



## Monroe County Community School Corporation

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Dear MCCSC Staff Member:

We are very pleased to be able to present more detailed information about the innovative changes to the 401(a) and 403(b) Plans described in our earlier communications to you. This letter summarizes in more detail the recent recordkeeping, plan administration and funding changes being made to the Monroe County Community School Corporation Savings Plan (401(a) Plan) and Monroe County Community School Corporation 403(b) Plan (403(b) Plan). Please read this letter carefully, if you have questions, contact Comprehensive Financial Consultants at 812-334-3190 or go to [www.cfcf.cc](http://www.cfcf.cc), look under "Client Center" at the left side of the page, click on "MCCSC Employees" and follow the instructions to contact CFC.

### Background

Historically, the 401(a) and 403(b) Plans have been administered and funded through a "bundled services" approach. Under a bundled services approach, Monroe County Community School Corporation ("MCCSC") relied almost exclusively on the purchase of group and/or individual annuity contracts to fund plan benefits. The annuity contract would be either a fixed contract or a variable contract. If a fixed contract, the insurance company that offered the annuity contract would be responsible for the administration of the contract and use its general account investments to fund plan benefits. If a variable contract, the insurance company would also be responsible for the administration of the contract and select the underlying menu of mutual funds offered for participant election, and often, establish the funds. The insurance company would also be responsible for:

- Plan recordkeeping;
- Providing participants with investment information and advice; and
- Marketing plan participation to employees.

Bundled services providers often state that the services they provide MCCSC and its employees are "free." However, bundled service providers are not providing the services for free. Bundled service providers who offer "free" services are compensated through fees that are imbedded in their investment products.

Investment fees charged to retirement plan participants are being scrutinized by the federal legislature, the Department of Labor, industry groups, and litigators. Several bills have been introduced in Congress to require fee transparency (e.g., The Fair Disclosure for Retirement Security Act (H.R. 3185)). The Department of Labor has initiated a three-part initiative to facilitate fee transparency. Industry groups have become very vocal about fees and expenses being charged in retirement plans (especially 403(b) plans) that, in their opinion, are not warranted. Additionally, recent cases have targeted employers on behalf of participants in a company's retirement plan, alleging the employer as plan sponsor violated its fiduciary duty by offering investment funds under the plan that were too costly.

As sponsor of the 401(a) Plan and 403(b) Plan, MCCSC has a legal obligation to make decisions that are in the best interests of the plan participants. MCCSC is a plan fiduciary and as such, knows it has responsibility for the decisions it makes regarding the plans including selection of investment providers. Plan sponsors have a fiduciary obligation to know the total costs of operating a plan. Although plan sponsors are not required to choose the least expensive services, they do need to know whether the investment product charges are reasonably priced and provide good value. With regard to investment fees, the U.S. Department of Labor provides that it is the plan sponsor's responsibility to ensure that fees paid to service providers and other expenses of the plan are reasonable in light of the level and quality of services provided.

With this in mind, MCCSC formed a plan review committee several months ago to evaluate plan recordkeeping, administration and investment fund options for the plans. The committee was made up of members from every employee group, including the teachers union, AFSCME, service staff, administrative staff, and executive staff.

Over the course of several months, the committee reviewed the current plan administration and funding structure and alternatives to that structure. After thoughtful analysis and evaluation, and with assistance of an independent investment advisor and outside legal counsel, the committee unanimously recommended to the MCCSC Board that the bundled approach be discontinued. In its place, the committee recommended that mutual funds offered through custodial accounts be made available to plan participants through an "open architecture" format that is not affiliated with any particular investment vendor or insurance company. Under an open architecture format, the plan sponsor contracts with an independent third party administrator to provide recordkeeping services for the plan. The third party record keeper does not select the investment options for the plan. Rather, in this case, the plan's investment committee, (with assistance from an independent investment advisor) selects the mutual funds that will be made available under the plan through a custodial account. The selected mutual funds are then made available on a third party record keeper's platform through a custodial account. The custodian is responsible for establishment and the production of materials made necessary by the disclosure and reporting requirements of the federal securities laws. Participants are provided independent and unbiased investment advice through a participant level investment adviser who is not affiliated with the mutual funds offered under the plan.

As announced to employees in June and again early in July, the MCCSC Board approved the change in plan administration and funding structure for the 401(a) Plan and 403(b) Plan to the open architecture format at the May 20, 2008 board meeting.

