SUNGARD RELIUS EDUCATION

Pension Educator

Welcome

Pension Educator is an in-depth, 14-part series that delves into advanced concepts related to qualified retirement plans. To get the most out of this series, learners should have a basic knowledge of pension terms and concepts presented in Pension Elements.

When you complete this series, you will be familiar with some very important concepts and features of qualified plans.

You will understand:

- why employers sponsor qualified plans
- the typical types of plans available
- the basic characteristics of these plans
- when and how employees may participate
- who writes the rules and regulations

PES201

Introduction to Retirement Plans

The federal government is aware of the increased reliance on employer-sponsored plans to ensure the financial and social well-being of our nation's retirees. As part of a national social policy, our government encourages individuals to increase their own personal savings and employers to establish retirement plans for their employees. This encouragement is in the form of tax savings. To encourage personal savings, individuals can establish individual retirement accounts such as IRAs and Roth IRAs.

Learning Objectives

In this course, we begin our look at qualified retirement plans and the reasons why employers sponsor them. After completing this course, you will be able to:

- explain six reasons why employers sponsor retirement plans
- describe the basic types of retirement plans
- explain the primary laws and agencies that govern qualified retirement plans

A) Introduction

B) Introduction to Retirement Plans I
- (a) Why Employers Sponsor Plans
- (b) Qualified & Non-Qualified Plans

C) Types of Qualified Plans
- (a) Favorable Tax Treatment
- (b) Defined Contribution Plans

D) Sources of Authority
- (a) ERISA and IRC
- (b) IRS and DOL
- (c) IRS & Dept. of Treasury
- (d) Regulations & Guidance

E) Introduction to Retirement Plans II
- (a) Industry Players

F) Summary

G) Quiz

PES202

Qualification Requirements

Employers who decide to sponsor a retirement plan must decide whether it will be a qualified or non-qualified plan. The major advantage of a qualified plan is its favorable tax treatment. However, to receive this treatment, the plan must satisfy certain requirements that are set forth in the Internal Revenue Code also referred to as the Code.

Learning Objectives

This course examines the basic Qualification Requirements for employer sponsored retirement plans. An employer must follow certain guidelines and procedures in order to enjoy all of the advantages of sponsoring a qualified plan. After completing this course, you will be able to:

- define the document and communication requirements for establishing a qualified plan
- describe the two basic requirements of the plan’s trust
- define the permanency and exclusive benefit requirements for qualified plans
- summarize the minimum vesting requirements of qualified retirement plans
- describe the basic limits on compensation and contributions for qualified plans specified in the IRC

A) Introduction

B) Communication
- (a) Plan Document
- (b) Summary Plan Description

C) Qualification Requirements
- (a) Trust
- (b) Permanency

D) Exclusive Benefit
- (a) Exclusive Benefit of Employees
- (b) Reversion
- (c) Anti-Alienation

E) Minimum Vesting Standards
- (a) Introduction to Vesting
- (b) Types of Vesting Schedules
- (c) Crediting Service
- (d) Breaks in Service
- (e) 100% Vested
- (f) Anti-Cutback
- (g) Forfeitures

F) Qualifications
- (a) 415 Limits
- (b) Compensation

G) Summary

H) Quiz

PES203

Defined Contribution Plans

A defined contribution or DC plan specifies either the amount the employer must contribute to the plan each year or how the contribution will be allocated and/or divided among participants, which leads to its name.

Learning Objectives

This course discusses the key characteristics of Defined Contribution Plans. These plans are so-named because either the amount that the employer must contribute or the method of dividing that contribution among participants is specified. After completing this course, you will be able to:

- define the common features of Defined Contribution Plans
- understand the basic eligibility requirements
- list the common employer contribution allocation methods
- list the main types of Defined Contribution Plans
- understand that there are various different employer contribution allocation methods

A) Introduction

B) Common Features
  (a) Individual Accounts
  (b) Allocation of Earnings
  (c) Allocation of Forfeitures

C) Allocation of Contributions
  (a) Pro Rata
  (b) Permitted Disparity
  (c) Cross Testing
  (d) Age-Weighted
  (e) Points
  (f) Money Purchase
  (g) USERRA

D) Defined Contribution Plans
  (a) Contribution Eligibility
  (b) Top Heavy Requirements
  (c) 415 Limits for DC Plans

E) Profit Sharing & Money Purchase Plans
  (a) Profit Sharing
  (b) Stock Bonus
  (c) ESOP
  (d) Money Purchase
  (e) Target Benefit

F) Summary

G) Quiz

PES204

401(k) Plans

A 401(k) plan is a profit sharing plan with a feature that allows participants to contribute part of their salary, before taxes, to their retirement plan. Employers like the concept of employees sharing in the cost of saving for retirement. 401(k) plans also appeal to employees who would like to save for retirement on a tax-favored basis. Because of the tax breaks for both employer and employee with this arrangement, 401(k) plans have become the dominant type of qualified retirement plan, surpassing traditional pension plans. However, 401(k) plans are also one of the more difficult types of defined contribution plans (DC plans) to operate and administer.

