

MEMORANDUM

TO:

FROM:

DATE:

RE: 403(B) PLANS

In 2007, the IRS established new regulations that will hold school boards and other public employers more accountable for the operation of the 403(b) plans offered to their employees.

Realizing the need for a well developed vendor platform, the Independent Benefits Council (IBC) issued a Request for Proposal (RFP), whereby a Model Plan was established. Under the umbrella of the IBC, the four major education groups, including the **Florida Education Association, the Florida Association of School Administrators, the Florida Association of District School Superintendents, and the Florida School Boards Association**, this Model Plan was developed and has been recommended to all 67 school districts. "The IBC's objectives were to create a Model Plan that would 1) assist all 67 districts in complying with the new IRS rules, and 2) utilize statewide purchasing power to negotiate the best possible combination of quality, service and pricing for employees throughout the state."

The Model Plan was adopted on January 28, 2008, and includes the following vendors for 403(b) products:

- AIG (VALIC)
- AXA
- American Century
- Waddell & Reed
- PlanMember Financial Corporation.

Each of these companies committed to the following:

- Certify that the plan proposed for IBC is the best it currently offers in any Florida K-12 district
- Offer favorable rates to all districts regardless of their size
- Automatically upgrade plans when newer, more enhanced products become available
- Ensure that its representatives agree to sell only the product bid for the Model Plan (no bait and switch)
- Provide a detailed plan to convert its existing contracts to the Model Plan, thereby creating immediate benefits for their current participants
- Where applicable, reduce its fees to all adopting school districts as statewide assets under the Model Plan grow
- Guarantee rates for three years.

The Clay County School Board received a presentation on behalf of the IBC's Model Plan from TSA Consulting, Inc., our contracted plan administration services provider. **Upon review of the current vendor platform, the status of the information sharing agreements, and the support of the four major**

education groups, we recommended that the Superintendent request the Board approve the Model Plan, plus the following existing providers with substantial current participation by employees:

- Galic
- Horace Mann
- ING Retire/Reliastar
- Life Insurance of the Southwest
- Lincoln National Life
- Metlife Investors

These companies will remain authorized providers contingent upon their agreement to the same provisions of the providers under the IBC Model Plan. Providers that do not agree to these provisions will not be retained as authorized providers.

What does this mean for District employees?

The new IRS regulations become effective January 1, 2009.

The current vendors will be notified that the District has adopted the Model Plan, plus other providers.

Employees will have a transition period in which they will determine which, if any, vendor plans they would like participate in and contribute *to*.

Effective September 30, 2008, employee contributions will no longer be made to a vendor who is not in the adopted plan and who has not entered into an information sharing agreement with the District.

Individuals who have existing accounts with companies that are not authorized by the school board may leave their funds in their accounts, but they may not make new contributions to them after September 30, 2008.

Individuals who have existing accounts with companies not authorized by the school board may choose to transfer their assets to one of the authorized companies; however, this decision should be made after carefully considering the impact of any surrender fees or termination charges, based on the terms of the existing contracts.

For additional information regarding the Model Plan, please visit the following website:
www.themodelplan.com or contact the finance department at extension 2609.