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TESTIMONY TO THE SENATE COMMITTEE ON KPERS AND SENATE BILL NO. 338

Submitted by: Joseph Rollins
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Thank you for allowing me to appear and speak concerning Senate Bill 338. My name is Joseph Rollins, President/CEO of TSA Consulting Group, Inc.

TSA Consulting is an independent, fee-for service provider of administration services primarily to public education employers in 39 states and headquartered in the State of Florida. Our clients are public K-12 and college employers that maintain 403(b) plans with multiple investment product providers. Currently we serve over 1500 employers representing more than 840,000 individual accounts with assets exceeding 16 billion dollars. These clients include 12 of the largest 25 K-12 school districts in the U.S. I should state that TSA Consulting Group does not market investment products and is not affiliated with any investment product provider.

My testimony is designed to offer insight into the needs and desires of the employers and participants in this market segment and demonstrate how these needs are being met by the current investment providers and third-party administrators. Further, I trust that the information provided today will illustrate the importance of maintaining the current local control of these plans by the school districts and colleges that sponsor these plans regardless of whether or not the state retirement defined contribution plan is contributory.

The administration of governmental, non-ERISA 403(b) plans did change on January 1, 2009 when the new federal regulations became effective. These regulations served to centralize the recordkeeping for these plans and require a plan document under which the plan is operated. Since that time, several industry groups have continued to develop "best practices" for the administration of 403(b) plans. These organizations include the American Society of Pension Professionals and Actuaries (ASPPA), the National Tax Sheltered Accounts Association (NTSAA) and the Spark Institute. As a result of the combined effort of these organizations, both plan sponsors and participants have received increased educational materials concerning eligibility and enrollment in these plans as well as enhanced investment products and services.

As these changes have occurred the employers have, with few exceptions, expressed sincere concern for maintaining an adequate array of investment provider choices in the plans and recognizing those investment product and services that generated significant participation. It is important to remember that these local 403(b) plans have been in existence for over 40 years. Many participants have long-

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term and trusted relationships with their investment provider and, in most cases with their local investment advisor.

Clearly, the 403(b) plan maintained by a local school district or college shares few of the characteristics of a defined contribution 401(a) plan maintained by a State or 401(k) plan maintained by a private enterprise. First, the investment products allowed under 403(b) plans are limited to annuities and mutual funds held in custodial arrangements. Second, the vast majority of these plans are funded by the participants only through elective deferrals. This is true because the employer contributions have historically always funded the state retirement plan. Finally, the majority of these participants are investing with the assistance of an advisor working under a fee or commissionable arrangement.

A primary focus of ASPPA and NTSAA is currently to drive the continued improvement of product fee transparency in the governmental plan market. We adhere to this philosophy recognizing that many participants need and want investment advice and should have access to it at fair and equitable rates.

There have been several successful examples in our experience that combined the efforts of state or regional groups to refine the investment product offerings available to these employees. One such project was launched in our home state of Florida by the Independent Benefits Council or "IBC" in 2008. The IBC is comprised of the leadership of the Florida School Board Association, the Florida Association of District School Superintendents, the Florida Association of School Administrators and the Florida Education Association. The IBC released a Request for Proposals to all 403(b) investment providers and evaluated responses on a variety of factors including product type, fees and expenses and services provided by related representatives and investment advisors across the state. As a result of this effort, five organizations including three insurance companies, one broker-dealer organization and one no-load mutual fund provider make up the "Model Plan" for Florida K-12 employers. The majority of school districts voluntarily adopted these providers. Yet, importantly each school district may include one or more providers outside the Model Plan for reasons including significant participation, product design or services provided by local advisors. I should add that TSA Consulting Group currently serves as the administrator for all 67 Florida school districts.

A similar project was completed in Michigan by the Michigan Retirement Investment Council or "MRIC". Based upon the Model Plan in Florida, this group was made up of the Regional Education Services Associations (RESA's) representing over 275 school districts in that state. The result of this effort established a similar group of investment providers within the MRIC offering with the ability for each district to add providers where it is determined to be beneficial to the local plan.

In each scenario, the investment providers ultimately selected comprise a competitively priced array of investment products and services available to all employees.

Certainly, there have been unfortunate examples where a few school districts and colleges have elected to base their 403(b) plans investment offerings only on pricing using low or no-load investment products giving little or no heed to local services provided to participants. We have witnessed several outcomes where participation declined significantly as a result in most cases by more than 50%. The participant's perception of being dis-enfranchised is a direct and negative tie to participation.

In conclusion, we understand the need for re-definition of the state's role in providing retirement benefits for workers and the need to explore alternative design in accomplishing financially sound plans for the future. In doing this, it is our opinion that heed must be paid to the existing retirement plans that are working for participants recognizing the preferences of these participants.

Thank you again for this opportunity. Please do offer any questions you may have.