



BOARD OF SCHOOL TRUSTEES

## KELLER INDEPENDENT SCHOOL DISTRICT

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**4B. Preview**

**Date: August 8, 2005**

**SUBJECT:** **SUSPENDING THE ATTENDANCE AND RETENTION PLAN  
AND CHANGING THIRD PARTY ADMINISTRATOR FOR  
INVESTMENTS FOR THE 457(b) AND ATTENDANCE AND  
RETENTION PLANS**

**BOARD GOAL:** **Budget and Finance**

**FISCAL NOTE:** **Budgeted and employee contributions**

**ANTICIPATED  
DATE FOR ACTION:** **August 22, 2005**

**Background Information:**

- Keller ISD participates in an employer sponsored 457(b) plan for use as a FICA alternative and a voluntary retirement plan for the employees. The 457(b) plan is also used by the district's Retention and Attendance Plan.
- Keller ISD participates in a cooperative arrangement through an inter-local agreement with four other districts to obtain certain retirement plan services for our employees. Collectively, the cooperative is named the North Texas School District Consortium (the "Consortium").
- The districts originally conducted a request for proposal process to obtain a service provider for these plans. TIAA-CREF was selected as the service provider. The Keller ISD Board subsequently approved this selection and set up its Plans with TIAA-CREF.
- TIAA-CREF has decided that they are unable to continue to provide the services in the manner originally proposed by their company. They have expressed a desire to mutually end the relationship between the Consortium, their company and the participating districts.
- In the past three years of existence of this plan for the Retention and Attendance Plan for teachers the desired reduction of absenteeism has not diminished as hoped by the plan. The Human Resource Committee has made suggestion that this plan be discontinued and the funding be redirected to an all employees' longevity benefit for employees with 10 or more years of continuous service to the district.

## **Administrative Considerations:**

- Based on conversations with TIAA-CREF, the Consortium anticipated that this change might have to be made. Thus, member districts in the Consortium conducted an RFP process to identify potential replacements for TIAA-CREF. Our Investment Advisory Committee, whose members are appointed by the participating districts, evaluated the proposals and selected Public Agency Retirement Services ("PARS") to replace TIAA-CREF. The investments and trustee/custodial services for the Plan will be provided by Charles Schwab.
- The PARS program has no surrender charges or other investment penalties or restrictions. In addition, the fees for the program are the lowest that were given from the service providers from the responses to the RFP. The lowest respondent to the RFP has fees higher than TIAA-CREF, however, recently TIAA-CREF has announced a fee increase from 15 bases points to 55 bases points or a 266% increase.
- TIAA-CREF has agreed to transfer the existing Plan assets to PARS at no charge to Plan participants or the District. TIAA-CREF has indicated that this is not an indefinite offer and that the participating districts must transfer the assets as soon as administratively feasible in order to guarantee that this arrangement will be honored.
- To complete the transfer the Board will need to adopt the attached Resolution approving the change in service providers for the Plans and that the current legal documents for the Plan be amended and be restated to reflect this change.
- After the Board action to change from TIAA-CREF to PARS, notification and instructions on the transition will be forwarded to all participants.
- The administration will also be recommending that the district contribution to the Attendance and Retention plan be suspended beginning with the 2005-2006 school year and these funds to be redirected to the longevity stipends for 10 or more years of continuous service the Keller ISD.

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Respectfully submitted,

Kent V. Morrison III  
Chief Financial Officer