

Hillsborough County Public Schools Case Study

Hillsborough County Public Schools (HCPS or the District), located in Tampa, Florida, is the largest employer in the county, with a team of 23,000 employees. As the seventh largest school district in the nation, one might assume that such a vast organization could feel impersonal. However, that couldn't be further from the truth—especially within the District's benefits and retirement teams. Step into their office, and you'll immediately feel the warmth of close-knit relationships, a strong sense of camaraderie, and pride in the work they do to support the District, its staff and the surrounding Tampa community.



At A Glance

- Client since 1996
- More than 220,000 students
- 245 Schools
- 3rd Largest district in Florida
- 7th Largest district in the nation
- Largest employer in Hillsborough County with 23,000 employees, including more than 13,000 teachers

"We're the seventh largest district in the nation and we're also geographically large—the size of Rhode Island. I like to think of us as the smallest family you ever want to meet. Everything we do is about making sure our employees are well, whether it's financially well, physically well, socially well, or emotionally well," shared Dr. Tracy Schatzberg, the General Manager of Employee Benefits & Insurance at HCPS.

Building for the Future

With a workforce of 23,000—more than 13,000 of whom are dedicated teachers—it's no surprise that the District is deeply committed to supporting the financial well-being of its team. HCPS not only prioritizes helping employees build bright financial futures, but also does so in a cost-effective way that allows savings to be reinvested back into the District.

In 1996, Hillsborough County Public Schools partnered with BENCOR, a Daybright Financial company (Daybright). Daybright was initially brought on to provide a 3121 FICA Alternative Plan—a retirement benefit designed for temporary, seasonal, and part-time employees that serves as an alternative to Social Security. These plans can save both the District and employees up to 7.65% in FICA taxes. Over time, Daybright's role has expanded and they've become a trusted partner in helping HCPS enhance additional retirement benefit opportunities.

The Opportunities

Reduce Overall Benefits Costs Without Sacrificing Value of the Benefit

HCPS knew the importance of taking care of their employees while at the same time assessing ways to reduce costs so the funds saved could be reinvested into the District.

A Meaningful Alternative to Social Security for Temporary, Seasonal & Part-Time Employees

HCPS had a unique opportunity with this specific group of employees—help them save for retirement while also helping them and the District save on taxes.

More Efficiently Handle Accumulated Leave Payouts & Offering a Place to Put DROP Funds

Cash payouts of unused sick and vacation pay can be costly for both the employee and the District. The District also wanted to give options to employees who were part of Florida's Deferred Retirement Option Program (DROP).

Success and the Special Pay Plan

As the District's partnership with Daybright has grown, so has the range of solutions Daybright provides. Building on the foundation of the existing FICA Alternative Plan, HCPS introduced the Special Pay Plan—an IRS-approved 401(a), 403(b), or 457(b) retirement plan funded using unused sick leave, annual leave, and vacation pay. The benefits? Both the District and employees can permanently save up to 7.65% in FICA taxes. Plus, employees can defer taxes on their Special Pay Plan until they're ready to withdraw the funds—often when they're in a lower tax bracket.

"Typically when somebody is [nearing] the end of their career in a year where they're making more money, they're in a higher tax bracket," explained Kurt Miller, Managing Partner for Daybright Financial's Public Sector Retirement segment. "Rather than having [the accumulated leave] paid out in cash, [with the Special Pay Plan] it automatically goes into a qualified retirement plan. The Internal Revenue Service views that as an employer contribution, which is not subject to Social Security or Medicare tax. So it's a win-win for both the employee and the employer."

Add to that the personal touch of an onsite Daybright representative—someone who works hand-in-hand with HCPS to ensure staff have the information and support they need for both the FICA Alternative and Special Pay Plans—and it's easy to see why this partnership has thrived for decades.

"For our district, it's super seamless. We have a great team with Daybright who keeps us informed. They keep us in compliance, and when it's time for employees to retire or to enter our deferred retirement option program, which is here in Florida, Daybright makes things smooth and seamless," shared Tracy.

The Results

~\$2M annual savings from Special Pay Plan

HCPS saves ~\$2M each year on taxes due to the implementation of the Special Pay Plan. Since the Plan's inception, it's estimated the district has saved ~\$40 million.

Tax-Deferred Treatment of Accumulated Leave with Special Pay Plan

Employees are able to save on taxes as well, avoiding a large up front tax payment on their unused accumulated leave in the year they retire.

Retirement Benefit for Seasonal, Part-Time & Temporary Employees

Employees have an opportunity to save for retirement as an alternative to Social Security. As a result, HCPS eliminates their matching 6.2% Social Security contribution.

"If I had a colleague who was in another district and wanting to know why they should [implement a Special Pay Plan], I would say they should jump right on it. There's no reason not to. There's no loss. There's no downside for the district. There's no downside for employees. It's a win-win for everybody."

Dr. Tracy Schatzberg
General Manager of
Employee Benefits & Insurance

HCPS Service Lineup

Service & Education

Dedicated, Onsite

Account Representative

Onsite & Virtual

Employee Education

Retirement

3121 FICA Alternative Plan

Special Pay Plan

Administration & Recordkeeping

403(b)/457(b) Third Party

Administration

About Daybright Financial

Simply put, we are one of the nation's largest independent, privately held firms specializing in employee benefits, retirement plans and all their associated compliance needs. Since 2008, we have grown by acquiring over 60 local and national firms that have been trusted members of their communities for decades. Independently certified as a "Best Place to Work - USA" company, we currently serve over more than 18,000 employer groups and 3.6 million plan participants nationally.

For additional information, visit daybright.com

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