



BOARD OF SCHOOL TRUSTEES

## KELLER INDEPENDENT SCHOOL DISTRICT

---

**4E. Action**

**Date: August 22, 2005**

**SUBJECT: SUSPENDING THE ATTENDANCE AND RETENTION PLAN AND CHANGE 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**

### **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 providing funding for the district's compensation plan.

**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 recommends that the Board of School Trustees approve the resolutions to authorizing the amendment and restatement of its 457(b) FICA alternative and 457(b) deferred compensation plan and approving the selection of PARS as the new trustee and record keeper for the plans and for the suspension of the District’s Retention and Attendance Plan.**

Respectfully submitted,

Kent V. Morrison III  
Chief Financial Officer