### **Open Architecture Format**

There are generally five (5) separate and independent entities involved with operation of a retirement plan in an open architecture format: the plan sponsor, third party record keeper, custodian of plan assets, plan level investment adviser, and participant level investment adviser. With the exception of the plan sponsor, any one of the entities may be changed at any time if the plan sponsor feels such a move is appropriate. (Under the bundled services format, the investment company plays the multiple roles of record keeper, custodian, plan level investment adviser, and participant level investment adviser.)

Benefits of utilizing an open architecture approach include:

- Greater control and oversight by the plan sponsor of the plan's compliance with the requirements of the Internal Revenue Code and Income Tax Regulations;
- Independent and unbiased selection and monitoring of investment options made available under the plan to participants;
- Access to independent and unbiased advice for participants; and
- Often substantially lower administrative and investment fees charged to participants by the investment options made available under the plan.

## **The Open Architecture Service Providers**

We are very pleased to present information concerning the selected open architecture service providers for the plans.

### Retirement Horizons, Inc.

Retirement Horizons, Inc. ("RHI") has been employed to provide third party recordkeeping services for the plans. RHI is a full service retirement benefits consulting firm, offering plan sponsors one-stop assistance with all aspects of retirement planning for their employees. RHI prides itself in maximum flexibility, with a fully customizable retirement consulting service covering all aspects of retirement plan design, implementation, regulatory compliance, actuarial services and ongoing plan administration. RHI serves the full spectrum of retirement programs, including 403(b) plans. Financial services offered through strategic business alliance partners provide a truly wide open investment architecture. Through these alliances, RHI can offer virtually any mutual fund available in the U.S. financial markets.

### Charles Schwab Trust Company

Charles Schwab Trust Company ("Schwab"), one of the largest trust companies in the United States, has been hired to provide custodial services for plan assets. Charles Schwab provides mutual-fund trading, settlement, and related clearing services to banks, brokerage firms and trust companies and offers plans the same robust mutual-fund processing capabilities available to Schwab institutional clients.

### Doug Johnson, Lincoln Financial Securities Corporation

Doug Johnson of Lincoln Financial Securities Corporation has been hired to provide the plan investment committee with unbiased advice regarding the selection and maintenance of investment funds made available under the plans. Doug is a registered investment adviser. In addition, Doug is president of JA Benefits, Inc., the largest benefits consulting firm based in Southern Indiana (Bedford, IN) providing a full range of brokerage services, including employee benefits products and services and financial, retirement products and services.

In consultation with Doug, the investment options were selected for the plans to be made available to plan participants by a newly formed plan investment committee composed of MCCSC employees from all employee groups.

## David Hays, Comprehensive Financial Consultants

David Hays and Comprehensive Financial Consultants were hired to provide MCCSC employees with unbiased retirement and financial planning advice and information regarding the 401(a) Plan and 403(b) Plan. David Hays is the founder, president and senior consultant of Comprehensive Financial Consultants, Inc. (CFC), located in Bloomington, Indiana. David's firm was chartered to deliver financial planning and investment advice to individuals, businesses, retirement plans and not-for-profit organizations.

In 2003, [Comprehensive Financial Consultants Institutional \(CFCI\)](#) was formed. Its purpose is to provide customized investment and asset/liability management to the institutional investor, such as insurance companies, not-for-profit organizations and retirement plan trusts. In addition to the Bloomington, Indiana office, CFCI has an office in Chicago, Illinois as well.

The staff of CFC and CFCI includes two lead consultants, a fixed-income manager, an equity manager, an insurance consultant, a new business and operations manager, a performance report analyst, a director of marketing/events, a manager of client relations and a manager of client services, along with one relationship manager in Chicago. These individuals, along with David, have built one of the largest independent financial planning and investment firms in South Central Indiana.

David is consistently in the public eye. He has hosted "Your Money with David Hays," a weekend radio program on [AM1370 WGCL](#), since 2002. David also hosted "The Coach," an internet radio program for [businessamericaradio.com](#), from October 2004 through April 2005. He has conducted hundreds of financial workshops across the Midwest. He has been a guest speaker for a variety of national firms, including Wells Real Estate Funds and Midland National Life. He was a featured guest at the 2004 & 2005 IMN Private and Non-Traded Real Estate Investment Trust, in New York City. David has been quoted in several professional publications and has assisted with articles for both local and national publications, including the Wall Street Journal and Kiplinger's Personal Finance magazine. He is a member of the Bloomington Economic Development Corporation, the Hoosier Hills Estate Planning Council and Clear Creek Christian Church.

