

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
RETIREMENT PLAN COMMITTEE
DECEMBER 01, 2021
MINUTES**

I. Call to Order

Chair, Jacob Akopnik called the meeting to order at 1:01 P.M.

II. Roll Call

Present	Absent	Guests
Jacob Akopnik, Committee Chair (voting)	Dr. Shelly Ruelas-Bischoff, Associate Vice President of Student Life Student Affairs (voting)	Dennis DeYoung, Certified Financial Planner
Debra Hammond, Executive Director (voting)		Sallie DeYoung Certified Financial Planner
Joe Illuminate, Executive Secretary (voting)		Reshini Ekanayake, Student Administrative Assistant, Accounting & Finance
Gisselle Olmedo, Co-Chair (voting)		
Kristen Pichler, Associate Director, Human Resources & Professional Development (voting)		

- *Sallie DeYoung left at 1:54 P.M.*

III. Approval of Agenda

M/S/P (K. Pichler/D. Hammond) Motion to approve the Agenda for December 01, 2021.

Motion approved by General Consensus.

IV. Approval of Minutes

M/S/P (G. Olmedo/J. Illuminate) Motion to approve the Minutes for August 27, 2021.

Motion approved by General Consensus.

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V. Chair's Report

Committee Chair, Jacob Akopnik welcomed the Retirement Plan Committee members to the meeting.

VI. Action Items

A. Retirement Plan Investment Options

M/S/P (G. Olmedo/D. Hammond) Motion to recommend the fund deletions and replacements in the 403(b) Retirement Plan and the Money Pension Purchase Plan (MPPP) Retirement Plan.

Fund Deletions	Fund Replacements
Mainstay Winslow Large Cap Growth 1	TIAA-CREF Large Cap Growth Inst.
Northern Small Cap Value Fund	American Century Small Cap Value R6
Janus Henderson Global Life Sciences	T. Rowe Price Health Sciences I
Nuveen Real Estate Securities I	T. Rowe Price Financial Services I
T. Rowe Price Retirement 2020	T. Rowe Price Retirement 2060

The USU financial advisor periodically reviews the investment line up in the 403(b) plan and the Money Pension Purchase Plan (MPPP). Our financial advisor is recommending that five funds be replaced with five similar funds that have the following advantages over the current funds:

1. Higher Total Returns over a three, five, and ten-year period
2. Lower gross and net expense ratios
3. Higher fund peer rankings
4. Higher FI360 scores

The recommended funds have a higher Beta than the current funds. Beta is defined as a measure of stock's volatility in relation to the overall market. A fund that is more volatile than the overall market has a Beta of above 1.0. A fund that is less volatile than the overall market, has a Beta less than 1.0.

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Funds that have higher returns, lower gross and net expense ratios, and higher fund peer rankings tend to have higher volatility.

Main Motion passes 4-0-0

VII. Discussion Items

A. Third Quarter 2021 Retirement Plan Review

The total cash balance in the 403(b) plan is \$4,769,525 which includes \$153,570 in 403(b) loans. The total cash balance in the Money Purchase Pension Plan (MPPP) is \$3,489,510. The asset allocations in both plans are approximately 70% stocks and 30% fixed account and bonds.

Most funds in both plans have FI360 scores in the green and light green zones ranging from 0 to 50. 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.

Funds with FI360 scores from 51-74 are in the yellow zone and those with scores from 75-100 are in the red zone. The USU closely monitors all funds in the yellow and red zones. Scores in the yellow and red zones indicate that the funds do not meet some of the FI360 Fiduciary Score Criteria. Any fund that remains in the yellow zone or red zone for an extended period of time is put on the Watchlist. Funds on the Watchlist have the potential of being replaced with a similar fund that meets the FI360 Fiduciary Score Criteria and has a score in the green zone.

The following funds on the Watchlist are either in the yellow zone or red zone:

- *Vanguard Extended Market Index Admiral (69)*
- *Northern Small Cap Value (78)*
- *Nuveen Real Estate Securities (55)*

B. Retirement Plan Expenses

Financial advisor, Dennis DeYoung, discussed the Retirement Plan expenses, using the Fee Benchmark Report. The renegotiation of the asset-based fee by Dennis DeYoung from 60 basis points to 45 basis points will have a very positive impact on plan expenses.

