UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
RETIREMENT PLAN COMMITTEE
FEBRUARY 29, 2016
MINUTES

I. Call to Order

The meeting was called to order by Chair, S. Simonds at 1:35 p.m.

II. Roll Call

Present	Absent	Guests
Natalie Esparza, Student Board Representative (voting)	Shelly Ruelas-Bischoff, Associate Vice President of Student Life Student Affairs (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)		
Samantha Simonds, Committee Chair (voting)		

Shahtaj Khan departed at 2:25 p.m. Natalie Esparza departed at 2:30 p.m.

III. Approval of Agenda

M/S/P (J. Illuminate/K. Pichler) motion to approve the agenda for February 29, 2016.

Motion approved by general consensus.

IV. Approval of Minutes

M/S/P (N. Esparza/J. Illuminate) motion to approve the minutes for December 11, 2015.

Motion approved by general consensus.

V. Chair's Report

None

VI. Action Items

A. Retirement Plan Investment Lineup Changes

M/S/P (J. Illuminate/N. Esparza) move to approve the following changes to the 403(b) and pension retirement plans:

1. **Delete** the T. Rowe Price Retirement 2010 fund
2. **Delete** the T. Rowe Price Retirement 2015 fund
3. **Add** the T. Rowe Price Retirement 2020 fund
4. **Add** the T. Rowe Price Retirement 2030 fund
5. **Add** the T. Rowe Price Retirement 2040 fund
6. **Add** the T. Rowe Price Retirement 2050 fund
7. **Add** the T. Rowe Price Retirement 2060 fund
8. **Add** the Janus Global Life Sciences fund
9. **Add** the Vanguard Information Technology Index fund
10. **Add** the Oppenheimer Global fund

Financial Advisor Dennis DeYoung has recommended the fund additions and deletions described in the motion.

DeYoung recommended removing both the T. Rowe Price Retirement 2010 and 2015 funds because there are no assets in the funds and the retirement periods have passed.

DeYoung is recommending the addition of the T. Rowe Price Retirement 2020, 2030, 2040, 2050 and 2060 funds so that the target retirement dates are in five year increments instead of the current ten year increments. The T. Rowe price Retirement 2025, 2035, 2045, and 2055 funds are already part of the 403(b) and pension plan retirement plan line ups.

The addition of the Janus Global Life Sciences, Vanguard Information Technology, and Oppenheimer Global funds provide more diversity and investment choices for the plan participants. The expense ratios for these three funds are low to moderate.

The Janus Global Life Sciences fund concentrates in the healthcare/biotech industries and is an aggressive fund. The current Fi360 fiduciary score is 14 and meets the Fi360 investment criteria.

The Vanguard Information Technology Index fund provides investments in the information and social media fields. The current Fi360 fiduciary score is 19 and meets the Fi360 investment criteria.

The Oppenheimer Global fund invests in the stocks of foreign countries. The current Fi360 fiduciary score is 33 and meets the Fi360 investment criteria.

Motion passes 4-0-0

VII. Discussion Items

A. Fourth Quarter 2015 Retirement Plan Review

Dennis DeYoung presented the Fourth Quarter 2015 Retirement Plan Review.

As of December 31, 2015, the combined account balance in both retirement plans is $3,484,360. The overall asset allocation is comprised of the following:

- $2,493,922 (73.4%) in stocks and equities.
- $905,714 (26.6%) in bonds (including money market funds).

DeYoung commented that the domestic economic landscape has continued to be positive in the fourth quarter of 2015, highlighted by ongoing improvement in the labor market. The quarter was generally quiet, highlighted by the Federal Open Market Committee's (FOMC) decision to begin raising interest rates for the first time in nearly 10 years. The FOMC ended its highly anticipated recent December meeting by raising its target range for the fed funds rate by 25 basis points to 0.25% to 0.50%. The move had been expected, and analysts contend that it should have little impact on consumers, as it already had been discounted by financial markets.

The committee also discussed the Vanguard Extended Market Index fund and the PIMCO Real Return Institutional funds which have Fi360 scores of 53 and 54 respectively. The funds are in the yellow zone which indicates that both funds have failed to meet some of the Fi360 criteria. The committee will continue to monitor the funds over the next few months to determine if they should be replaced or kept in the investment line up.

