UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
RETIREMENT PLAN COMMITTEE
JUNE 13, 2017
MINUTES

I. Call to Order
Avi Stewart called the meeting to order at 3:40 p.m.

II. Roll Call

Present	Absent	Guests
Debra Hammond, Executive Director (voting)	Kristen Pichler, Human Resources Officer (voting)	Dennis DeYoung, Certified Financial Planner
Joe Illuminate, Associate Director, Accounting & Finance (voting)	Iris Ramirez, Board Chair (non-voting)	Hifza Murtuza, Former Student Board Representative
Jonathan Navarro, Executive Secretary (non-voting)		
Michael Odinlo, Student Board Representative		
Shelly Ruelas-Bischoff, Associate Vice President of Student Life Student Affairs (voting)		
Avi Stewart, Committee Chair (voting)		

K. Pichler arrived at 4:03 pm
D. Hammond departed at 4:37 pm
Dennis DeYoung departed at 4:23 pm

III. Approval of Agenda
M/S/P (J. Illuminate /Dr. S. Ruelas-Bischoff) motion to approve the agenda for June 13, 2017.

Motion approved by general consensus.

IV. Approval of Minutes
M/S/P (D. Hammond/ J. Illuminate) motion to approve the minutes for March 27, 2017.

Motion approved 3-0-1

V. Chair's Report
Chair, Avi Stewart thanked the committee members for their participation this last year.

VI. Action Items

A. 403(b) Participant Loan Policy
M/S/P (J. Illuminate /M. Odinlo) move to approve the revisions to the University Student Union 403(b) Plan Participant Loan Policy retroactive to January 01, 2017 as presented.

Chair Avi Stewart informed the group that a review of the current 403(b) Plan's Loan Policy indicates there are no rules regarding the suspension of loan when a participant/employee is on a leave of absence. Since these rules are "silent", the participant's loan would be subject to the normal default rules. This means a loan goes into default usually by the end of the quarter following the quarter in which a loan repayment is due.

Declared as taxable income on the employee's personal federal and state tax returns are defaulted 403(b) loans. In addition, the employee could be subject to early withdrawal penalties. To prevent early default, added to the policy is Section H, which provides the participant three different ways to restart their loan payment without going into default upon return from a leave of absence.

The revisions to the loan policy also incorporates recent changes required by law:

- Language that directs the participant to the Appendix for Plan Expense Allocations for details on loan processing fees [Section C, sixth paragraph].
- Language regarding military service [Section F].
- Language regarding home loans [Section C, fourth paragraph].
- Updated are the loan default provisions that correspond with current IRS regulations. [Section I].

Motion passes 4-0-0

VI. Discussion Items

A. First Quarter 2017 Retirement Plan Review

Financial advisor, Dennis DeYoung, presented the First Quarter 2017 Retirement Plan Review reporting the plans' cash balances, asset allocations, and the FI360 Fiduciary Score Breakdown report as of March 31, 2017

The following table summarizes the cash balances and asset allocations of the 403(b) and pension plans:

	403(b) Plan	Pension Plan
Cash Balance*	$2,302,523	$1,930,388
Asset Allocation – Stocks	74.4%	76.2%
Asset Allocation – Bonds**	25.6%	23.8%

**"The Cash Balance" for the 403(b) plan includes $94,987 in loans to participants.*
***"The Asset Allocation – Bonds" category includes the Stable Asset Fund.*

D. DeYoung noted that The U.S. economic outlook is healthy according to the key economic indicators. The most critical indicator is gross domestic product, which measures the nation's production output. The GDP growth rate is expected to remain between the 2 percent to 3 percent ideal range. Unemployment is forecast to continue at the natural rate. There isn't too much inflation or deflation.

The Federal Committee raised the fed funds rate to 1.25 percent in June 2017. It expects to raise this interest rate to 1.5 percent by the end of 2017. It will normalize it at 2 percent in 2018 and raise it to 3 percent in 2019.

DeYoung then discussed the FI360 Fiduciary Score Breakdown report which rates all the investment options in the two retirement plans using a color scoring methodology to determine if the investments are meeting the eleven FI360 Fiduciary Score criteria. Funds with scores from zero to 50 are green; funds with scores from 51-74 are yellow; and funds with scores from 75 to 100 are red. The highest score a fund can receive is zero and the lowest score is 100.

As of March 31, 2017, all funds are in the green zone with the exception of the MainStay Large Cap Growth (score of 54) and the American Century Government Bond Inv (score of 52) which are in the yellow zone. DeYoung has advised the committee to place those funds on the Watchlist and wait for the second quarter report to see if their scoring has improved.