When only Plan Participant expenses are considered, the Average Plan has total fee of 1.01% compared to USU's total fees of 0.97% meaning the USU's plan

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expenses are lower than the Average Plan.

When both USU and Plan Participant expenses are considered, the “Average Plan” total fees are 1.02% compared to the USU’s total fees of 1.15%, a 13-basis point difference. The USU’s plan expenses are higher than the expenses of the Average Plan because the USU pays for the fees of the Retirement Plan Financial Advisor (Dennis DeYoung) and the Third-Party Administrator (The Ryding Company) on behalf of Plan Participants.

In Summary, the USU’s plan expenses are in alignment with the Average Plan’s Expenses.

C. Voluntary Employer Beneficiary Association (VEBA) Update

Joe Illuminate led the discussion and notified the committee that the total balance in the VEBA Trust Account as of October 31, 2021, was \$2,368,424.

The balance is comprised of \$1,833,333 of USU cash contributions, investment gains of \$566,480 and disbursements of \$31,389 for eligible retirement plan expenses [$\$1,833,333 + \$566,480 - \$31,389 = \$2,368,424$].

\$400,000 is the Board approved VEBA cash contribution for 2021-22 which is being paid out in the amount of \$33,333 per month [$\$33,333$ monthly cash contribution X 12 months = \$400,000].

D. RHBP Funding Plan

J. Illuminate led the discussion and informed the committee that the USU has contracted with Demsey Filliger to develop scenarios to fully fund the RHBP by June 30, 2031 or 2032.

The advantage of fully funding the RHBP is that the overall expense of the plan will be reduced because the additional funds invested to fully fund the RHBP will generate additional investment income used to pay benefits to USU retirees. The RHBP is funded by transferring cash to the USU’s Voluntary Employer Beneficiary Association account.

Determining the feasibility of increasing the USU’s annual VEBA Benefits Trust contribution to fully fund the RHBP in 2031 or 2032, is a Retirement Plan Committee Goal for the 2021-22 fiscal year.

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Demsey Filliger developed three scenarios displayed in the screenshot below:

Fiscal Year End	Annual Expense				
	Baseline - Updated Census	Scenario 1 - \$1.0M in 2022-23	Scenario 2 - \$1.5M in 2022-23	Scenario 3 - \$2.0M in 2022-23	Scenario 4 - One-time Contribution in 2026-27
06/30/2022	\$513,833	\$513,833	\$513,833	\$513,833	\$513,833
06/30/2023	485,955	469,676	456,110	442,544	485,955
06/30/2024	423,881	389,986	361,740	333,494	423,881
06/30/2025	373,175	337,415	307,615	277,816	373,175
06/30/2026	359,240	321,514	290,075	258,636	359,240
06/30/2027	345,841	306,039	272,872	239,704	272,585
06/30/2028	312,737	270,746	235,754	200,762	171,061
06/30/2029	297,626	253,326	216,409	183,563	170,158
06/30/2030	241,249	194,512	155,565	135,945	128,770
06/30/2031	197,493	148,186	112,524	108,398	100,828
06/30/2032	143,523	91,504	70,307	71,528	63,541
06/30/2033	99,182	55,155	43,939	45,227	36,801
06/30/2034	15,628	(8,821)	(20,654)	(19,295)	(28,184)
06/30/2035	(33,390)	(48,036)	(60,520)	(59,086)	(68,465)
06/30/2036	(85,562)	(101,014)	(114,184)	(112,672)	(122,566)
15-Year Total	\$3,690,411	\$3,194,021	\$2,841,385	\$2,620,397	\$2,880,613
Difference from Baseline		(\$496,390)	(\$849,026)	(\$1,070,014)	(\$809,798)
Discounted to Present Value (5.50%)	\$2,948,477	\$2,616,089	\$2,372,854	\$2,203,367	\$2,443,305
Difference from Baseline		(\$332,388)	(\$575,623)	(\$745,110)	(\$505,172)

