a 403(b) plan document.
- 6.02 Differentiate between the different types of plan documents (master plan, prototype, volume submitter and individually designed).
- 6.03 Identify the key documents that must be prepared when implementing a new 403(b) plan.
- 6.04 List the type of disclosure information (SPD, SMM, etc.) that must be provided to ERISA 403(b) participants and when it must be provided.
- 6.05 Explain the differences in the required language that must be included in a 403(b)(7) custodial agreement versus a 403(b)(1) annuity contract.

Exam Weighting

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

Suggested Reading

Chapter 6: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 7: ERISA 403(b) Plan Requirements

Overview

You probably have heard of ERISA, but may not be sure what it is, or what it covers. ERISA is a federal law that sets minimum standards for certain retirement plans. For example, if an employer maintains a retirement plan, ERISA specifies when an employee must be allowed to become a participant, how long he or she must work before attaining a non-forfeitable interest in their account, and whether a spouse has a right to the account in the event of the participant's death.

This topic introduces the impact that ERISA has on certain 403(b) plans, *i.e.*, 403(b) plans sponsored by electing church organizations and tax-exempt 501(c)(3) organizations that are either funded with employer contributions or have a level of employer involvement that results in the plan being subject to ERISA.

Learning Objectives

The successful candidate will be able to:

- 7.01 Identify the fiduciary requirements for an ERISA 403(b) plan.
- 7.02 Define the concept of vesting in an ERISA 403(b) plan.

- 7.03 Identify the vesting schedules and other vesting issues applicable to ERISA 403(b) plans.
- 7.04 Explain the concept of forfeitures in ERISA 403(b) plans and how they may be used.
- 7.05 Explain the qualified domestic relations order (QDRO) rules.
- 7.06 Describe the ERISA qualified joint and survivor annuity (QJSA) and qualified pre-retirement survivor annuity (QPSA) requirements in 403(b) plans.
- 7.07 Explain the ERISA fidelity bond requirements and who must be bonded.
- 7.08 Describe the Form 5500 annual reporting requirements applicable to 403(b) plans including required schedules, summary annual report and the filing deadlines.
- 7.09 Explain the steps that must be taken in order to terminate a 403(b) plan.
- 7.10 Explain the differences between a frozen and a terminated 403(b) plan.

Exam Weighting

This topic will comprise approximately 8 to 12 percent of the exam questions.

Suggested Reading

Chapter 7: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 8: Nondiscrimination Requirements for 403(b) Plans

Overview

IRC §403(b)(12)(A)(i) imposes nondiscrimination requirements that must be satisfied by any 403(b) plan that receives employer contributions or permits after-tax employee contributions, except for plans of governmental employers and certain church organizations.

This topic presents an overview of the nondiscrimination rules and the tests that must be satisfied in order to satisfy IRC requirements. It also covers the consequences of disqualification if these requirements are not met.

Learning Objectives

The successful candidate will be able to:

- 8.01 Describe the types of employer contributions and allocation methods that can be used in a 403(b) plan.
- 8.02 Describe the nondiscrimination rules (including minimum coverage testing) that are applicable to IRC §501(c)(3) organizations sponsoring ERISA 403(b) plans.
- 8.03 Describe the nondiscrimination rules that are applicable for governmental and non-electing IRC §3121(w)(3)(A)(B) church plans.
- 8.04 Define who is a highly compensated employee (HCE).
- 8.05 List the correction methods for a failed actual contribution percentage (ACP) test.

- 8.06 List the types of safe harbors that a 403(b) plan may used to avoid nondiscrimination testing.
- 8.07 Compare the nondiscrimination rules applicable to 403(b) and 401(k) plans.
- 8.08 Identify the potential effect of the controlled group rules on tax-exempt organizations.
- 8.09 State the potential consequences of the loss of 403(b) status to the plan sponsor and participants.
- 8.10 Describe the IRS and DOL correction programs available to 403(b) plans.

Exam Weighting

This topic will comprise approximately 8 to 12 percent of the exam questions.

Suggested Reading

Chapter 8: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 9: 403(b) vs. 401(k) Plans

Overview

Why should an employer establish a retirement plan—and why should an employee participate? This topic covers some of the basic reasons why employers sponsor retirement plans and why employees choose to participate in them.

In addition, a 403(b) course would not be considered complete if it didn't present a comparison between 403(b) plans and the other popular elective deferral plan — the 401(k) plan. How are they similar? What are the primary differences? This is such a popular topic that if you do an internet search on “403(b) versus 401(k)” you will get over two million hits! Frequently asked questions are answered along with a side-by-side comparison chart that further illustrates each plan's characteristics.

Learning Objectives

The successful candidate will be able to:

- 9.01 State the benefits of participating in or sponsoring a retirement plan.
- 9.02 Describe the differences between a 403(b) plan and a 401(k) plan.

Exam Weighting

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

Suggested Reading

Chapter 9: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 10: Governmental Plans

Overview

In order to compare public-sector to private-sector plans, it is important to understand the differences in how each sector's plans are designed and regulated. Governmental plans are not subject to Title I of ERISA or many of the IRC rules that handcuff the private-sector plan sponsor. But if this "path" initially appears to be easier, bear in mind that in addition to applicable federal rules, the plans of government entities are subject to state and local statutes which play a major role in dictating a plan's contribution formulas, features and investment choices.

