

Certified Plan Sponsor Professional (CPSP) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What is a common requirement for the eligibility criteria in many 401(k) plans today?**
 - A. A specific age limit without service requirement**
 - B. A one-year service requirement for all contributions**
 - C. No service requirement for elective deferrals**
 - D. A two-year service requirement**
- 2. What must safe harbor 401(k) contributions be based on according to IRC 414(s)?**
 - A. A set percentage of income.**
 - B. A definition of compensation that satisfies IRC 414(s).**
 - C. The total number of hours worked annually.**
 - D. The employee's average salary over the last three years.**
- 3. Which IRS corrections program allows plan sponsors to fix plan failures identified during an audit?**
 - A. Voluntary Correction Program (VCP)**
 - B. Closing Agreement Program (CAP)**
 - C. Self-Correction Program (SCP)**
 - D. Audit Correction Program (ACP)**
- 4. Which of the following is a key feature of a diversified portfolio?**
 - A. Similar asset classes**
 - B. Negatively correlated asset classes**
 - C. High-risk investments only**
 - D. Fully allocated to equities**
- 5. The PBGC was established under which major legislative act?**
 - A. The Affordable Care Act**
 - B. The Pension Benefit Guarantee Act of 1974**
 - C. The Employee Retirement Income Security Act of 1974**
 - D. The Social Security Act**

- 6. What must be included in the annual report to participants regarding fees and expenses?**
- A. Only administrative fees**
 - B. Voluntary contributions**
 - C. Investment returns and administration fees**
 - D. Market comparison analysis**
- 7. An investment policy statement should outline which of the following?**
- A. Process and criteria for selection, monitoring, and replacing plan investments.**
 - B. The names of all investment advisors involved with the plan.**
 - C. Only the projected returns of the chosen investments.**
 - D. Current market trends and economic forecasts.**
- 8. How often must a summary plan description be provided to plan participants after joining?**
- A. Every year**
 - B. Every 3 years**
 - C. Every 5 years if modifications are made**
 - D. Only once when they join**
- 9. When must participants be provided with a summary plan description (SPD) after they become covered by a plan?**
- A. Within 30 days from the date they become covered**
 - B. Within 60 days from the date they become covered**
 - C. Within 90 days from the date they become covered**
 - D. Within 120 days from the date they become covered**
- 10. True or False: Employee financial concerns are solely personal matters and do not influence workplace performance.**
- A. True**
 - B. False**
 - C. Depends on the organization**
 - D. Only affects lower-level employees**

Answers

SAMPLE

1. C
2. B
3. B
4. B
5. C
6. C
7. A
8. C
9. C
10. B

SAMPLE

Explanations

1. What is a common requirement for the eligibility criteria in many 401(k) plans today?

- A. A specific age limit without service requirement**
- B. A one-year service requirement for all contributions**
- C. No service requirement for elective deferrals**
- D. A two-year service requirement**

The common requirement for the eligibility criteria in many 401(k) plans today is that there is no service requirement for elective deferrals. This means that employees are allowed to start contributing to their 401(k) plans immediately upon hiring, regardless of the length of service. This approach encourages savings and participation among employees as it allows them to benefit from tax-deferred retirement savings as soon as they start their jobs, leading to higher participation rates. Some plans may still have longer waiting periods for employer matching contributions or other benefits, but the ability to make elective deferrals immediately is widespread in the current landscape of 401(k) plans. This reflects a trend toward making retirement savings more accessible to employees right from the start of their employment. In contrast, other options suggest service requirements or age limits, which are less common for elective deferrals under modern plans, aiming instead to reduce barriers to employee participation in retirement savings programs.

2. What must safe harbor 401(k) contributions be based on according to IRC 414(s)?

- A. A set percentage of income.**
- B. A definition of compensation that satisfies IRC 414(s).**
- C. The total number of hours worked annually.**
- D. The employee's average salary over the last three years.**

Safe harbor 401(k) contributions must adhere to specific definitions of compensation as stipulated by Internal Revenue Code (IRC) Section 414(s). This section defines what constitutes "compensation" for contribution purposes, ensuring that the calculations for safe harbor contributions are based on a consistent and lawful definition. Following IRC 414(s) helps maintain compliance with the regulations governing retirement plans, ensuring that contributions are equitable and appropriately calculated. The requirement for compensation to meet these standards allows employers to properly articulate how contributions are determined relative to an employee's earnings while fulfilling the legal obligations associated with compliance testing. By adhering to this definition, employers can offer safe harbor contributions that satisfy both employee eligibility and retention requirements.

