

Financial Services
Richard H. Hinds, Chief Financial Officer

**SUBJECT: REQUEST FOR AUTHORIZATION TO ENTER INTO
A CONTRACT WITH TSA CONSULTING GROUP,
INC. TO PROVIDE PLAN ADMINISTRATIVE
SERVICES FOR THE DISTRICT'S TAX
SHELTERED ANNUITY IRC 403(b) PROGRAMS**

**COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL
RELATIONS**

**LINK TO DISTRICT
STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES**

At the Board meeting of November 18, 2008, the Board approved the Promulgation of a new School Board Rule, 6Gx13- 4D-1.103, Supplemental Retirement Investment Plans. This Board Rule was created to replace a prior School Board Rule, 6Gx13- 4D-1.081, Tax Sheltered Annuity Programs – Policy.

The new Board Rule was created to achieve four strategic goals which include:

1. Compliance of the District's Tax Sheltered Annuity Investment Program IRC §403(b), with new Federal Regulations;
2. Investment options for District employees which include financially sound companies offering investment choices with the lowest fee structures available in the industry;
3. Choice, compliance and source of revenue for select the "Model Plan" as structured by the Independent Benefits Council (IBC), in conjunction with "grandfathering" of existing providers as the platform for companies offering IRC § 403(b) Plans; and
4. Document in Board Rule the existence of the other two Board-approved supplemental retirement plan programs currently in existence which include the District's §457 and §401(k) Plans.

A major responsibility of the new Federal Regulations surrounding the administration of the IRC §403(b) Plans is the employer's responsibility to monitor and approve a host of transactions for such plans including all requests for starts, stops, increases, decreases, distributions and loans. Previous to the change in Federal laws, these transactions were handled directly between the District employee and the companies providing the investments. The District's obligation at that time was to make sure that the proper change through the payroll system was put in place in order to achieve the requested number of deductions without exceeding Federal limitations.

As outlined in Agenda Item Revised E-201, Board meeting of November 18, 2008, there were in excess of 3600 transactions of this type which occurred during calendar year 2007 and over 3000 transactions which had occurred in 2008 through November, 2008. Subject to the change in administration requirements, the Office of Risk and Benefits Management has been inundated with all requests beginning late in 2008. In addition to the normal volume of requests, the deterioration of the economy has resulted in a significant increase in employee's requesting loans, and distributions from their tax sheltered products. Since the new Board Rule as put into place, 1,017 transactions including all starts, stops, increases, decreases, distributions and loans have been presented to the Office of Risk and Benefits Management. This volume has occurred in the first quarter of the 2009 calendar year, with most transaction requests involving distributions.

An additional component of the new School Board Rule was the increase of the fees from the investment companies which provide products to District employees from the previous \$5/employee/year to \$17/employee/year. The increase of \$12/employee/year was a component of the IBC's "Model Plan", created to fund the cost of a Third Party Administrator to assist Districts in the administration of their plans. Currently 66 of the 67 Districts in the State of Florida utilize a third-party administrator to administer these plans, with Miami-Dade County Public Schools being the only District which currently administers its own plan.

School Board Rule 6Gx13- 4D-1.103, Supplemental Retirement Investment Programs stipulates in Section I – Goals (d) states that a goal of the Board rule includes:

Create choice, compliance, and a source of revenue for the District in determining the number of providers offering investments to District employees, in conjunction with a per participant fee structure to be collected by the District from providers to offset administrative expenses, including the possibility in the future of seeking the services of a third party administrator to assist in the plan's administration with funds to pay the administrator to come from the revenue from participating companies.

After reviewing the alternatives, staff is of the opinion that it will be in the District's best interest to enter into a contract for plan administration for its IRC §403(b) plans with TSA Consulting Group, Inc (TSACG).

TSACG was a stakeholder in the statewide review of all District plans reviewed by the Independent Benefits Council (IBC) which is comprised of representatives from the Florida School Board Association (FSBA), Florida Education Association (FEA), Florida Association of District School Superintendents (FADSS) and Florida Association of School Administrators (FASA). The company provided resource support to the IBC and the District participants which provided support through the Florida Educational Risk Managers Association (FERMA), including Miami-Dade County Public Schools' Risk and Benefits Officer. Currently, TSACG is the authorized administrator for 64 of the 66 counties who utilize a plan administrator. Broward County School Board utilizes an existing investment company to act as the plan administrator, which is not a platform staff feels is in the best interest of Miami-Dade County Public Schools, and Glades County which does not have a contract with TSACG.

State Board Rule 6A-1-1.012(11) – Purchasing Policies states the following:

Except as otherwise required by Statute, a District School Board, when purchasing insurance, entering risk management programs, or contracting with third party administrators, may make such acquisitions through the bid process as described herein, or by direct negotiations and contract.

As a result of the significant experience of TSACG in administering programs statewide, as well as their close work with the IBC in the creation of the "Model Plan", staff is seeking authority to enter into a contract with TSACG for Plan Administrative Services as outlined in the Retirement Plan Compliance and Administration Services Agreement. Services provided as part of this contract include updating an appropriate 403(b) Plan Document; record keeping services for all Plan distribution transactions; and online remittance service through (EPARS) for the negotiated fee of \$1.00/active participant/month for a three-year period, effective June 1, 2009. While the numbers of employees enrolled in a 403(b) program fluctuate, there are approximately 11,000 active participants.

Some of the benefits of this program to the District and its employees are as follows:

- ▶ Employee funds being sent to investors electronically and invested sooner
- ▶ Employee information including social security numbers protected via a secure Web-based application
- ▶ Quick turn around of requests for distributions including loans, hardship withdraws and other requests
- ▶ All requests handled by industry experts eliminating liability of district not fulfilling fiduciary responsibility
- ▶ Use of the Relius/Sungard administration system to compile and integrate all required data from all vendor companies

It is recommended that the funds for the administration fees will be taken from funds collected by the District as outlined in School Board Rule 6Gx13- 4D-1.103, Supplemental Retirement Investment Programs. No tax supported District funds are required for this contract.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida authorize the Superintendent to enter into a contract with TSA Consulting Group, Inc., effective June 1, 2009, for a three-year period to provide Internal Revenue Code (IRC) 403(b) plan administration services to Miami-Dade County Public Schools under their agreement with the Florida Independent Benefits Council (IBC), including but not limited to recordkeeping, provider re-evaluations to determine appropriate fees charged to District employees based upon "model plan" and other vendors, and EPARS consisting of an electronic process for automated remittance allowing Miami-Dade County Public Schools to electronically transfer eligibility data and employee contributions via a secure Web-based application with fees for all services to be \$1.00 per month per active 403(b) participant and paid with fees collected from investment companies pursuant to School Board Rule 6Gx13- 4D-1.103, Supplemental Retirement Investment Plans.