Learning Objectives

This course defines the characteristics of IRC Section 401(k) plans. These plans allow employees to save for retirement by deferring part of their salary into the plan before taxes. 401(k) plans have become the most popular type of retirement plans. After completing this course, you will be able to:

- define the four basic requirements of 401(k) plans
- understand the limitations on salary deferrals
- list other types of contributions that can be made to a 401(k) plan
- understand the requirements for hardship withdrawals from 401(k) plans

A) Introduction

B) Characteristics
- (a) Salary Deferral
- (b) Matching Contributions
- (c) Discretionary Contributions
- (d) USERRA's Effect on 401(k) Plans

C) 401(k) Plans
- (a) Top Heavy
- (b) Section 404 limit
- (c) 415 Limits
- (d) In-Service Distributions
- (e) Hardship Withdrawals

D) Summary

E) Quiz

PES205

Introduction to ADP/ACP Testing

401(k) plans are subject to unique nondiscrimination tests. All 401(k) plans are subject to the Actual Deferral Percentage test, or ADP test, for salary deferral contributions. If a 401(k) plan has matching contributions or after-tax contributions as well, it may also be subject to the Actual Contribution Percentage Test, or ACP test. The ADP test is also referred to as the 401(k) test. The ACP test is sometimes referred to as the 401(m) test, from the Code Section in which it is explained. These tests must be satisfied each year based on the deferrals, matching contributions, forfeitures allocated as matching contributions, and after-tax employee contributions made during the plan year. These tests are often costly to administer, which adds to the burden of a 401(k) plan.

Learning Objectives

This course examines the special nondiscrimination requirements and testing procedures for 401(k) plans. In order to comply with the laws and regulations, a 401(k) plan must show that the contributions made to the plan do not discriminate in favor of Highly Compensated Employees. After completing this course, you will be able to understand:

- the definition of HCEs and NHCEs
- how to determine deferral ratios and contribution ratios for participants
- how to perform the ADP and ACP tests
- the different testing methods that can be used in 401(k) plans
- what correction methods are available if either or both of these tests are not passed

A) Introduction

B) ADP/ACP Testing
  (a) General Definitions
  (b) ADP
  (c) ACP
  (d) Current or Prior Year Testing
  (e) Borrowing or “Shifting”

C) Safe Harbor 401(k) Plans
  (a) Safe Harbor

D) Test Correction
  (a) Encouraging Participation
  (b) QNEC
  (c) Excess Contributions
  (d) Leveling Method
  (e) ACP Test Correction
  (f) 401(a)(4) Testing

E) Summary

F) Quiz

PES206

Defined Benefit Plans

Defined Benefit or DB plans are the traditional type of retirement pension plan. A DB plan promises to pay a specific benefit to a participant at retirement. DB plans were at one time the most popular type of plan and are still the favorite of large, older corporations and unions. As the "baby boom" generation ages, the popularity of DB plans is increasing with small employers with older, high-income employees such as doctors, dentists and lawyers. A DB plan's retirement benefit is defined by the plan's benefit formula. This formula is written in the plan, so that benefits are always definitely determinable. A "definitely determinable" benefit is a benefit that can be calculated using the benefit formula and specific information about a particular participant.

Learning Objectives

This course provides an introduction to the fundamentals of Defined Benefit plans. These traditional types of plans promise to pay a specified benefit to participants upon retirement. After completing this course, you will be able to:

- understand how benefits are funded in a Defined Benefit plan
- describe the various compensation formulas used in Defined Benefit plans
- describe the different types of benefit formulas used in Defined Benefit plans
- define the three ways Defined Benefit plans can be "integrated" with Social Security
- understand the limitations imposed on benefits in Defined Benefit plans
- understand the two ways participants accrue benefits
- describe the actuarial assumptions that can be used to determine benefits
- list the requirements of the Pension Benefit Guaranty Corporation (PBGC)

