

CERTIFIED PLAN SPONSOR PROFESSIONAL (CPSP) PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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

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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

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- 1. What is required from a plan regarding the availability of benefits to employees?**
 - A. Equal access regardless of compensation level
 - B. Adjustments based on tenure
 - C. Preference for senior employees
 - D. Discretionary allocation by management
- 2. Is the Summary Plan Description (SPD) required by law?**
 - A. Yes, it is required
 - B. No, it is optional
 - C. Only for certain plans
 - D. It depends on state regulations
- 3. What type of plan allows for greater flexibility in compensation for key employees?**
 - A. 401(k) plans
 - B. Nonqualified Deferred Compensation Plans (NQDCs)
 - C. Defined contribution plans
 - D. Safe harbor plans
- 4. What does the DOL consider a late deposit of salary deferral contributions?**
 - A. Compliance issue with tax regulations
 - B. A violation of pension plan regulations
 - C. A prohibited transaction under ERISA
 - D. Not an issue if corrected promptly
- 5. What documentation is essential for a qualified retirement plan?**
 - A. A detailed employee handbook
 - B. A written plan document
 - C. A series of emails to participants
 - D. A list of previous beneficiaries

- 6. According to regulations, what must a plan administrator do when they receive a domestic relations order?**
- A. Consult an attorney
 - B. Review it for compliance
 - C. File it with the IRS
 - D. Distribute funds immediately
- 7. Which definition of compensation is considered nondiscriminatory for employer non-elective contribution allocation?**
- A. Net wages after deductions
 - B. Gross wages for federal income taxes
 - C. Hourly wage multiplied by hours worked
 - D. Commission-based pay
- 8. How are Voluntary After-tax contributions taxed when withdrawn from the plan?**
- A. They are fully tax-exempt
 - B. Contributions are taxed, but earnings are tax-exempt
 - C. Earnings are taxed, but contributions are tax-exempt
 - D. Both contributions and earnings are taxed
- 9. Is it acceptable for an HR specialist to delay the deposit of employee elective deferrals past the legally permitted timeline?**
- A. Yes, if financially necessary
 - B. No, it must be deposited on time
 - C. Only under certain circumstances
 - D. Yes, with employee consent
- 10. During an IRS audit, which documents are typically requested?**
- A. Only the original plan document
 - B. All participant statements and communications
 - C. The plan document and approval letters
 - D. Plan document, amendments, and IRS approval letters

Answers

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

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Explanations

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1. What is required from a plan regarding the availability of benefits to employees?

A. Equal access regardless of compensation level

B. Adjustments based on tenure

C. Preference for senior employees

D. Discretionary allocation by management

The requirement for a plan regarding the availability of benefits to employees emphasizes the principle of equal access to benefits, ensuring that all employees, regardless of their compensation level, have the opportunity to participate in and benefit from the plan. This approach fosters a fair and equitable workplace, promoting inclusivity and reducing disparities among employees. Ensuring equal access allows organizations to comply with legal standards and regulations related to employee benefits, preventing discrimination. By offering the same benefit opportunities to all employees, organizations can encourage a sense of belonging and motivation among the workforce. In contrast, adjustments based on tenure, preference for senior employees, or discretionary allocation by management may create a more hierarchical environment, potentially leading to unequal access to benefits. Such practices can result in dissatisfaction among employees who perceive that their opportunities are limited by factors unrelated to their job performance or contributions to the organization. Thus, the correct answer highlights the importance of fostering an equitable approach in providing benefits, reinforcing the commitment to fairness in the workplace.

2. Is the Summary Plan Description (SPD) required by law?

A. Yes, it is required

B. No, it is optional

C. Only for certain plans

D. It depends on state regulations

The Summary Plan Description (SPD) is indeed required by law under the Employee Retirement Income Security Act (ERISA). This law mandates that plan sponsors provide participants with a written summary of the plan, which outlines the benefits, rights, and responsibilities of both the participants and the plan administrators. The purpose of the SPD is to ensure that participants have clear and accessible information about their benefits so they can make informed decisions regarding their participation in the plan. The requirement for the SPD applies broadly to most employee benefit plans covered by ERISA, including pension plans and welfare benefit plans. This makes the SPD an essential component of compliance for plan sponsors, as failing to provide an SPD may lead to penalties and compliance issues. In contrast, the notions of it being optional, only applicable to certain plans, or reliant on state regulations do not align with the overarching federal requirements established by ERISA, which aim to protect the rights of employees regarding their benefit plans.