A native of Bloomington, David Hays follows in his family's footsteps as a respected community leader and businessperson. His great-grandparents operated Hays Market in downtown Bloomington for five decades. David's grandfather, Burton Atwood, was a WWII veteran and Bloomington firefighter for over 25 years. David's father, Jerry Hays, has worked locally in banking for over 30 years. David attended Greenville College in 1988, where he played football, before transferring home to finish his education at Indiana University. He graduated from the IU School of Business in December of 1993.

One of the significant advantages for staff members under the new open architecture format is the ability to receive independent financial advice from CFC. CFC has extensive knowledge of the MCCSC's retirement plans, as well as the benefits provided under the Indiana State Teachers' Retirement Fund and the Public Employees' Retirement Fund. CFC is very familiar with the various 403(b) contracts held by MCCSC employees and will assist you in determining whether it would be better financially to leave your 403(b) balances with your current 403(b) vendor or transfer the balances to the new open architecture platform. Please contact CFC at 812-334-3190 to set up an appointment.

## **Payment for Services**

The 401(a) and 403(b) Plans pay each of the open architecture service providers a fee for their services. All fees are currently paid through your plan accounts. In most cases, you are paying a percentage of your plan account values that is not apparent – it simply reduces your earnings. This is the way current contracts with bundled service providers work. In the new structure, the fee is generally a flat fee that does not increase when your account balance increases. Each of the service providers is independent. Their compensation does not vary depending upon which investments you select. They have nothing to gain in additional fees by advising you or the plans to invest in one product over another. The fees paid to these service providers will be charged to participant accounts, just as is true under the current bundled services approach. However, in most cases the fees will be substantially lower than are currently being paid by staff members, the fees will not increase as plan assets increase and staff members may receive independent investment advice at no additional cost beyond the flat fee paid by the plans.

A description of the plan changes and the reasons for the changes may be found on the MCCSC Web page at [www.mccsc.edu](http://www.mccsc.edu), including the Board Report presented to the School Board on May 7, 2008, which described the plan changes and the reasons for the changes. Click on “Human Resources and Personnel”, then click on “Savings Plan”. You will find documents describing the changes to the plans, as well as information that will be very useful to you as you save for retirement.

Many future staff communications regarding implementation of the plan changes and/or providing useful information for planning your retirement will be added to this web page, so please check this location frequently throughout the year.

## **AIG VALIC**

AIG VALIC has recently mailed many MCCSC employees a letter asserting that removing them as a bundled service provider may violate state law and that participants are losing the ability to invest in a guaranteed account. AIG VALIC followed up the letter with personal calls to many MCCSC employees. MCCSC is taking this opportunity to address AIG VALIC's concerns.

With regard to MCCSC's ability to remove AIG VALIC as a service provider, MCCSC transitioned to an open architecture format upon the recommendation of the teachers union, AFSCME, and all other employee groups represented on the plan review committee. After consulting with outside legal counsel, MCCSC is confident that the decision to move to an open architecture approach not only complies with law, the decision embodies the intent, purpose and bargaining rights provided to employees by state law.

With regard to participants losing the ability to invest in a guaranteed account, this assertion is true. Under the open architecture platform, a guaranteed investment option is not currently offered. However, there are several investment options under the open architecture platform that are very secure. As mentioned above, the investment options offered under the open architecture format were selected through careful analysis by the plan investment committee in consultation with Doug Johnson. The plan investment committee determined that a guaranteed investment option would not currently be offered under the plans in part because the

Indiana State Teachers' Retirement Fund and the Public Employees' Retirement Fund each offer a guaranteed investment option with a rate of return that is extremely competitive to any guaranteed account offered by a bundled service provider, including AIG VALIC.

The investment options available under the open architecture platform were selected so that a participant could construct a well balanced retirement plan portfolio that is capable of taking advantage of upswings and surviving downturns in the financial markets. However, unlike investment options offered by bundled service providers, investment options offered under an open architecture platform can be changed, if deemed appropriate by the plan investment committee. Therefore, going to an open architecture format does not preclude offering a guaranteed account under the plans in the future. MCCSC encourages employees to take advantage of the independent financial planning services being offered to them by CFC and meet with a CFC representative to develop a well-balanced retirement plan portfolio, taking into account their MCCSC plans assets, their TRF or PERF annuity savings accounts, and other assets.

### **NEXT STEPS 401(a) PLAN – IMPORTANT, PLEASE READ CAREFULLY**

Representatives from RHI will be at the school corporation on August 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> to conduct meetings with staff members. During these meetings enrollment materials and plan information guides will be distributed and the web site enrollment process will be demonstrated. Times and locations of the meetings will be announced soon. Please be sure to attend one of the meetings to be certain you know how to complete the enrollment process.