DeYoung discussed the option of adding a Stable Value Fund that would replace the current Vanguard Prime Money Market Investor fund in the investment lineup. Due to new federal regulations that govern money market funds, The Standard will no longer be able to offer The Prime Money Market Investor fund because it cannot guarantee that the fund can maintain a net asset value of $1.00 per share. If the Stable Value Fund is added to the investment lineup, The Standard would also remove the Federated U.S. Treasury Cash Reserves fund because it does not allow a stable value fund and a money market fund in the investment lineup at the same time.

The Stable Value Fund is sponsored by The Standard and yields higher returns than the current money market funds. The disadvantage of a stable value fund is that participants could potentially lose all or part of their investment if The Standard has financial difficulties since this fund is backed only by the financial resources of the company. However, the possibility that The Standard will have severe financial difficulties is remote due to the recent purchase of The Standard by Meiji Yasuda, a large Japanese insurance company. Meiji Yasuda would be a source funding for The Standard in the event of financial hardship.

The committee is in agreement that the addition of the Stable Value Funds fund should be considered at the next committee meeting as an action item.

B. <u>Retirement Plan Fee Review</u>

J. Illuminate led the presentation of the plan fee review. The committee monitors the plan expenses every six months to ensure that the USU's retirement plans are competitive when compared to the industry-wide average plan.

J. Illuminate reviewed the Fee Benchmark report prepared by DeYoung. This report benchmarks the USU's plan fees with the plan fees of similarly sized plans in the industry.

Total fees are broken down into two categories: investment-related expenses and recordkeeping and administration expenses.

Total fees for the average retirement plan is 1.29% of total assets or $44,725 per year. The USU's total fees are 1.57% of total assets which equates to an annual amount of $54,661. The difference between the USU's total fees and the total benchmark fees is 28 basis points or 0.28%.

The USU's investment fees are 1.21% and the benchmark fee is 1.17%. This is a difference of only 4 basis points or 0.04%. Plan participants pay 100% of the investment fees.

The USU's recordkeeping fees are 0.36% and the benchmark fee is 0.12%, a difference of 0.24%. The USU pays 100% of the recordkeeping/administration expenses on behalf of the plan participants. The recordkeeping and administration fees are for the services of The Ryding Company and the retirement plan financial advisor, Dennis DeYoung.

Although the total USU fees are 0.28% higher than the benchmark, plan participants pay only 0.04% and the USU pays the remaining 0.24%, a difference of only 0.04%. The conclusion is that the USU's plan fees are within the acceptable range when compared to the benchmarks.

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

J. Illuminate updated the members on the status of the following items:

a. Demsey-Fillinger has updated the cost estimate of converting the RHBP from an employee reimbursement plan to a direct medical and dental insurance premium payment plan. The USU would pay 100% of the medical and dental insurance premiums directly to the insurance company on behalf of retirees.
b. Demsey-Filliger provided a draft of the RHBP Policy and Procedure reflecting the change from an employee reimbursement plan to the direct medical and dental insurance premium payment plan.

J. Illuminate reviewed the employee-retiree cost sharing scenarios. Based on the current plan the postretirement liability at 6/30/16 would be $1,696,598. If the plan were converted to the direct medical and dental insurance premium payment plan, the liability would increase by 46% to $2,470,840.

If the USU were to prefund the current RHBP plan by $309,150 every fiscal year, the projected liability would decrease to $731,238 from $2,571,303 by 06/30/2016. Similarly, if the USU were to prefund the new plan by $309,150 each fiscal year, the projected liability would decrease to $1,965,643 from $3,805,708 by 06/30/2016.

The committee recommended gathering additional information from other auxiliaries to determine which type of postretirement plan would be the most feasible financially while still providing retirees a robust benefit. This information will be discussed at the next meeting.

VIII. Announcements

None

IX. Adjournment

The meeting was adjourned by Chair, S. Simonds at 2:47 p.m.

Respectfully submitted by,

Jonathan Navarro
Accounting Manager