3. What type of plan allows for greater flexibility in compensation for key employees?

- A. 401(k) plans
- B. Nonqualified Deferred Compensation Plans (NQDCs)**
- C. Defined contribution plans
- D. Safe harbor plans

Nonqualified Deferred Compensation Plans (NQDCs) provide a unique opportunity for employers to offer greater flexibility in designing compensation packages for key employees. These plans allow employers to defer compensation beyond the limits imposed by qualified retirement plans, such as 401(k) plans, enabling more customized retirement savings options for highly compensated individuals. NQDCs do not have to adhere to the same regulatory requirements as qualified plans, which allows for various types of arrangements that can better meet the specific financial and retirement needs of leadership and key staff. Employers can set the terms of the deferred compensation, including when and how it will be distributed, taking into account their financial strategies and the preferences of the participants. This flexibility is especially advantageous for companies looking to attract, retain, and incentivize key talent without the constraints of more regulated plans that apply to all employees.

4. What does the DOL consider a late deposit of salary deferral contributions?

- A. Compliance issue with tax regulations
- B. A violation of pension plan regulations
- C. A prohibited transaction under ERISA**
- D. Not an issue if corrected promptly

The Department of Labor (DOL) considers a late deposit of salary deferral contributions to be a prohibited transaction under the Employee Retirement Income Security Act (ERISA). This categorization signifies that the late deposit not only raises compliance concerns but also specifically violates the fiduciary provisions of ERISA, which require timely and proper handling of employee contributions to retirement plans. Under ERISA, plan fiduciaries have a responsibility to act in the best interests of plan participants. Late contributions can harm participants' retirement savings, thus violating the fiduciary duty owed to them. The consequences of late deposits can include penalties, the need to make up for lost earnings, and potential legal implications for the plan sponsor if not addressed correctly. While the other options touch on various regulatory aspects—such as compliance with tax regulations or pension plan regulations—they do not specifically capture the framework of how ERISA classifies these late deposits. Recognizing the late deposit as a prohibited transaction under ERISA aligns with the DOL's commitment to safeguarding participants' interests in retirement plans.

5. What documentation is essential for a qualified retirement plan?

- A. A detailed employee handbook
- B. A written plan document**
- C. A series of emails to participants
- D. A list of previous beneficiaries

*A written plan document is essential for a qualified retirement plan because it serves as the formal blueprint that outlines the plan's terms and conditions. This document is crucial for several reasons: 1. **Legal Requirement**: The Employee Retirement Income Security Act (ERISA) mandates that all qualified plans have a written plan document. This requirement ensures that all participants have access to the essential rules governing the plan and their entitlements. 2. **Clarity and Compliance**: The written document clarifies the rights and obligations of both the employer and the participants. It helps ensure that the plan complies with federal regulations, and it is key in determining benefits and eligibility. 3. **Participant Understanding**: A well-documented plan provides participants with the necessary information to understand their benefits, how contributions are made, and the process for distributions. This transparency is vital for effective participant engagement and planning for retirement. In comparison, the other options, while potentially valuable in their contexts, do not fulfill the legal requirements or provide the comprehensive framework that a written plan document does. For example, an employee handbook and a list of beneficiaries may be informative but do not cover the substantive legal and procedural elements that must be documented in accordance with regulatory standards. Similarly, a series of emails lacks*

6. According to regulations, what must a plan administrator do when they receive a domestic relations order?

- A. Consult an attorney
- B. Review it for compliance**
- C. File it with the IRS
- D. Distribute funds immediately

When a plan administrator receives a domestic relations order (DRO), it is essential for them to review the order for compliance with regulatory standards. This review process involves determining whether the DRO meets the specific requirements set forth by the Employee Retirement Income Security Act (ERISA) and the applicable pension plan's terms. The importance of this compliance check cannot be overstated. A DRO must clearly specify the rights of each party regarding the distribution of pension benefits to be considered a qualified domestic relations order (QDRO). If the order is not compliant, the plan administrator may not be able to act upon it or enforce it correctly within the plan's framework. Therefore, the administrator must ensure that the order aligns with the legal requirements and the provisions of the retirement plan before taking any further action. To contrast this with other choices, while consulting an attorney can be a prudent step, it is an action that may occur after the initial compliance review rather than a mandatory first step. Filing with the IRS is not a requirement related to the processing of a DRO; the IRS typically deals with tax implications rather than the initial handling of domestic relations orders. Distributing funds immediately is also not a standard protocol, as fund distribution should occur only after confirming compliance with the order and the plan

