UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
RETIREMENT PLAN COMMITTEE
JUNE 7, 2016
MINUTES

I. Call to Order
The meeting was called to order by Chair, S. Simonds at 2:29 pm.

II. Roll Call

Present	Absent	Guests
Natalie Esparza, Student Board Representative (voting)		Dennis DeYoung, Certified Financial Planner
Debra Hammond, Executive Director (voting)		
Joe Illuminate, Associate Director, FBS (voting)		
Shahtaj Khan, Board Chair (non-voting)		
Jonathan Navarro, Executive Secretary (non-voting)		
Kristen Pichler, Human Resources Officer (voting)		
Shelly Ruelas-Bischoff, Associate Vice President of Student Life Student Affairs (voting)		
Samantha Simonds, Committee Chair (voting)		

Natalie Esparza departed at 2:54 pm.

III. Approval of Agenda
M/S/P (J. Illuminate/N. Esparza) motion to approve the agenda for June 7, 2016.

Motion approved by general consensus.

IV. Approval of Minutes
M/S/P (N. Esparza/ J. Illuminate) motion to approve the minutes for February 29, 2016.

Motion approved 4-0-1.

V. Chair's Report
Chair Samantha Simonds declared she was very appreciative to have served as the Chair of the committee and thanked all of the members for their service for the 2015-16 fiscal year.

VI. Action Items

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A. Retirement Plan Investment Lineup Changes

M/S/P (D. Hammond /K. Pichler) move to replace the Federated U.S. Treasury Cash Reserves I fund and the Vanguard Prime Money Market Investor fund with the Stable Asset Fund (SAF) in both the 403(b) and pension retirement plan investment lineup

Financial Advisor Dennis DeYoung discussed his recommendation that the Stable Asset Fund replace both the Federated and Vanguard funds.

"Prime" money funds (e.g. Vanguard Prime Money Market Investor fund) purchase both corporate debt and traditionally maintain a net asset value of $1.00 per share. **Stable asset funds** are backed by a contract from a bank or insurer that protects against loss of principal. Stable asset funds funds generally deliver higher yields than money market and government debt funds.

New government rules for money market funds that will take place in October 2016 require that "prime" money funds charge redemption fees if they are inundated with requests for withdrawals during a financial crisis. Prime money fund could also be required to suspend redemptions in extraordinary cases.

These rules are a byproduct of the 2008 financial crisis and are designed to prevent a run on money funds which occurred at the height of the financial crisis with the Reserve Primary Fund. This fund "broke the buck" which means that the underlying assets in the fund were valued at less than $1.00 per share, a situation that the money market fund industry never wants occur.

As a result of these new rules, The Standard will no longer be offering the Vanguard Prime Market Investor fund. The Standard and plan sponsors like the USU do not want to be exposed to a situation where participants cannot access their money no matter how remote the possibility might be.

Service providers like The Standard will be shifting from offering prime money funds to offering government debt funds which are not required to have redemption fees or block participants from accessing their money during a financial crisis. The Federated U.S. Treasury Cash Reserves I fund is the government debt fund currently in the investment lineup of the USU's retirement plans.

The Retirement Plan Committee can choose either to maintain the Federated U.S. Treasury Cash Reserves I fund in the investment lineup or replace it with the Stable Asset Fund.

The recommendation is that the committee elect to replace the Federated U.S. Treasury Cash Reserves I fund with the Stable Asset Fund for the following reasons:

1. Rate of Return or Yield

    a. The Stable Asset Fund guaranteed rate of return through March 31, 2016 was 2.25%. An index of stable asset funds returned an average 3.0% over a ten year period through February 2016.

    b. The five year return for the Federated fund is only 0.01% and the ten year return is only 0.95%.

2. The move to a Stable Asset Fund protects the USU from potential lawsuits

    a. Lawsuits have been filed alleging that plan sponsors have breached their fiduciary duty by using low-yielding money funds without considering stable asset funds.

There are some disadvantages to changing to a stable asset fund to consider:

1. When interest rates rise, the yield or rate of return on stable asset funds may lag behind the rate of return on money market funds.

2. Restrictions could be imposed by The Standard to limit transfers or withdrawals.

3. In extreme cases, participants could lose some or all of their principal if the service provider like The Standard goes bankrupt. This is very unlikely due to the following reasons:

    a. The Standard has been a financially healthy organization throughout its 100 year history.

    b. The recent acquisition of The Standard by the Meiji Yasuda Life Insurance Company. Meiji Yasuda and The Standard have over $327 billion in combined assets.

