




SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

500 EAST OCEAN BLVD., STUART, FLORIDA 34994 TELEPHONE: (772) 219-1200 Ext. 30206
FAX: (772) 219-1226

Linda M. King, PHR

Risk & Employee Benefits Manager

Memo #08-013

TO: All Employees
FROM: Linda M. King, PHR, Risk and Employee Benefits Manager 
DATE: August 29, 2008
RE: **Upcoming changes to Voluntary Retirement Plans**

The Internal Revenue Service has issued new regulations for 403(b) plans that will be fully effective on January 1, 2009. These regulations have required all employers and investment product providers to adopt new administration procedures to comply with recordkeeping rules for participant accounts

To ease the transition of the new regulations, the Florida Independent Benefits Council (IBC) was convened to review the existing 403(b) providers throughout Florida. The IBC is made up of the four major education groups – The Florida Education Association, The Florida Association of School Administrators, The Florida Association of District School Superintendents and the Florida School Board Association.

These four organizations came together in the interests of all school district employees and negotiated the best possible deal for Florida's 350,000 school employees. Their negotiations resulted in the creation of the "Model Plan" for all 403(b) products.

What is the Model Plan?

The Model Plan is a program that was designed to help all school districts in the State of Florida meet the new IRS regulations that govern the operation of 403(b) accounts and in addition they used their statewide purchasing power to receive the lowest possible fees for employees. The IBC put out a national bid to find the top five companies who could offer a variety of 403(b) products to all school districts in the State of Florida.

Which companies are included in the Model Plan?

The five Model Plan providers are:

- **AIG Retirement - (variable annuity)**
- **American Century Funds - (no-load mutual funds)**
- **AXA Equitable - (variable annuity)**
- **PlanMember Financial - (service-based mutual funds)**
- **Waddell and Reed - (service-based mutual funds)**

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Dr. Sara A. Wilcox, Superintendent

School Board Members: Dr. David L. Anderson • Laurie Gaylord • Susan J. Hershey • Nancy Kline • Lorie Shekailo

How much difference will the Model Plan make to me as an investor?

The amount of additional savings will depend on the product in which you are currently invested and the product you select in the future, the length of your investment and many other factors. It is estimated that over a 30-year career employees may increase the value of their accounts by a third or even more. Assuming a one-third increase in return on investment, if an individual would have accumulated \$300,000 over his/her career under the current system, they might gain another \$100,000, raising the value of their investment to \$400,000.

Why isn't the company I currently use for my 403(b) investment included in the Model Plan?

All companies currently offering 403(b) products to school districts in the State of Florida were individually invited to participate in the bid. Many companies have decided not to continue in the 403(b) business due to the new IRS regulations. Some chose not to bid because they did not want to offer programs statewide or felt their prices would not be competitive. Twenty-four companies submitted proposals. These were narrowed to five programs, and the five "Best in Class" companies were adopted as part of the Model Plan.

Who will evaluate the options?

After a thorough evaluation of the vendors, the Insurance Committee will make recommendations to the School Board considering the best interest of all employees. The Insurance Committee is made up of representatives from all employee groups.

I am not currently participating in the voluntary retirement program, what does this mean to me if I do not currently participate?

The model plan offers low fees and a wide variety of products, including no-load mutual funds. We encourage you to look at the new plan offerings. The model plan does not have a minimum salary reduction requirement, so you can start investing with a lower bi-weekly contribution.

For additional information, visit www.themodelplan.com or call the Risk Management and Employee Benefits Department.