7. Which definition of compensation is considered nondiscriminatory for employer non-elective contribution allocation?

- A. Net wages after deductions
- B. Gross wages for federal income taxes**
- C. Hourly wage multiplied by hours worked
- D. Commission-based pay

The definition of compensation that is considered nondiscriminatory for employer non-elective contribution allocation is gross wages for federal income taxes. This measure includes all types of compensation a participant receives before any deductions, providing a comprehensive basis for determining contributions. Using gross wages ensures that all employees, regardless of their pay structure, are treated equitably when it comes to the allocation of non-elective contributions. This is essential in maintaining compliance with regulations intended to prevent discrimination in retirement plan contributions, which could favor higher-paid employees over lower-paid employees. When discussing other options, net wages after deductions may not be nondiscriminatory because it varies based on individual circumstances, including personal deductions and tax situations, leading to potential inequities. Hourly wages multiplied by hours worked could disregard important elements of total compensation, such as commissions or bonuses, thus failing to reflect a comprehensive compensation approach. Commission-based pay alone can skew contributions because it may not be consistent across all employees, leading to disparities in how contributions are calculated. Overall, gross wages for federal income taxes create a standardized approach that aligns with nondiscriminatory practices, ensuring fair treatment of all employees in employer non-elective contribution allocations.

8. How are Voluntary After-tax contributions taxed when withdrawn from the plan?

- A. They are fully tax-exempt
- B. Contributions are taxed, but earnings are tax-exempt
- C. Earnings are taxed, but contributions are tax-exempt**
- D. Both contributions and earnings are taxed

When it comes to Voluntary After-tax contributions, the taxation upon withdrawal operates under specific rules. Contributions made as after-tax are already taxed before they are contributed to the retirement plan. Therefore, when these contributions are withdrawn, they are not subject to additional taxation, meaning they are tax-exempt. On the other hand, any earnings that accrue on those after-tax contributions are subject to taxation upon withdrawal. This reflects the common tax treatment of after-tax contributions, where the principal (the contributions) are not taxed again, but the growth or earnings generated over time are taxed as ordinary income when distributed. Hence, the correct understanding is that earnings are taxed upon withdrawal, while the contributions themselves remain tax-exempt. This aligns with the tax treatment established for Voluntary After-tax contributions in retirement plans.

9. Is it acceptable for an HR specialist to delay the deposit of employee elective deferrals past the legally permitted timeline?

- A. Yes, if financially necessary
- B. No, it must be deposited on time**
- C. Only under certain circumstances
- D. Yes, with employee consent

The appropriateness of depositing employee elective deferrals is guided by strict regulatory requirements. According to the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Service (IRS) guidelines, all employee contributions to retirement plans must be deposited in a timely manner. This timeline is not flexible; the regulations specify that deferrals must generally be contributed to the plan no later than the 15th business day of the month following the month in which the contributions were withheld from employee paychecks. Delaying these deposits beyond the legally permitted timeline could lead to significant penalties for the plan sponsor and compromise the plan's compliance status. Moreover, timely deposits are essential to protect employees' retirement funds and ensure that they are properly accounted for and invested. Thus, it is imperative that HR specialists adhere to these deadlines without exception, ensuring that all contributions are deposited promptly to maintain the integrity of the retirement plan and comply with legal obligations.

10. During an IRS audit, which documents are typically requested?

- A. Only the original plan document
- B. All participant statements and communications
- C. The plan document and approval letters
- D. Plan document, amendments, and IRS approval letters**

During an IRS audit, the documents that are most commonly requested include the plan document, its amendments, and any IRS approval letters. The plan document is crucial as it outlines the specifics of the retirement plan, including eligibility, benefits, and contributions. Amendments to the plan document are important to demonstrate any changes that have been made over time, ensuring the plan complies with current regulations and standards. Furthermore, IRS approval letters are necessary because they confirm that the plan meets certain tax qualification requirements, which is central to the audit's focus on compliance with tax laws. Including only the original plan document or participant statements and communications would not typically provide a complete picture of compliance and plan operation. Therefore, having the comprehensive set of documents, as mentioned, ensures that the auditor can thoroughly assess the plan's adherence to IRS rules and regulations.

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!

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