UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY NORTHRIDGE
RETIREMENT PLAN COMMITTEE
OCTOBER 15, 2024
MINUTES
USU INTERNAL CONFERENCE ROOM - SOL CENTER

I. Call to Order

Vice Chair, M. Orantes called the meeting to order at 3:33 p.m.

II. Roll Call

Present	Absent	Guests
Debra Hammond, Executive Director (voting)		Dennis DeYoung, Certified Financial Planner
Joseph Illuminate, Associate Director, Accounting & Finance (voting)		Sallie DeYoung, Certified Financial Planner
Marilyn Orantes, Committee Chair (voting)		
Kristen Pichler, Associate Director, Human Resources & Professional Development (voting)		
Dr. Freddie Sanchez, Asst VP, Student Affairs, Equity & Inclusion (voting)		
Nawshin Sabah, Student Board Representative (voting)		

III. Approval of Agenda

M/S/P (N. Sabah/J. Illuminate) Motion to approve the Agenda for October 15, 2024.

Motion approved by General Consensus.

IV. Approval of Minutes

M/S/P (N. Sabah/D. Hammond) Motion to approve the Minutes for June 12, 2024.

Motion approved by General Consensus.

V. Chair's Report

A. Vice Chair, Orantes led an icebreaker where each member of the committee was asked to provide a recent "high and low" they had experienced recently.

VI. Action Items

A. Retirement Plan Committee Goals
M/S/P (J. Illuminate/N. Sabah) Motion to accept the 2024-25 Retirement Plan Committee Goals as presented.

Vice Chair, M. Orantes explained the goals using the following table:

No.	GOALS
1	Fully Fund the Retirement Health Benefits Plan (RHBP) based on the latest financial data from the Actuarial Valuation Reported dated June 30, 2024. **[December 2024]**
2	Provide a training opportunity to educate interested employees about the benefits of the 401A Employer-Paid Supplemental Savings Plan and 403(b) plans and familiarize them with The Standard's website. **[March 2025]**

Motions passes 5-0-0

B. Retirement Health Benefits Plan Funding
M/S/P (Dr. F. Sanchez/K. Pichler) Motion to allocate $600,000 to fully fund the Retirement Health Benefits Plan as June 30, 2025.

J. Illuminate led the discussion.

Fully Funding the Plan by June 30, 2025, will decrease the USU's projected annual expense by $908,308 and annual projected contributions by $810,302 through June 30, 2039. The Plan would be fully funded through June 30, 2039.

The additional $600,000 funding is over and above the $400,000 funding approved by the Board of Directors in the 2024-25 Budget. Therefore, the total 2024-25 funding for the Retirement Health Benefits Plan would be $1,000,000 [$400,000 + $600,000].

The source of money to fully fund the Retirement Health Benefits Plan would be the Consolidated Investment Pool (CIP).

The scenarios to fully fund the Retirement Health Benefits Plan are prepared by Carlos Diaz, Senior Consulting Actuary, Foster & Foster.

The actual amount of funding needed to fully fund the Retirement Health Benefits Plan will change as actuarial projections are updated over time.

Motions Passes 5-0-0

C. **Retirement Plan Investment Line Up Change**

M/S/P (D. Hammond/K. Pichler) Motion to recommend replacement of the Metropolitan West Total Return Fund with the Dodge & Cox Income X Fund in the line up of the 403(B) Plan and the 401A Employer-Paid Supplemental Retirement Savings Plan.

Financial Advisors Dennis DeYoung & Sallie DeYoung led the discussion.

The Quarterly Monitoring Report produced by Standard recommended the removal of the Metropolitan West Total Return Bond fund (MWTIX) due to recent material organizational changes as well as ongoing fund under performance.

It is the largest bond fund in the portfolio, representing nearly 9% of assets, as it is the default bond fund in portfolios created by Standard for participants.

After discussing with the team at Standard, the process of removing this fund as the default fund is the same as swapping the fund out entirely in terms of length of time.

As a result of the recently published research review, the Standard has removed MWTIX from its offering list and it is only available as a legacy offering. Advisors recommend a full fund swap from MWTIX to the Dodge & Cox Income X (DOXIX) fund for better performance and lower expenses to participants.

Motions Passes 5-0-0

VII. Discussion Items

A. Second Quarter 2024 Retirement Plan Review

The discussion was led by Financial Advisors, Dennis DeYoung & Sallie DeYoung.

