MI Retirement Investment Consortium (MRIC)

“Past, Present and Future”

Northern MI School Business Officials
February 16, 2012

Agenda

1. Past - brief history of how we got here
2. Present – where are we focusing our attention
3. Future – how will the work drive the future of MRIC
4. Feedback from districts on MRIC
5. Questions

The “Catalyst” For Change

- New Federal regulations were published July 2007
- Changes generally effective January 1, 2009
- New requirements for employers
  - All public school employers with a 403(b) program must establish a written Plan Document
  - All public school employers must comply with administrative functions
    - District
    - Third-party administrator (TPA)
- What Are Administrative Functions?
  - Recordkeeping
  - Compliance
  - Review and selection of investment providers
  - Examples
    - Ensure contribution opportunity is “universally” available
    - Ensure contributions do not exceed various maximum annual limits
    - Monitor catch-up contributions
    - Ensure no participant distributions outside of qualifying circumstance
    - Ensure participant loans and hardship withdrawals meet requirements
    - Coordinate information sharing among all investment providers to ensure compliance

Why Did The IRS Issue New Regulations?

- Impetus for change
  - Federal audits reflected non-compliance
  - Federal review reflected that participants of 403(b) plans were paying higher fees and experienced lower performance than similar 401(k) plans
- Employer responsibility for administrative functions
  - Employer
  - Designate third party administrator (TPA)
    - TPAs commonly used for 401(k) plans in private sector
- If non-compliance
  - Participant loss of tax-sheltered status

MRIC Was “Born”

- Districts from the North joined with districts from the Southwest to form the Michigan Retirement Investment Consortium
  - Bid and hired a Third Party Administrator (TSA Consulting)
  - Hired an Independent Registered Financial Advisor to analyze current vendors and recommend the core vendors based on product, performance, and price
  - Formed a Governing Board to make decisions and provide direction
- MRIC has focused on two simple, yet complex goals:
  1. Compliance – comply with the regulatory requirements of the IRS. Non-compliance means employees lose tax sheltered status and employers incur IRS penalties.
  2. Employee focused – leverage the size of the consortium to lower fees and improve product offerings for employees.
- 29 ISDs, 217 local districts and 5 community colleges (251 total schools)
- 19,500 active participants, 51,790 total accounts and $1.2 billion in assets
**MRIC Scorecard**

- Meet IRS regulations and compliance requirements
- Contain costs through economies of scale with legal, third party administrator (TPA), and Gallagher Retirement Service fees
- Reduce number of vendors and initial fee structure

- Institute better controls in product and pricing to ensure that plan and participant fees are reasonable and products meet employee needs now and into the future

**MRIC Evolution**

**Level 0**
- Pre MRIC

**Level 1**
- Current MRIC

**Level 2**
- Recordkeeping capabilities for old products
- Product & pricing platform control on a go forward basis
- Open to all advisors to sell (Boots on the ground)
- Product & pricing control
- Education & communication control
- Open to advisors that qualify and meet platform standards (Boots on the ground)
- Product & pricing control
- Education & communication control
- Open only to advisors employed by this platform (Boots on the ground)

**Level 3**
- MRIC 1 = Level 2
- MRIC 2 = Level 3 or 4

**History Lesson-Why MRIC**

- Create leverage
- Improve product
- Improve participation
- Compliance

**Platform vs. Vendor**

- A “platform” includes the following services and capabilities under one umbrella:
  - Trustee & recordkeeping
  - Investments
  - Website
  - Education & communication offerings

- A “vendor” is an organization selling and running their own “platform”

- Many MRIC “vendors” utilize non-proprietary “platforms”

- Many MRIC “vendors” can be more accurately described as agencies or advisory firms

**Level 2**

- Product & Pricing
  - Via single platform
  - Pricing and product leverage potential
  - Limited control of message and advice

- Boots on the Ground
  - Access to all advisors/“vendors”

- Education & Communication
  - Via single platform
  - No unified coordinated effort (website, seminars, mailers, etc)

**Level 3**

- Product & Pricing
  - Via single platform
  - Enhanced pricing and product leverage

- Boots on the Ground
  - Access to all advisors/“vendors” who qualify (RIA)

- Education & Communication
  - Via single platform
  - Unified coordinated effort (website, seminars, mailers, etc)
Level 4

- Product & Pricing
  - Via single platform
- Boots on the Ground
  - Access to only captive advisors
- Education & Communication
  - Via single platform
  - Quality control of message and advice
  - Unified coordinated effort (website, seminars, mailers, etc)

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RFP Timeline

- RFP Released: January 20th
- RFP Response Due Back: February 3rd
- Meeting w/ Finalists: March 2nd
- Present Finalists to MRIC Board: March 16th
- Begin New Model: August 1st

Other Items Of Focus

- 457 Plans – do we use the same model as 403b; need for a common plan document
- Increasing employee participation – impact of Pension Plus System
- Increasing “core” market share – how do we drive more business to the core
- Communication – how do we effectively communicate with employees

Feedback

- Is MRIC heading in the right direction?
- Where else should we be focusing our energy?
- How do we keep districts engaged in the consortium?
- How do we effectively communicate with Boards, Superintendents, staff, vendors, etc.

Contact Information

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