

**Washtenaw Intermediate School District**

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**Wayne County RESA**

33500 Van Born Rd.  
Wayne, MI 48184

To: Washtenaw Intermediate School District and constituent school districts of Ann Arbor, Chelsea, Dexter, Lincoln, Manchester, Milan, Saline, Whitmore Lake, Willow Run and Ypsilanti

Wayne County Regional Educational Service Agency and constituent school districts of Allen Park, Crestwood, Dearborn, Dearborn Heights No. 7, Garden City, Gibraltar, Grosse Ile, Grosse Pointe, Harper Woods, Huron, Lincoln Park, Livonia, Melvindale-No. Allen Park, Northville, Plymouth-Canton, Redford Union, River Rouge, Riverview, Romulus, South Redford, Southgate, Taylor, Trenton, Van Buren, Wayne-Westland, Westwood, Woodhaven-Brownstown, and Wyandotte

Brighton Area Schools within the Livingston Educational Service Agency

From: Steve Ezikian, Wayne RESA  
Brian Marcel, Washtenaw ISD  
Sharon Raschke, Dexter Community Schools  
Teresa Zigman, Chelsea School District

RE: Recommendation of new 403(b) Plan

The majority of the new regulations released by the IRS regarding 403(b) plans will be effective January 1, 2009. Since last fall, business managers statewide have been working to figure out what we need to do in order to comply with the new regulations.

This spring, several school districts in Southeast Michigan developed a consortium on behalf of 40 districts at the direction/authorization of the superintendents and business managers to address the issue of the changes in the 403b regulations. The consortium representatives were Steve Ezikian, Wayne RESA; Brian Marcel, Washtenaw ISD; Sharon Raschke, Dexter Community Schools; and, Teresa Zigman, Chelsea School District.

On April 18, 2008, the consortium released a 403(b) RFP on behalf of 40 districts in Wayne, Washtenaw and Livingston Counties. The RFP was advertised and posted and any company was free to respond. The RFP was emailed to all current vendors, any vendor requesting the RFP, other companies who were believed to have the capability to provide a model plan, and all

business managers who are included in the RFP. The RFP was posted on the WISD, Wayne RESA, and Dexter Community Schools websites and advertised in the Ann Arbor News.

By the RFP deadline, May 19, the consortium had received 28 proposals. Consortium representatives reviewed and evaluated all 28 proposals. In reviewing the proposals, the following qualifications were evaluated:

- #1 Compliance with new IRS regulations and expectations
- #2 Maximize participant retirement savings: selection of investments ; and, minimize erosion caused by high vendor fees
  - \* Low cost: mutual funds with low internal fees; low cost plan administration; and, efficient structure
  - \* Total disclosure of fees charged and return of revenue sharing to offset fees
  - \* Accept fiduciary responsibility for fund selection
  - \* Independent: no proprietary mutual funds or other insurance products to sell to participants
  - \* Big enough vendor with solid history of managing retirement plans; our plan should not make up the majority of their funds under management
  - \* Structured fund selection process by a team of professionals, not one or two salespeople
  - \* As much structure as before for those who need it “I don’t know, just pick what I should do.”
  - \* More flexibility than before: virtually unlimited access to legal 403b mutual fund investments
  - \* Still be able to work with personal or previous financial advisor: Participant would continue to pay for the financial advice, just in a different way; if you don’t use advice you don’t have to pay for it
  - \* Improved/consistent education on saving for retirement

During that review the consortium decided it would be prudent to engage a consultant to help with the rest of the process. The consortium engaged The PFM Group to help with the evaluation and recommendation.

The consortium representatives and consultant reviewed the proposals, met with nine (9) of the firms, and engaged in follow-up questioning.

The PFM Group developed a written summary of the evaluation and selection process. The PFM Group recommended that the consortium proceed with a 403(b) single vendor model using The Standard as the vendor.

The consortium representatives reviewed the recommendation of the consultant and concur with the recommendation. The consortium representatives recommend that each of the 40 school districts implement a 403(b) single vendor model using The Standard as the vendor. It is now the decision of each individual school district, through its own process, whether to proceed with the recommendation of the consortium representatives.

The Standard’s 403(b) model is a low cost, fully compliant, flexible 403(b) plan to benefit participants and employers. The Standard offers no proprietary funds and provides unbiased fund selection and due diligence and will accept fiduciary responsibility for the investment services.

No other vendor provided a truly credible alternative based on the criteria and goals used to evaluate the proposals. All fees are totally transparent and all revenue sharing will be credited back to the plans. The model will provide participants with significant flexibility; in most cases, more than they have had in the past.

The structure of the investment program will utilize a four (4) bucket approach: 1) Underlying core fund lineup which is a menu of selected funds per investment category (i.e. large growth, small value, foreign, money market, etc.); 2) Risk-based/life-cycle/model portfolios, which is a series of custom asset allocation models that are created out of the underlying core fund lineup and range from conservative to aggressive; 3) Managed accounts that provide investment advisory services through StanCorp Investment Advisers and the Mainspring Retirement Plan Solutions; and, 4) Self-directed brokerage account through the Schwab Personal Choice Retirement Account (PCRA) that provides access to thousands of mutual funds.

The Standard has provided tiered pricing for the 403(b) plan by leveraging all assets under management from all school districts in this consortium to obtain lower costs. The more districts that opt in, the better the overall pricing for all school districts' participants. Each of the 40 school districts may opt in and implement the selected arrangement. Those school districts opting in will proceed with implementation. Those school districts not opting in will need to independently determine their own 403(b) plan, outside of this RFP, or join a different consortium.

The 403(b) consortium will be sponsoring two consortium-wide informational meetings: September 30 at 1 pm at the Washtenaw ISD; and, October 1 at 1 pm at Wayne RESA. One or more representatives from your district are strongly encouraged to attend. Consider sending your superintendent, assistant superintendent, human resources director, teacher and other bargaining-unit representatives, benefits coordinator, and/or board members. Consortium representatives are also available to work with individual constituent districts to educate about the selected arrangement and to help you work through your individual district decision-making process. We want to make sure that the decision makers in your district are fully informed on this plan and why we selected this arrangement. By October 17, each of the 40 school districts will need to notify the consortium whether they are opting in, so the consortium can finalize pricing and proceed with implementation.

Please feel free to contact any (or all) of us if you need any additional information or assistance in making your decision: Steve Ezikian, Wayne RESA, [ezikias@resa.net](mailto:ezikias@resa.net), (734)334-1451; Brian Marcel, Washtenaw ISD, [bmarcel@wash.k12.mi.us](mailto:bmarcel@wash.k12.mi.us), (734)994-8100 x1402; Sharon Raschke, Dexter Community Schools, [raschke@dexter.k12.mi.us](mailto:raschke@dexter.k12.mi.us), (734)424-4107; Teresa Zigman, Chelsea School District, [tzigman@gmail.chelsea.k12.mi.us](mailto:tzigman@gmail.chelsea.k12.mi.us), (734)433-2208.