For candidates who have worked solely with private-sector plans, this topic will introduce some new pension terms including "pick-up" contributions, deferred retirement option plan (DROP) and Optional Retirement Plans, just to name a few.

Learning Objectives

The successful candidate will be able to:

- 10.01 List the primary differences between governmental defined benefit plans and private sector defined benefit plans.
- 10.02 Describe the characteristics of IRC §414(h) pickup contributions, when they are typically used and how they impact contribution and compensation limits.
- 10.03 Summarize the issues that many governmental defined benefit plan sponsors have in applying final phased retirement regulations and discuss the resulting consequences.
- 10.04 Describe the purpose a DROP option in a governmental defined benefit plan serves, and list the types of employee groups that are typically offered a DROP.
- 10.05 Describe an Optional Retirement Plan (ORP)/Alternative Retirement Plan (ARP) and how it is used by governmental employers.
- 10.06 Describe the flexibility that governmental employers have in making employer contributions to 403(b) and 401(a) plans.
- 10.07 Explain the type of post-employment employer contributions that may be made to a 403(b) plan.

Exam Weighting

This topic will comprise approximately 8 to 10 percent of the exam questions.

Suggested Reading

Chapter 10: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 11: Service Providers and Hold Harmless Agreements

Overview

A plan professional who has experience working with 401(k) plans will quickly learn that providing compliance or consulting services to a 403(b) plan may prove a challenge to

the uninitiated! Historically, these plans have been serviced by many different providers other than the traditional third party administrator. This topic explores these firms and the array of services they provide for employers.

Learning Objectives

The successful candidate will be able to:

- 11.01 List the various services that may be performed in order to keep a 403(b) plan in compliance.
- 11.02 Identify the parties that may be involved in the administration of a 403(b) plan.
- 11.03 Explain the components of a service provider agreement and describe the purpose it serves.
- 11.04 Identify the specific tax form that is issued when a participant takes a distribution from a 403(b) plan.

Exam Weighting

This topic will comprise approximately 3 to 5 percent of the exam questions.

Suggested Reading

Chapter 11: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 12 – 457 Plans

Overview

All 457(b) plans are not created equal! This topic covers the two types of 457(b) plans: 457(b) plans sponsored by nongovernmental tax-exempt entities and 457(b) plans sponsored by governmental entities. A candidate will gain insight into the characteristics of each plan, including employee eligibility, contribution limits and trust requirements. Also discussed will be the differences between the plans, and whether they are protected in the case of employer or employee bankruptcy.

Learning Objectives

The successful candidate will be able to:

- 12.01 Identify the types of entities that may sponsor a governmental 457(b) plan.
- 12.02 Identify the types of nongovernmental tax-exempt entities that may sponsor a 457(b) plan.
- 12.03 Discuss who may be a participant in a governmental 457(b) plan.
- 12.04 Discuss private letter rulings, government filings and the IRS approval process as it relates to 457(b) plans.
- 12.05 Explain the contribution limits of a governmental 457(b) plan including coordination with contributions to other plans.
- 12.06 Compare the definition of includible compensation used in a 403(b) plan versus a 457(b) plan.
- 12.07 Explain how and when back pay, unused sick and vacation pay may be deferred to a governmental 457(b) plan.

- 12.08 List the distributable events permitted by the IRC that allow a participant to take a distribution from a 457(b) plan.
- 12.09 Compare a participant's eligibility for an unforeseeable emergency withdrawal from a 457(b) plan to a safe harbor hardship distribution from a 403(b) plan.
- 12.10 Explain the loan rules for governmental 457(b) plans.
- 12.11 Compare the federal taxation and the 10 percent penalty tax on early distributions as they apply to governmental 457(b) plans, 403(b) and 401(k) plans.
- 12.12 Explain the rules for plan-to-plan transfers from 457(b) plans.
- 12.13 List the characteristics of governmental 457(b) and a 457(b) plans sponsored by nongovernmental tax-exempt entities.
- 12.14 Discuss what groups of employees are eligible to participate in a 457(b) plan sponsored by a nongovernmental tax-exempt entity.
- 12.15 Explain the irrevocable distribution election requirements that apply to a nongovernmental tax-exempt 457(b) plan.
- 12.16 Identify the specific tax form(s) that are issued when a participant takes a distribution from a governmental or nongovernmental tax-exempt 457(b) plan or 403(b) plan.
- 12.17 Describe the IRS correction programs available to 457(b) plans of governmental and nongovernmental tax-exempt employers.

Exam Weighting

This topic will comprise approximately 15 to 19 percent of the exam questions.

Suggested Reading

Chapter 12: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

Topic 13: Ethics and Professional Responsibility

Overview

Administrators and other plan professionals must be bound by certain ethical duties to the plan sponsor and to the participants. This topic requires the candidate to study and keep up to date with the provisions in the ASPPA Code of Professional Conduct.

Learning Objectives

The successful candidate will be able to:

- 13.01 Identify actions that do and do not violate the ASPPA Code of Conduct.

Exam Weighting

This topic will comprise approximately 3 to 5 percent of the exam questions.

Suggested Reading

Chapter 13: TGPC-1: *TGPC-1 Study Guide: Introduction to 403(b) & 457 Plan Administration, 2nd Edition*. Arlington, VA: ARA, 2018.

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