As of June 30, 2024, the cash balance in the 403(b) Plan is $4,987,546 (including outstanding loans) and the cash balance in the 401(a) Employer-Paid Supplemental Retirement Savings plans is $3,477.978. The total cash balance in both plans is $8,465,524.

The overall investment performance for the second quarter was 0.89%. The average performance for the last twelve months is 15.35%.

With the exception of the three funds, the FI360 scores in both the 403(b) and the Employer-Paid Supplemental Retirement Savings plans are in the green and light green zones with scores ranging from 0 to 50. T

The best FI360 score is 0 and the worst FI360 score is 100. Funds in the green zone meet the majority of the FI360 Fiduciary Score Criteria.

- The Vanguard Extended Market Index Admiral (84) fund is in the red zone.
- The Vanguard Small Cap Index Admin (52) fund is in the yellow zone.
- The American Century Government Bond Inv (64) is also in the yellow zone.

Funds in the yellow zone and red zone do not meet all the FI360 Fiduciary Score Criteria.

Funds in the yellow and red zones are placed on a Watchlist. If funds placed on the Watchlist continue in the yellow and/or red zones for an extended period of time, the funds could be considered for replacement with a similar fund in the green zone.

Financial Advisors, Dennis and Sallie DeYoung noted that there is no urgency to replace the Vanguard Extended Market Index Admiral fund because the rate of return for the last twelve months has been 14.97% and only 0.33% or $27,538 of total assets are invested in this fund.

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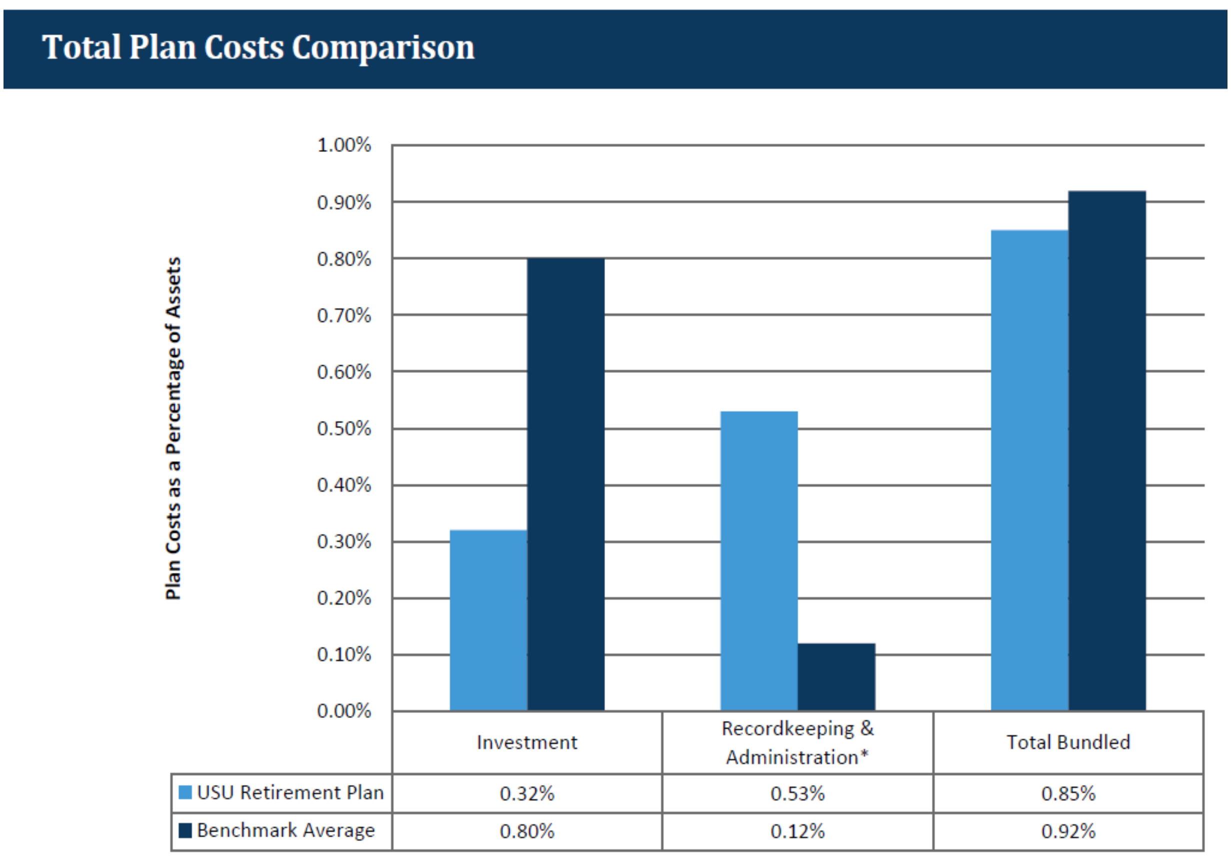
B. Retirement Plan Expenses