B. <u>Retirement Plan Expenses</u>

The committee reviews plan expenses every six months utilizing the Fee Benchmark Report to compare the USU's total plan expenses with the total plan expenses of similar, average-sized plans.

The first benchmark report takes into account only those plan expenses paid by plan participants. Plan participants are responsible for paying the Standard's 0.80% asset-based fee and the fee charges by each fund in the investment lineup. The USU's total plan expenses are 1.22% compared to 1.42% for the average plan, a positive variance of 22 basis points.

The second benchmark report takes into account expenses paid by both plan participants and the USU. The USU pays the financial advisor fee (Dennis DeYoung) and the third party administrator fees (The Ryding Company) on behalf of plan participants. The USU's total plan expenses are 1.54% compared to 1.42% for the average plan, a negative variance of 12 basis points.

The USU's retirement plan expenses compare favorably with the average plan because the USU's plan expenses are remained in the midpoint between the 25^{th} and 75^{th} percentiles when compared to the average plan.

C. <u>Retirement Health Benefits Plan (RHBP) Update</u>

Chair, Avi Stewart updated the committee on the status of the RHBP since the last meeting.

The USU has hired Total Compensation Systems, Inc. to provide prepare the annual
Total Compensation Systems, Inc. will prepare the comprehensive valuation needed for the Independent Auditors Report prepared by CohnReznick. The USU will also be hiring Brian Demsey, former partner of Lou Filliger, to provide updated cost projections for the current RHBP Plan, CalPERS plan, and the Auxiliary Organizations Association (AOA) plan.

As discussed in previous meetings, the USU is considering converting the current retiree reimbursement RHBP to a plan whereby the USU pays medical and dental premiums on behalf of retirees directly to the insurance provider. Retirees would be on the same medical and dental plan as active employees until the retiree is Medicare eligible.

We have also learned that Wells Fargo Insurance Services will no longer be the benefits broker to administer the AOA RHBP plan. The contract was awarded to CSURMA, the California State University Risk Management Authority. CSURMA currently is AOA's general insurance broker.

D. <u>2016-17 Retirement Plan Committee Goals Year-End Review</u>

Chair, Avi Stewart updated the committee on the status of the 2016-17 committee goals.

No.	GOAL	Progress
1	Decide if the USU's Retirement Health Benefits Plan (RHBP) should be converted from an employee reimbursement plan to a plan where the USU would pay medical and dental health premiums directly to the health insurance company on behalf of retirees and their eligible partners (December 2016)	**In Progress -** Deciding on which RHBP option is the best for USU retirees is very complicated and is taking much more time than anticipated. In 2017-18, the committee will continue to work with its actuarial consultants to choose the best plan that provides a balance between costs and benefits for current and future retirees.
2	Revise the USU's Retirement Health Benefits Policy* (June 2017)	**Not Completed –** completion of this goal depended upon on completion of Goal 1.
3	Join the CSU Auxiliary Voluntary Employee Beneficiary Association (VEBA)* (June 2017)	**Not Completed -** completion of this goal depended upon on completion of Goal.

Notes:

The above goals are a continuation from fiscal year 2015-16.

Goal 1 would be accomplished by the USU joining either the CalPERS (California Public Employees' Health Retirement System) or Cigna with dental plans where active employees and retirees are on the same medical plan. However, the Cigna with Dental Plan option may no longer be viable since there are no guarantees that Cigna or any other subsequent health insurance provider would continue to provide this benefit.

The committee could also consider keeping the current plan along with the implementation of the CalPERS plan.

Goals 2-3 are dependent on completing goal 1. A change in the RHBP would require a revision of the USU's RHBP Policy. Changing the RHBP would also allow the USU to join the CSU Voluntary Employee Beneficiary Association (VEBA).

The VEBA members are CSU auxiliaries. The VEBA is an organization which hires investment professionals to earn higher rates of return on dollars set aside to pay retiree medical health benefits.

The VEBA allows auxiliaries to prefund retirement medical benefits and to reduce the actual postretirement expense and liability recorded in the USU's accounting records. Lower postretirement expense frees up financial resources to be allocated for other organizational priorities.

**Assuming the decision is made to convert the current reimbursement RHBP to a direct medical and dental health premium payment plan.*

VIII. Announcements

None

IX. Adjournment

The meeting was adjourned by Avi Stewart at 4:39 p.m.

Respectfully submitted by,

Jonathan Navarro
Accounting Manager