A) Introduction

B) Defined Benefit Plans I
- (a) Funding

C) Benefit Formulas
- (a) Compensation
- (b) Integrated vs. Non-Integrated Formulas
- (c) Formula Types
- (d) Taxable Wage Base
- (e) Permitted Disparity
- (f) Excess Benefit Plans
- (g) Offset Benefit Plans
- (h) Integration Levels
- (i) Cash Balance Plans

D) Defined Benefit Plans II
- (a) 415 Limits

E) Accruing the Benefit
- (a) Accruing Benefit Introduction
- (b) 3% Method
- (c) Fractional Method

E) Defined Benefit Plans I
- (a) Actuarial Assumptions
- (b) Actuarial Equivalent
- (c) PBGC Requirements

G) Summary

H) Quiz

PES207

The Plan Document

Qualified plans are required to have a written plan document. Most of the provisions that are in the written plan are required because of the Code and ERISA. However, there are many provisions where an employer has flexibility in designing the plan. The extent of this flexibility varies depending on a number of factors such as the type of entity sponsoring the plan, the type of plan, and the form of the plan document. The plan document must specify who is eligible to participate in the plan, the formula for the allocation of contributions and forfeitures in a Defined Contribution (DC) plan, and the level of benefits in a Defined Benefit (DB) plan. It must also contain vesting provisions, top heavy provisions, distribution rules, administrative provisions, and trust provisions.

Learning Objectives

This course covers the different types of business entities and the different types of plans that they might sponsor. There are many different types of plan documents that can be adopted when setting up a plan. After completing this course, you will be able to:

- describe the four types of business entities that may sponsor qualified retirement plans
- understand restrictions affecting owners and partners in these different types of businesses
- understand characteristics of Controlled Groups, Affiliated Service Groups and Separate Lines of Business
- list characteristics of Master and Prototype plan documents
- understand characteristics of Volume Submitter and IDP plan documents
- describe a determination letter and the advantages of seeking one from the IRS

A) Introduction

B) Business Structures
- (a) Types of Entities
- (b) Employee Status of Owners
- (c) Compensation for Owners
- (d) Control Groups
- (e) Affiliated Service Groups
- (f) Separate Lines of Business
- (g) Plan Documents for Groups

C) Types of Documents
- (a) Master and Prototype
- (b) Volume Submitter and IDP

D) Summary

E) Quiz

PES208

Plan Design

Flexibility in plan design can be limited by the type of plan, the employer's business structure, and also by the form of the document that the employer chooses to adopt. When designing a plan, features regarding compensation, benefits, contributions, eligibility and loan provisions must be addressed.

Learning Objectives

In this course, we explore the various features of plan design, including the rules surrounding employee loans. Depending on the type of document selected for adoption, as well as the type of business sponsoring the plan, there may or may not be much flexibility in the plan's features and provisions. After completing this course, you will be able to understand:

- how the plan must specify a definition of compensation
- how employer and employee contributions must be specified in a plan
- plan design requirements:
    - eligibility and plan participation for each type of contribution,
    - entry dates, and
    - other benefits under the plan
    - Plan loan requirements:
        - IRS rules
        - DOL regulations

A) Introduction

B) Plan Design I
- (a) Compensation

C) Contributions to the Plan
- (a) Employer
- (b) Employee
- (c) Thrift Plans/After-Tax
- (d) Salary Deferrals

D) Eligibility
- (a) Eligible Employees
- (b) Age & Service Requirements
- (c) Year of Service
- (d) Crediting Service
- (e) Breaks in Service

E) Plan Design II
- (a) Entry Dates

F) Loans
- (a) Introduction to Loans
- (b) Conditions
- (c) Loan Programs
- (d) Interest Rates
- (e) Collateral and Repayment
- (f) Limits and Restrictions
- (g) Default

G) Summary

H) Quiz

PES209

Compliance Testing

For a retirement plan to be considered "qualified" it must pass certain qualification tests. These tests determine whether the plan unfairly benefits highly compensated employees (HCEs) and whether key employees have accumulated too many benefits under the plan. Generally, a plan must satisfy the qualification tests each year in order to remain qualified. In very limited situations, certain tests may be done as infrequently as once every three years.

There are four separate tests that will be addressed in this module- the coverage test of Code Section 410(b), the minimum participation test of Code Section 401(a)(26) for certain defined benefit plans, the nondiscrimination tests of Code Section 401(a)(4), and the top heavy tests of Code Section 416.

There are terms that have special meanings for purposes of these tests. These terms will be defined in the sections of this module where they are used. However, one term that is used for all these tests is "employer." When discussing qualification testing "employer" means a single employer or, in a controlled group or affiliated service group situation, all the various employers of a group. The controlled group and affiliated service group rules are discussed in another module.