As part of the transition from the bundled services format to the open architecture format, every plan participant will be required to select the investment funds that his or her 401(a) Plan and 403(b) Plan accounts will be invested in under the new format. Every plan participant will also be required to designate beneficiary(ies) for the plan accounts.

Beginning Monday, August 18<sup>th</sup>, you may enroll in the plans. Go to [www.retirementaccountlogin.com/retirement-horizons](http://www.retirementaccountlogin.com/retirement-horizons) to complete the enrollment process and make your investment selections. You will be provided a brochure with instructions for login, enrollment and investment selection during the enrollment meetings on August 18<sup>th</sup> to August 20<sup>th</sup>.

There will be a 30-day (approximate) “blackout period” during which time 401(a) Plan assets will be transferred from AIG VALIC to Schwab. You will not be able to change investment instructions for your AIG VALIC 401(a) account during the blackout period. However, you may access the RHI web site to select your investment options under the new investment platform that will be effective when the transfer occurs. Please refer to *Your Guide to Your Retirement Future* for instructions. The dates of the blackout period will be announced soon, so please continue to watch for communications related to the plan changes.

Contributions to your new 401(a) and 403(b) accounts will begin effective with the first payroll of the 2008 – 2009 school year. **However, unless you go to the RHI web site and complete the enrollment process before the transfer of assets takes place, your 401(a) Plan account balance will be invested in a default target retirement date balanced investment fund that has been selected by the plan investment committee.** You will then have the ability

to go on-line at the RHI web site and transfer your investments to other investment options of your choosing. You will receive notice of the exact blackout dates.

## **NEXT STEPS 403(b) PLAN – IMPORTANT, PLEASE READ CAREFULLY**

### **Current 403(b) Plan Account Balance**

The balance in your 403(b) account(s) will not automatically be transferred to the new open architecture platform. Your 403(b) Plan account balances will remain with your current 403(b) vendor(s) until you provide written instructions to transfer those balances to the new open architecture platform. You may leave funds you have already contributed to your 403(b) Plan account(s) with your current 403(b) vendor if you wish to do so. Since some of the current 403(b) contracts permit the bundled service provider to assess “surrender charges” if funds are withdrawn before those funds have been on deposit with the company for a specified minimum length of time, transferring the funds in your 403(b) Plan account(s) to the open architecture platform may cost you more in surrender charges than you would pay in higher investment management fees with your current 403(b) vendor. You should consider the decision to transfer your current 403(b) balances to the new investment platform or leave them with your current 403(b) vendor very carefully. CFC is familiar with the current 403(b) contracts for all of the current 403(b) vendors and can be very helpful to you as you consider this decision. –

### **Future Contributions to the 403(b) Plan**

If you currently are contributing to the 403(b) Plan, all future salary deferrals will be made to the open architecture platform starting with the first pay period beginning on or after August 30, 2008. You will be required to select the investment funds that your future contributions to the 403(b) Plan will be invested in under the new format. Every plan participant will also be required to designate beneficiary(ies) for their 403(b) Plan account under the new format.

**Unless you go to the RHI web site and complete the enrollment process before August 31, 2008, your future contributions to the 403(b) Plan will be invested in a default target retirement date based investment fund that has been selected by the plan investment committee.** You will then have the ability to go on-line at the RHI web site and transfer your investments to other investment options of your choosing. If you wish to immediately (following the blackout period) select your own investment options, rather than have your account balance placed in the default investment program, be sure to access the RHI web site before the beginning of the blackout period to indicate your investment preferences. You will receive notice of the exact blackout dates.

## **SUMMARY OF THINGS TO DO**

- Assemble your most recent statements from 403(b) vendors, the 401(a) plan and PERF or TRF;
- Consider your investment options and overall investment strategy;
- Plan to attend meetings with RHI on August 18, 19 and 20;
- Consider scheduling appointment with CFC for individual consultation;
- Check the MCCSC web page at [www.mccsc.edu](http://www.mccsc.edu); and
- Check [www.retirementaccountlogin.com/retirement-horizons](http://www.retirementaccountlogin.com/retirement-horizons) for information and forms.

## Questions

MCCSC is very excited about the enhancements being made to the 401(a) and 403(b) Plans. If you have any questions, please contact Comprehensive Financial Consultants at 812-334-3190 or go to [www.cfcf.cc](http://www.cfcf.cc), look under “Client Center” at the left side of the page, click on “MCCSC Employees” and follow the instructions to contact CFC.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Peggy Chambers".

Peggy Chambers  
Assistant Superintendent for Human Resources and Personnel  
Monroe County Community School Corporation