The discussion was led by Financial Advisors, Dennis DeYoung & Sallie DeYoung stating that the committee reviews plan expenses every six months using the Fee Benchmarking Report.

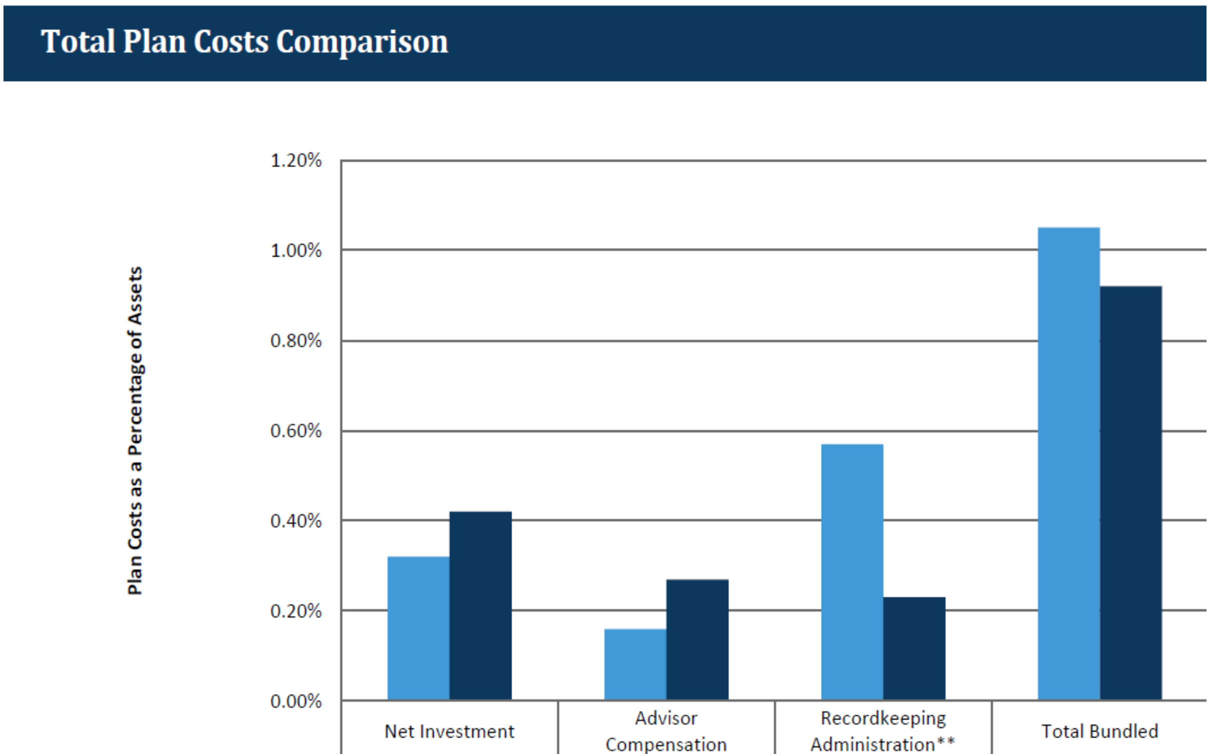
The asset-based fee for the 403(B) Plan is 60 basis points and the asset-based fee for the 401A Employer-Paid Supplemental Savings Plan is 45 basis points. The reason for the difference in the asset-based fee is that the 401A Plan crossed the $3.3 million-dollar threshold for the fee to drop from 60 to 45 basis points.

The dollar threshold needed for the asset-based fee for the 403(B) to drop to 45 basis point is $5 million. The current cash balance, exclusive of loans, is $4,799,638.

When only Plan Participant expenses are considered, the Average Plan fee is 0.92%. The USU's fee is 0.85% which is fee is 7 basis points **lower** than the fees of the Average Plan. Refer to the screenshot below.



