

Mt. Diablo Unified School District
RFP #1596

Third Party Administrators for Tax Sheltered Annuities (Section 403(b) and 457 plans)

In the late summer, the District's current third party administrator, Great American Benefits Administrators, was sold to a new company called TSA Consulting Group. TSA informed the District that it would phase out our current agreement with Great American that waived the plan administration fees and would go to a fee for service model by 2012. Great American was the last of the providers in our market to still be operating on a basis of waiving the fees for third party plan administration. Since this was the first time the District's employees, or its Section 403(b) and 457 providers were to pay such fees, it was felt that it would be best to go out for a request for proposals, rather than just accept the fee requested by the new provider.

The District received four proposals in response to Request for Proposals #1596 – Third Party Administrator for Tax Sheltered Annuities (Section 403(b) and 457 plans). The following panel of representatives from various bargaining groups and stakeholders within Fiscal Services, Payroll and Technology Services reviewed the proposals.

- ~ Laurel Burns, Library-Media Teacher, Strandwood Elementary (MDEA representative)
- ~ Mike Mattos, Vice Principal, Foothill Middle (DMA representative)
- ~ Ron Kenela, Instructional Assistant, Alliance Program, Olympic High (CSEA representative)
- ~ Debora Roberts, Bus Driver (PEU Local #1, M&O representative)
- ~ Mary Meadows, Payroll Manager
- ~ Nance Juner, Chief Accountant
- ~ Silvia Esteban, Integrated Systems Project Manager
- ~ Bryan Richards, Chief Financial Officer

(Note: PEU Local #1, CST unit and MDSPA were invited to appoint representatives but did not do so)

After initial review, the firms with the top three proposals were chosen for presentation and interview. Interviews were held on November 30, 2011. At the conclusion of the interview process, the panel evaluated responses and came forward with a unanimous recommendation that the board award the Third Party Administration contract to Mid-America Administrative & Retirement Solutions, Inc. (MARS)

The panel found the following factors most influential in deciding which firm to recommend:

1. Service Model – This was a very competitive sector as each vendor had a dedicated website for employee education and information. However, it was felt that two of the providers' sites and documentation were easier to understand than the other. The top candidate offers the advantage of having partnered with Zuk Financial Solutions (Zuk) to provide the employee outreach and education piece required. Zuk's Northern California regional office staff in Berkeley is available to answer questions in addition to the main customer service center of MARS in Florida.

2. Experience with California School Districts – MARS and Zuk currently support over 250 California School Districts and County Offices of Education including the Alameda, Benicia, Fairfield, Piedmont, San Leandro, Berkeley, Oakley, Byron and Knightsen Districts and Napa, San Mateo, and Solano COEs in our area.
3. Statement of Auditing Standards 70 (SAS 70) compliance – Two of the top three candidates included their SAS 70 audit reports on internal controls and tests of operating effectiveness in addition to their firm’s regular audit for the committee’s review. The remaining firm included its regular audit, and indicated its current SAS 70 audit is underway, but not yet complete. The fourth place firm that was not interviewed did not include its audits.
4. Price – This factor was very competitive with the top three vendors interviewed ranging between \$20 and \$24 per year. The fourth place vendor not interviewed was priced at \$36 per year. MARS came in with the lowest price at \$20 per year.

Many of the District’s Section 403(b) and 457 vendors have agreed to pick up the cost of this change. However, some of the widely known lowest cost providers of Section 403(b) and Section 457 plans have not. To maximize employee choice, if employees wish to pick up the cost and stay with a vendor that is not picking up the cost on their behalf, they will be allowed to do so and the cost will be prorated across the number of normal pay periods per year (\$2/month for 10 pay cycle employees, \$1.82 per month for 11 pay cycle employees, \$1.67 per month for 12 pay cycle employees).

One of the firms that were interviewed had additional fees for plan amendments if the IRS changes the rules for the plan, or if the plan is audited. The other two vendors indicated there was no additional charge for this service. MARS was one of the vendors that does not charge extra for this service.

The District will not be incurring additional expense as a result of this contract. Therefore, there is no financial impact to the unrestricted general fund for awarding this contract.

The Fiscal Services Division thanks the panel for its fine work in evaluating the proposals and concurs with the panel’s recommendation to award the contract to Mid-America Administrative & Retirement Solutions, Inc.