Fiscal Year End	Contributions				
	Baseline - Updated Census	Scenario 1 - \$1.0M in 2022-23	Scenario 2 - \$1.5M in 2022-23	Scenario 3 - \$2.0M in 2022-23	Scenario 4 - One-time Contribution in 2026-27
06/30/2022	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
06/30/2023	400,000	1,000,000	1,500,000	2,000,000	400,000
06/30/2024	400,000	400,000	400,000	400,000	400,000
06/30/2025	400,000	400,000	400,000	400,000	400,000
06/30/2026	400,000	400,000	400,000	400,000	400,000
06/30/2027	400,000	400,000	400,000	400,000	3,100,000
06/30/2028	400,000	400,000	400,000	400,000	0
06/30/2029	400,000	400,000	400,000	250,000	0
06/30/2030	400,000	400,000	400,000	0	0
06/30/2031	400,000	400,000	200,000	0	0
06/30/2032	400,000	400,000	0	0	0
06/30/2033	400,000	0	0	0	0
06/30/2034	400,000	0	0	0	0
06/30/2035	0	0	0	0	0
06/30/2036	0	0	0	0	0
15-Year Total	\$5,200,000	\$5,000,000	\$4,900,000	\$4,650,000	\$5,100,000
Difference from Baseline		(\$200,000)	(\$300,000)	(\$550,000)	(\$100,000)
Discounted to Present Value (5.50%)	\$3,745,777	\$3,878,538	\$3,991,704	\$3,978,709	\$4,063,720
Difference from Baseline		\$132,761	\$245,927	\$232,932	\$317,943
Savings Ratio (Present Value Basis)		(2.5)	(2.3)	(3.2)	(1.6)

Fiscal Year End	Funded Percent				
	Baseline - Updated Census	Scenario 1 - \$1.0M in 2022-23	Scenario 2 - \$1.5M in 2022-23	Scenario 3 - \$2.0M in 2022-23	Scenario 4 - One-time Contribution in 2026-27
06/30/2022	46.6%	46.6%	46.6%	46.6%	46.6%
06/30/2023	50.8%	60.6%	68.7%	76.8%	50.8%
06/30/2024	54.9%	64.4%	72.4%	80.3%	54.9%
06/30/2025	59.0%	68.4%	76.3%	84.2%	59.0%
06/30/2026	62.8%	72.2%	80.1%	88.0%	62.8%
06/30/2027	66.6%	76.1%	84.0%	91.9%	101.0%
06/30/2028	70.6%	80.2%	88.2%	96.1%	100.5%
06/30/2029	74.7%	84.4%	92.5%	98.8%	100.3%
06/30/2030	79.3%	89.2%	97.5%	99.4%	101.0%
06/30/2031	83.9%	94.2%	100.5%	100.2%	101.8%
06/30/2032	88.9%	99.5%	101.7%	101.4%	103.0%
06/30/2033	94.2%	100.9%	103.1%	102.9%	104.5%
06/30/2034	100.2%	102.9%	105.3%	105.0%	106.7%
06/30/2035	102.5%	105.3%	107.8%	107.5%	109.4%
06/30/2036	105.3%	108.3%	110.9%	110.6%	112.6%

Scenario 3 is the preferred choice because the VEBA is fully funded by June 30, 2031.

Scenario 3 is the most cost-effective scenario. Increasing the VEBA contribution to \$2,000,000 in 2022-23 results in a \$1,070,014 expense decrease when compared to the Baseline Scenario.

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In addition, increasing the VEBA contribution to \$2,000,000 in 2002-23, results in an overall \$550,000 decrease in the VEBA contribution (a good thing) when compared to the Baseline Scenario.

Debra stated that it is premature to decide on a scenario to fully fund the RHBP Plan by June 30, 2031. She suggested that the committee wait until the Financial Plan for the New Heart of Campus Project is finalized in May 2021. The committee will then have a better idea on deciding what scenario to choose.

VIII. Announcements

Committee Chair, J. Akopnik wished all the committee members a happy holiday season.

IX. Adjournment

The meeting was adjourned by Chair, Jacob Akopnik at 2:11 P.M.

Respectfully submitted by,



Joseph Illuminate,
Associate Director, USU Accounting & Finance