Learning Objectives

In this course, we cover the key nondiscrimination requirements of the Internal Revenue Code and the qualified plan tests that must be performed to demonstrate compliance with the requirements of the Code. After completing this course, you will be able to:

- differentiate between a Key Employee and a Highly Compensated Employee
- understand minimum coverage requirements of Code Section 410(b)
- understand nondiscrimination requirements of Code Section 401(a)(4)
- understand top-heavy requirements of Code Section 416
- describe minimum participation standards of Code Section 401(a)(26) for Defined Benefit plans
- understand various tests and calculations associated with each of the Code sections
- understand different testing methods available to show compliance with the Code sections

A) Introduction

B) Minimum Coverage Tests
- (a) Terms
- (b) Tests
- (c) Percentage & Ratio Percentage Tests

C) Average Percentage Tests of 410(b)
- (a) Average Benefits Tests

D) Compliance Testing I
- (a) 401(a)(26) Participation

E) 401(a)(4) Test
- (a) Introduction to 401(a)(4) Test
- (b) Benefits & Cross-Testing
- (c) Benefits, Rights, and Features
- (d) Special Circumstances

F) Compliance Testing II
- (a) ADP/ACP Tests

G) Top Heavy Rules Under 416
- (a) Introduction to Top Heavy Rules
- (b) Key Employees
- (c) Top Heavy Plan Requirements
- (d) Top Heavy Status
- (e) Aggregation Groups
- (f) Top Heavy Minimums

H) Summary

I) Quiz

PES210

Other Retirement Arrangements

Qualified plans may not be the solution to retirement funding for all employers. Certain employers may not be permitted to establish 401(k) plans by law. These employers may provide for salary deferrals by means of Code Section 403(b) or 457 plans. Other small employers may not wish to involve themselves in the difficulties of maintaining a traditional qualified plan and may opt for less complicated SIMPLE or SEP plans. Individuals cannot establish a qualified plan for themselves, and instead may wish to save on their own by means of an individual retirement account or IRA.

Learning Objectives

In this course, we look at the main types of retirement arrangements.Qualified retirement plans are not the only type of retirement savings program that organizations and employees can use. 403(b), 457, Regular and Roth IRAs, SEPs, SAR/SEPs and SIMPLE plans are other arrangements discussed in this course. After completing this course, you will be able to:

- understand who can sponsor these different types of retirement arrangements
- describe the different types of retirement arrangements that are available
- define retirement the different requirements and limitations that apply to these other arrangements

A) Introduction

B) 403(b) Plans
- (a) Who Can Sponsor
- (b) Features of 403(b) Plans
- (c) Testing 403(b) Plans

C) Other Retirement Arrangements I
- (a) 457 Plans
- (b) IRAs
- (c) Roth IRA
- (d) SEP and SARSEP

D) SIMPLE Plans
- (a) Introduction to SIMPLE Plans

E) Other Retirement Arrangements II
- (a) SIMPLE 401(k)
- (b) SIMPLE IRA
- (c) SIMPLE Distinctions

F) Summary

G) Quiz

PES211

Funding and Deductibility

Generally, an employer may deduct ordinary and necessary business expenses under Code Section 162. However, contributions to retirement plans are deductible only under Code Section 404. Code Section 404 imposes additional conditions to Code Section 162 on contributions made to a retirement plan. Thus, to be deductible, contributions to a retirement plan must be ordinary and necessary business expenses and must satisfy the conditions set forth in Code Section 404. Code Section 404 applies for both qualified and non-qualified retirement plans.

Learning Objectives

In this course, we discuss the funding and deductibility requirements for qualified retirement plans. There are certain requirements that an employer must meet in order to deduct the contributions made to the plan from its taxes. After completing this course, you will be able to understand:

- the maximum amount an employer can deduct from taxes as a contribution to the plan
- how the maximum deductible contribution amount is determined
- the minimum funding requirements for qualified retirement plans
- which plans must satisfy the minimum funding requirements and the consequences if these requirements are not met
- the various methods of investing and managing plan assets
- when & how the plan assets are valued for participants

A) Introduction

B) Funding and Deductibility I
- (a) Deductibility Under 404
- (b) Minimum Funding Standards

C) Plan Investments
- (a) Trusteed Plans
- (b) Partially Insured Plans
- (c) Fully Insured Plans

D) Funding and Deductibility II
- (a) Directed Investments
- (b) Value Plan Assets

E) Summary

F) Quiz

PES212

Distributions

The earliest time at which distributions may be made to participants varies depending upon the type of plan. This is because of the basic distinction between profit sharing plans and pension plans such as DB and MP plans. A pension plan, by definition, must be designed to provide benefits at death, disability, retirement, or severance or termination of employment. A profit sharing plan, however, can permit distributions upon the attainment of a stated age, the occurrence of an event such as death, disability, retirement or termination of employment, or after a fixed number of years.