When both USU and Plan Participant expenses are considered, the Average Plan fee is 0.92% and the USU's fee is 1.05% which is only 13 basis points higher than the fees of the Average Plan. Refer to the screenshot below.



	Net Investment	Advisor Compensation	Recordkeeping Administration**	Total Bundled
USU Retirement Plan	0.32%	0.16%	0.57%	1.05%
Benchmark Average	0.42%	0.27%	0.23%	0.92%

The USU's plan fees are higher when both USU and Plan Participant expenses are considered because the USU subsidizes the expenses for the services of Financial Planner, Dennis DeYoung, and the Ryding Company. These fees are not deducted from the participant's retirement account balances.

C. <u>Voluntary Employer Beneficiary Association (VEBA) Update</u>

J. Illuminate led the discussion and informed the committee of the recent activity in the USU VEBA Trust account.

- The balance of the VEBA, as of August 31, 2024, was $2,966,701. This total includes $747,371 of inception-to-date investment gains and $31,389 of inception-to-date disbursements to plan participants.

- For 2024-25, the USU is investing $33,333.33 per month to fund the VEBA for a total of $400,000.

D. Environmental, Social and Governance (ESG) Investments

Financial Advisors, Dennis DeYoung & Sally DeYoung led the discussion.

The Executive Director received an article stating that Goldman Sachs was supporting neo-segregationist via its Donor Advisor Funds.

A donor-advised fund, or DAF, is like a charitable investment account for the sole purpose of supporting charitable organizations. A donor-advised fund is not a mutual fund that the public at large invests in.

The article's author pointed out that "It is never OK to fund the leaders and organizations behind the pro-discrimination agenda to restrict Black people's access to the workplace and our education system, and who are trying to restore Jim Crow-era privileges for white people."

The Executive Director inquired if any of the investment offerings in the USU's retirement plans at the Standard were Donor-Advised Funds that could be supporting neo-segregationists.

The Standard responded that it does not offer Donor-Advised Funds. In regard to ESG funds, the Standard stated the following:

Regarding ESG funds, that criteria is not a part of our investment policy statement, but we do have several funds that fit in that universe and are also on our approved list.

The result of this line of inquiry is should the USU consider offering ESG funds for plan participants?

Sallie, Financial Planner stated the following in an email message:

ESG or socially conscious investing is a very broad concept and means something different to each investor. Some investors slant towards ESG investing which means no oil or big tobacco companies. Some only invest in companies with certain green-ratings or that are environmentally responsible.

Independent, third-party companies such as Morningstar evaluate funds and issue ratings based on sustainability metrics.

Establishing investment mandates or divesting is becoming more commonplace amongst universities as they try to take a more ethical approach to investments.

However, I will say that this tends to work better in organizations or funds where singular equity selection is happening.

For example, my alma mater, University of Dayton, divested from all oil and tobacco products as it went against their Catholic values about 15 years ago. I was involved in an investment group on campus that managed a portion of the school's endowment and since the university had that investment mandate in place, we never invested in any oil or tobacco companies.

Each one of our mutual funds that we offered to participants is in invested in 60-200 companies.

In the meantime, if this is a path the committee would like to embark on, I would suggest that the committee decide what ESG/social investing means to the committee and define it with specific parameters. A company that has high sustainability metrics, not might have as many DEI initiatives and vice versa.

The reality is, if the USU decided to invest in only ESG filtered funds, it would drastically limit our offerings to participants and completely overhaul and restructure our current offerings menu. Realistically, possibly to a single digit list of offerings. In addition, there are big on-going conversations about whether or ESG Investing helps or hurts overall performance.

If the USU would like to add an ESG fund to the offering menu as part of ongoing DEI initiatives, I'm sure Standard has a fund in the lineup that we could add. If a participant personally felt so inclined to invest in socially responsible investing, then that participant could choose to invest themselves entirely in that fund.

The committee directed our Financial Advisors to bring back ESG fund choices in the Standard's "Sustainable and Social" fund categories for the committee to consider adding to the investment lineup at its next meeting.

It was emphasized that the USU is not directing plan participants to invest in ESG funds. The USU would provide the funds in the lineup and it would the sole choice of the plan participant if they wanted to invest in those funds.

VIII. Announcements

A. None

IX. Adjournment

The meeting was adjourned by Vice Chair, M. Orantes at 4:39 p.m.

Respectfully submitted by,

Joseph Illuminate,
Associate Director, Accounting & Finance