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To: Dr. Gary Bates, Superintendent

From: Julie Novak, Assistant Superintendent for Finance and Operations

Date: November 12, 2026

Subject: Update on FICA Alternative Accounts

The purpose of this memo is to provide an update on the FICA Alternative accounts.

Background

The FSHISD Board of Trustees approved the FICA Alternative Plan (Internal Revenue Code Section 401(a) plan) with Valic on November 18, 2003. This type of retirement plan is in lieu of social security for employees, such as substitutes, who do not meet the criteria to be a member of the Teacher Retirement System. FSHISD has maintained this plan with Valic since 2003. In 2022, Valic transitioned to Corebridge.

With this type of plan, both the employer and the employee contribute to the employee's account. The employer contribution is 1.30% of the employee's pay and the employee's contribution is 6.20%. As these are retirement funds, individuals cannot access these funds until they are 59-1/2 years old and separated from employment with FSHISD.

Starting in 2022, several factors arose that created issues with timely remittances to Valic/Corebridge.

- Corporate transition of Valic to Corebridge, with no information provided to FSHISD about the transition. District records contain multiple emails beginning in September 2022 requesting assistance with remittances. There were limited responses and multiple referrals to different Corebridge employees, none of which resulted in a solution.
- Internal personnel transition in the Payroll/Benefits Coordinator position.
- Lack of information on how to remit funds, including the employee account distribution. A Corebridge software conversion in 2025 presented additional challenges for staff.

Between July 2022 and September 2025, because the District was unable to get assistance from Corebridge about the manner the monies should be remitted, the FICA Alternative funds were held in the District's bank account and were properly reported on the audited financial statements as a liability on the Balance Sheet. The auditors were aware that District staff were working to get information from Corebridge so that the funds could be remitted to Corebridge and subsequently distributed to individual employee accounts. A remittance of $84,908.09, representing amounts from July 2022 through August 2025, was made to Corebridge on September 30, 2025, but it still took several months of working with Corebridge staff to distribute the funds to the individual accounts. After finally connecting with a Corebridge Executive in February 2026 who took a personal interest in the District issues and elevated them so they could be solved, progress was made with getting funds appropriately distributed to the individual accounts.

Information was provided to substitute employees via emails sent in February 2026 and a session was conducted on April 8, 2026, both in-person and via Zoom, to explain the remittance situation. District staff apologized to the substitutes for any inconvenience this situation had caused them and were transparent as to the issues and the solutions. For substitutes who were hired after July 2022, information was provided to allow them to set up their accounts online instead of submitting a paper form. In order to make individuals whole for the amount of interest they would have earned during the time the funds were held in the District's bank account, Corebridge calculated the amount of interest, and the District remitted those funds for the individuals who have accounts with Corebridge.

Current Status

Employees who were hired after July 2022 and have created their accounts have had their FICA Alternative funds deposited into their accounts. Additionally, remittances have been made for employees who had accounts prior to July 2022. Further, Corebridge has calculated the interest amount (including an additional 10% for market flux) that would have been earned during this period, and the District has remitted the appropriate funds for 49 of the employees (those who have set up their Corebridge accounts) as follows:

- $2,912.73 for 34 employees on 4/2/2026
- $2,332.25 for 15 employees on 7/6/2026

After multiple email attempts to have the remaining employees establish their accounts online so that the their monies could be remitted, on October 5, 2026, follow up letters were sent to 54 employees who have not yet set up their accounts, representing $13,451.96 on deposit at Corebridge awaiting distribution. As a result of the letters, eight of these employees have now set up their accounts. The District will continue to reach out to the remaining 46 employees in an effort to get their accounts established.

The District remits funds to Corebridge following each pay period for the substitute employees. As a means of preventing this from ever happening again, new substitutes who are hired are not allowed to accept jobs unless they have created their Corebridge account.

In July 2026, the Texas Education Agency informed the District that it was conducting an investigation of the FICA Alternative account management. District staff have cooperated fully with TEA and their investigation is ongoing.

Due to continued communication issues with Corebridge, the District is researching the possibility of transitioning to a different company for the FICA Alternative account, and more information is expected to be presented to the Board at a later meeting.