3. Which IRS corrections program allows plan sponsors to fix plan failures identified during an audit?

- A. Voluntary Correction Program (VCP)**
- B. Closing Agreement Program (CAP)**
- C. Self-Correction Program (SCP)**
- D. Audit Correction Program (ACP)**

The Closing Agreement Program (CAP) is specifically designed for situations where plan failures are identified during an audit. This program allows plan sponsors to enter into a legally binding agreement with the IRS to rectify their plan issues while also providing assurance that they will be in compliance moving forward. The CAP is beneficial as it often affords plan sponsors the opportunity to correct significant failures without facing the potential penalties that might arise from non-compliance. The other programs, such as the Voluntary Correction Program (VCP) and the Self-Correction Program (SCP), are typically utilized for voluntary corrections that are identified before or outside an audit context, focusing on preemptive

4. Which of the following is a key feature of a diversified portfolio?

- A. Similar asset classes**
- B. Negatively correlated asset classes**
- C. High-risk investments only**
- D. Fully allocated to equities**

A diversified portfolio aims to reduce risk and enhance returns by spreading investments across various asset classes. The presence of negatively correlated asset classes is fundamental to this strategy because it helps to mitigate risk and volatility. When asset classes are negatively correlated, their price movements tend to offset each other. For instance, if one asset class declines in value, another may increase, thereby providing a more stable overall performance. In this context, the idea is that by including negatively correlated asset classes, investors can achieve better risk-adjusted returns. This feature is essential in building a portfolio that can withstand market fluctuations and reduce the likelihood of large losses, making it a key principle of diversification. The other choices do not effectively contribute to the idea of diversification. Similar asset classes might lead to higher concentration risk, while focusing solely on high-risk investments or being fully allocated to equities exposes the investor to significant market risk without the benefit of diversification. Thus, having negatively correlated asset classes truly embodies a crucial aspect of a well-diversified portfolio.

5. The PBGC was established under which major legislative act?

A. The Affordable Care Act

B. The Pension Benefit Guarantee Act of 1974

C. The Employee Retirement Income Security Act of 1974

D. The Social Security Act

The correct answer is the Employee Retirement Income Security Act of 1974 (ERISA). This landmark legislation was enacted to protect the interests of employee benefit plan participants and their beneficiaries. One of its key components was the establishment of the Pension Benefit Guaranty Corporation (PBGC), which was created to insure pension benefits for participants in defined benefit plans. The PBGC steps in to pay pension benefits when a pension plan is terminated and cannot meet its obligations, thus providing a critical safety net for employees. The other choices do not involve the PBGC or its establishment. The Affordable Care Act primarily focuses on healthcare reform, while the Social Security Act addresses social insurance and welfare but does not pertain to pension benefits or the PBGC. While the Pension Benefit Guarantee Act of 1974 is initially misleading due to its name, it is actually not the act under which the PBGC was established; rather, it fell under the broader framework of ERISA. Thus, ERISA is the essential piece of legislation that created the PBGC and brought comprehensive regulations and protections to employee benefit plans.

6. What must be included in the annual report to participants regarding fees and expenses?

A. Only administrative fees

B. Voluntary contributions

C. Investment returns and administration fees

D. Market comparison analysis

The requirement to include investment returns and administration fees in the annual report to participants is essential for transparency and informed decision-making. This report serves to enhance participants' understanding of the costs associated with their retirement plans and the performance of their investments. Investment returns give participants insight into how their contributions have been growing or declining over time, thereby allowing them to assess the effectiveness of their investment choices. Providing information on administration fees is crucial because these fees can significantly impact the overall returns on their investments. Fees can vary widely depending on the type of plan and the services provided, so disclosing these allows participants to understand the costs they are incurring. Participants' awareness of these aspects is vital for them to make informed decisions regarding their investments in the plan. This includes evaluating whether the returns justify the fees or if adjustments are necessary to optimize their retirement savings strategy. In contrast, focusing solely on administrative fees or voluntary contributions does not provide a complete picture of the financial implications of the plan. Including a market comparison analysis, while valuable, is not a required component of the annual report for participants. The primary focus should be on providing clear, concise information regarding fees and performance to empower participants in their retirement planning.

