

Financial Affairs
George M. Burgess, Chief Financial Officer

**SUBJECT: REQUEST FOR AUTHORIZATION TO AWARD REQUEST FOR
PROPOSAL (RFP) # 082-CC10, 401(a)/403(b) TERMINAL LEAVE
RETIREMENT PLAN ADMINISTRATOR**

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

At the Board meeting of January 15, 2003, the Board authorized the issuance of Request For Proposal (RFP) # 082-CC10, 401(a)/403(b) Terminal Leave Retirement Plan Administrator (TLRP), and established the Superintendent's Ad-Hoc Insurance Committee to review received proposals, and recommend a firm for Board approval, pursuant to School Board Rule 6Gx13- 3F-1.022, Professional Service Contracts for Insurance or Risk Management Programs - Policy. The RFP sought proposals for a TLRP program for Board employees who are covered by the Managerial Exempt Personnel (MEP) Board Rule, and Confidential Exempt Personnel, with the expectation that other employee groups would be included through the collective bargaining process.

The TLRP program consists of a tax-favored retirement plan which allows the Board to unilaterally contribute to a tax-sheltered annuity program or other qualified plans in lieu of the cash payment of any accrued annual leave or terminal sick leave for employees who are separating from service as a result of retirement, or entering into or continuing their participation in the Deferred Retirement Option Program (DROP). The benefit to the Board is the savings of Social Security Tax (FICA) match (7.65%), and the employee not only saves the FICA tax, but does not incur any federal income tax until funds are withdrawn in the future, subject to Internal Revenue System (IRS) maximum contributions.

At the regularly scheduled bid opening of February 18, 2003 seven proposals were received in response to the RFP from the following insurance companies/firms:

- Bencor
- Equitable-AXA
- Great-West
- ING
- MetLife
- TIAA-CREF
- Vista

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The Ad-Hoc Insurance Committee met on March 24, 2003, and April 17, 2003. Following a thorough review of all received proposals, the Ad-Hoc Review Committee voted unanimously that three proposals met the RFP's minimum qualifications, which included the requirement that the proposing company must have been administering a Terminal Leave Retirement Program (TLRP) since January, 2001. The three companies which met this requirement are as follows:

- Bencor
- ING
- MetLife

Following the determination by the Ad-Hoc Committee at its meeting of April 17, 2003 that the three identified proposers met the minimum qualifications, the committee voted to allow representatives from each of the three companies to answer any questions committee members might have. Following the question/answer period, the committee further discussed the qualifications of the three proposals.

Following this discussion, a motion was made to recommend Bencor, Inc. as the Board's vendor to implement the TLRP program for the following reasons:

1. Bencor's proposal met the minimum qualifications as outlined in RFP # 082-CC10;
2. Bencor had the most extensive experience in implementation of a TLRP;
3. Bencor had the most comprehensive and well developed customer service resources; and
4. Bencor's program was overall the strongest of the proposers.

The Ad-Hoc Committee voted unanimously in favor of the proposal, subject to the requirement that staff conduct additional negotiations with Bencor, Inc. to further reduce its investment fee structure.

Following the direction with the Ad-Hoc Committee, staff met with representatives of Bencor, Inc. and was successful in negotiating the following:

Bencor agreed to reduce its original management and expense fee of 1.45%, further down from the 1.00% it had agreed to at the oral presentations to .95%; and

Bencor agreed to increase its contribution for staff support for the Office of Risk and Benefits Management from \$35,000 to \$50,000 annually, subject to four quarterly payments of \$12,500.

At the May 5, 2003 meeting of the Board's Compensatory Fringe Benefits Council, the employee unions/associations in attendance expressed an interest in participating in the Board's TLRP program. This item will provide authorization to implement the program for Managerial Exempt Personnel and Confidential Exempt Personnel, in conjunction with a companion Board Agenda Item, C-32, which is an initial reading of the MEP Board Rule to implement the TLRP Program. For other employee unions/organizations, implementation of this program will be conducted through the signing of separate Memoranda of Understanding (MOU), if the group chooses to participate, after engaging in any negotiations that may be necessary.

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Because of the mandatory nature of the program, and Internal Revenue Service (IRS) requirements which apply to all supplementary retirement programs, an employee which is eligible for participation in the program as a result of retirement and/or DROP eligibility, but has not reached the age of 55 in the year in which they retire, would be precluded from being able to get their money back out of the plan, if they chose to, without a 10% IRS penalty for early withdrawal.

Other School Boards who have adopted the Bencor TLRP have agreed to a "Hold Harmless Provision" wherein any employee who is subject to that early withdrawal penalty would be "held harmless", by having the Board fund the amount of money which results in the penalty, net of the FICA savings. Since the Board and the participating employee enjoy a savings up front of 7.65 FICA tax, it is recommended that the Board fund the net amount of any penalty assessed against an employee for early withdrawals, subject to IRS provisions, in the amount of 2.35% of the amount in question, with funding for this to come from the Board's savings of the FICA on its terminal leave payout.

ADDED

RECOMMENDED: That The School Board of Miami-Dade County, Florida

1. approve a resolution to establish the Miami-Dade County School Board 401(a)/403(b) Terminal Leave Retirement Plan (TLRP), in the form of the Bencor National Government Employees Retirement Plan, Bencor Special Pay Plans For Terminal Leave Retirement Plan, Sponsored by Bencor, Inc. and AIG/VALIC, effective May 15, 2003 for Managerial Exempt Personnel and Confidential Exempt Personnel;
2. approve the Plan Trustee as Wachovia Bank;

3. award a contract for administration of the Terminal Leave Retirement Plan (TLRP) program, pursuant to Request For Proposal (RFP) #082-CC10, 401(a)/403(b) Terminal Leave Retirement Plan (TLRP) Administrator, to Bencor, Inc., effective May 15, 2003, subject to the terms and conditions contained in Bencor's proposal, and subsequent written and oral negotiations provided in response to RFP #082-CC10, for an initial three year period, with the option to extend the contract for an additional two year period, for a maximum term of five (5) years, as outlined in RFP #082-CC10;
4. authorize George M. Burgess, Chief Financial Officer, to execute appropriate documents needed to facilitate implementation of the plan and administration;
5. authorize execution of any and all documents for signature for establishment of the Miami-Dade County School Board's 401(a)/403(b) Terminal Leave Retirement Plan and applicable administration agreement documents;
6. Authorize additional discussions with the United Teachers of Dade (UTD), the Dade County School Maintenance Employee Committee (DCSMEC), the Fraternal Order of Police (FOP), Lodge 133, the Dade County School Administrators' Association (DCSAA), Local 77, and American Federation of State, County and Municipal Employees (AFSCME), Local 1184 for consideration to implement the TLRP program, and authorize execution of MOU if agreement is reached;
7. authorize the ability to begin rulemaking for MEP and Confidential Exempt Personnel for a Terminal Leave Retirement Plan (TLRP); and
8. authorize consulting expenses for creation, review, and implementation services of the Board's TLRP program to Deloitte & Touche, LLP, pursuant to their existing contract with the Board for benefit consulting services of \$50,000, paid from the Office of Risk and Benefit Management's Professional and Technical Budget, with funding for such expenses to be from the Board's budget for terminal pay structure of 0100,8144,9112,5310,7730.

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