Learning Objectives

In this course, we examine the circumstances, requirements and possible tax consequences of taking a distribution from a qualified plan. Since a qualified retirement plan is designed to provide income at retirement, there may be conditions attached to receiving a distribution from the plan under other circumstances. After completing this course, you will be able to:

- understand the requirements that must be met in order to take in-service or hardship distributions from a qualified plan
- understand when a distribution can be made to a participant who has terminated employment
- understand when a distribution can be made without the participant's consent
- list the various payment methods available for retirement benefits
- describe how these different methods are calculated
- understand requirements for survivor benefits in qualified plans
- understand other types of retirement benefits and payments that may be available
- understand the tax consequences of distributions from qualified plans
- describe the definition of a "rollover" and its requirements and consequences

A) Introduction

B) Distributions I
- (a) In-Service & Hardship

C) Distributions Upon Termination
- (a) Introduction to Distributions Upon Termination
- (b) Involuntary Distribution
- (c) Voluntary Distributions

D) Distributions II
- (a) Timing of Distributions
- (b) Minimum Distribution & Life Expectancy

E) Retirement Benefits
- (a) 401(a)(9)
- (b) Retirement Benefits Introduction
- (c) Joint & Survivor Benefits
- (d) Lump Sum & Installment Payments
- (e) Optional Forms of Benefit
- (f) Disability Benefits
- (g) Death Benefits

F) Tax Consequences of Distributions
- (a) ax Issues
- (b) PS-58 Costs
- (c) Deemed Distribution of Loans
- (d) Distribution of After-Tax Contributions
- (e) Rollovers

G) Summary

H) Quiz

PES213

Compliance Issues

ERISA is designed to protect the interests of plan participants and their beneficiaries. Many of the rules in ERISA are the same as the rules in the Code regarding vesting, coverage, and participation. However, ERISA contains additional rules concerning the management and administration of the plan and the investment of plan assets. These additional compliance issues include fiduciary responsibility, prohibited transactions, unrelated business income, filings with the Department of Labor and the IRS, and informing participants of the plan's existence and terms.

Learning Objectives

In this course, we explore various compliance and reporting issues surrounding administering qualified retirement plans. There are many requirements that administrators, investment managers and plan sponsors must meet as well as many restrictions on the actions of these and others involved in managing qualified plans. Also, reports and filings must be done each year to show that the plan is following the law and meeting these requirements. After completing this course, you will be to understand:

- who is a fiduciary and what are his/her responsibilities
- Fiduciary standards
- possible liabilities and penalties, if a fiduciary breaches his/her responsibility
- the definition of Unrelated Business Taxable Income (UBTI) and its taxation consequences
- who is a "Party-In-Interest" and a "Disqualified Person"
- Prohibited transactions in qualified plans and the available exemptions
- tax consequences and penalties associated with prohibited transactions
- the requirements of a Summary Plan Description (SPD)
- the requirements of a Summary Annual Report (SAR) or annual statement to the plan's participants
- the various reports and forms that must be filed with the government and their deadlines

A) Introduction

B) Fiduciary Responsibilities
- (a) Who is a Fiduciary?
- (b) Standards of Conduct
- (c) Fiduciary Liability
- (d) Unrelated Business Taxable Income
- (e) Plan Assets

C) Prohibited Transactions
- (a) Disqualified Persons & Transactions
- (b) Exemptions
- (c) Penalties

D) Reporting and Disclosure
- (a) Summary Plan Description
- (b) Annual Participant Statements
- (a) Annual Statements to Government

E) Summary

F) Quiz

PES214

The Case Study: New City Orchestra

The case study will offer many opportunities to apply the concepts that have been learned in the first thirteen movements of Pension Educator. The case consists of questions in several areas that will apply newly learned concepts to given sets of facts.

Information that will help answer these questions about the New City Orchestra plan and its participants is provided. It is strongly recommended that this information be printed so that the student will have it as reference while working through the case questions.

A) Introduction & Objective

B) Plan Specifications

C) Employee Information

D) Other Participant Information

E) Account Balance Information

F) Quiz

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