7. An investment policy statement should outline which of the following?

A. Process and criteria for selection, monitoring, and replacing plan investments.

B. The names of all investment advisors involved with the plan.

C. Only the projected returns of the chosen investments.

D. Current market trends and economic forecasts.

An investment policy statement (IPS) serves as a crucial document that provides a framework for managing investments within a retirement plan. It is designed to outline the specific processes and criteria used for selecting, monitoring, and replacing plan investments. This ensures a systematic approach to investing that aligns with the investment goals, risk tolerance, and overall objectives of the plan. By detailing the selection process, the IPS helps to clarify how investment decisions are made, including the criteria for evaluating potential investments, the benchmarks for performance measurement, and the procedures for ongoing monitoring. This structured approach not only helps in maintaining consistency in investment decisions but also aids in protecting the fiduciary duties of plan sponsors by demonstrating prudent oversight. Other options, while they may contain elements that are relevant to investment management, do not encapsulate the essential purpose of an IPS. The focus of the IPS should be on the strategies, guidelines, and frameworks rather than on specific advisors, projected returns, or market conditions, which are more dynamic and less fundamental to the core structure of an IPS.

8. How often must a summary plan description be provided to plan participants after joining?

A. Every year

B. Every 3 years

C. Every 5 years if modifications are made

D. Only once when they join

The requirement for providing a summary plan description (SPD) to plan participants is governed by the Employee Retirement Income Security Act (ERISA). Under ERISA, an SPD must be given to participants upon joining the plan, but it must also be updated and redistributed when significant modifications are made to the plan. The correct answer pertains to the stipulation that the SPD needs to be provided every five years if changes have been made to the plan. This ensures that all participants receive current and relevant information regarding their benefits and rights, reflecting any updates or modifications to the plan's terms. While participants do receive the SPD upon joining the plan, it is important for them to have access to the most recent information over time, especially if there have been changes that could affect their participation or benefits under the plan. Thus, the requirement is not simply a one-time distribution, nor is it an annual or tri-annual obligation unless there are modifications made, which reaffirms the need to keep participants adequately informed.

9. When must participants be provided with a summary plan description (SPD) after they become covered by a plan?

- A. Within 30 days from the date they become covered**
- B. Within 60 days from the date they become covered**
- C. Within 90 days from the date they become covered**
- D. Within 120 days from the date they become covered**

The correct timeframe for providing participants with a summary plan description (SPD) after they become covered by a plan is 90 days. This requirement is mandated by the Employee Retirement Income Security Act (ERISA), which ensures that employees receive critical information about their benefit plans to make informed decisions regarding their participation and understanding of the benefits being offered. The SPD must be delivered to participants within 90 days of them becoming covered by the plan, which allows time for the necessary administration and communication of information. This ensures that all covered participants have access to essential details about their rights and responsibilities under the plan, as well as the benefits that are available to them. This 90-day requirement is in place to maintain compliance with ERISA regulations and to help protect the interests of plan participants by ensuring they are informed about key aspects of their employee benefits in a timely manner.

10. True or False: Employee financial concerns are solely personal matters and do not influence workplace performance.

- A. True**
- B. False**
- C. Depends on the organization**
- D. Only affects lower-level employees**

The assertion that employee financial concerns are solely personal matters and do not influence workplace performance is false. Employee financial worries can significantly impact various aspects of their lives, including their mental health, concentration, and overall productivity at work. When employees are preoccupied with financial stress, their ability to focus on tasks and collaborate with coworkers may diminish. This can lead to decreased productivity and increased absenteeism, ultimately affecting the organization's performance. Moreover, financial stress can lead to higher levels of anxiety and distraction, making it challenging for employees to engage fully in their work and deliver their best performance. Recognizing that financial well-being is interconnected with work performance is essential for employers aiming to foster a productive work environment. Many organizations have implemented programs and resources to support their employees in managing financial stress, reflecting the understanding that personal financial issues can significantly impact workplace dynamics.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://certifiedplansponsorprofessional-csp.examzify.com>

We wish you the very best on your exam journey. You've got this!