Replacing the Federated fund with the Stable Asset Fund is the best option due to the higher rate of return for plan participants. Currently, the returns of plan participants who invest in the Federated fund are offset by The Standard's 0.80% asset based fee leaving participants with a negative return.

K. Pichler asked the requirements for notifying the plan participants of the change. J. Illuminate responded that the Standard will mail letters to participants to inform them of the change to add the Stable Asset Fund.

D. DeYoung pointed out that the Stable Asset Fund is able to yield higher rates of return because some of the investments of the portfolio include commercial loans which always have the risk of default. This is not a major concern because the Standard has a positive AM Best rating

Motion passes 5-0-0

VII. <u>Discussion Items</u>

A. <u>First Quarter 2016 Retirement Plan Review</u>

Dennis DeYoung presented the First Quarter 2016 Retirement Plan Review.

As of March 31, 2016, the combined account balance in both retirement plans is $3,590,936. The overall asset allocation is comprised of the following:

- $2,557,551 (73.8%) in stocks and equities.
- $907,740 (26.2%) in bonds (including money market funds).

Dennis commented that the economy has been "lethargic." So far in 2016, the U.S. stock market is in mixed territory after shaking off a slump at the beginning of the year. The Dow Jones Industrial Average is up 0.8% year to date, while the S&P 500 is down 0.1% while the NASDAQ is down 3.5%.

In the bond market, the first quarter started with a slight drop in yields as investors fled volatile stocks for higher quality bonds. High yield bond prices dropped in tandem with oil prices in the first half of the quarter and then zoomed 8.9% to finish with a 3.4% gain as investor sentiment improved along with oil markets.

The committee also reviewed the plan assets using the FI360 fiduciary score breakdown. The breakdown showed that all assets are in the "green" zone for the first quarter.

B. <u>Retirement Health Benefits Plan Update</u>

J. Illuminate stated that the revisions to the current Retirement Health Benefits Plan (RHBP) policy is being reviewed.

J Illuminate reviewed the RHBP expense and liability projections for the current plan, the Cigna with dental plan, and the CalPERS with dental plan which are included in the table below. The projections were prepared by Lou Filliger of the firm of Demsey-Filliger. The expense and liability projections are as of June 30, 2030 and assumes that the USU annually prefunds the plan with $300,000.

Postretirement Plan	Projected Annual Expense by 6/30/2030	Projected Annual Liability by 6/30/2030
Current RHBP	$152,184	$0
Cigna with Dental	$418,610	$1,869,894
CalPERS with Dental	$477,968	$2,784,329

C. <u>2015-16 Committee Goals Year-End Review</u>

S. Simonds reviewed the status of the committee's 2015-16 goals which is summarized in the following table:

No.	GOALS	Progress
1	Consider changing the USU's Retirement Health Benefits Plan (RHBP) from an employee	**In Process** – Actuary Lou Filliger has computed the estimated costs of the current RHBP plan, a Cigna RHBP Plan, and a

	reimbursement plan to a plan where the USU pays health premiums directly to the health insurance company.	CalPERS RHBP plan through 2029-30. Both the Cigna and CalPERS plans are plans whereby the USU pays the medical and dental premiums of retirees until they are Medicare eligible. After Medicare eligibility, the USU would reimburse retirees for the cost of a supplemental medical and dental policy. The next step is to decide on the most cost effective plan that best meets the needs of retirees.
2	Consider revising the USU's RHBP policy.	**In Process** – a draft of the revised RHBP policy has been prepared by Actuary, Lou Filliger with input from Joe Illuminate and Kristen Pichler. The next step is to present the draft policy to the committee once RHBP plans in Goal #1 have been selected.
3	Complete the restatement or revision of the pension plan documents in order to be in compliance with changing IRS Regulations.	**Completed** – approved by the Committee in December 2015; approved by the Board of Directors in January 2016.

D. Committee Members Appreciation

S. Simonds presented the members with certificates of appreciation thanking for their service on the committee during the 2015-16 year

VIII. Announcements

None

IX. Adjournment

The meeting was adjourned by Chair, S. Simonds at 3:28 pm.

Respectfully submitted by,

Jonathan Navarro
Accounting Manager