

**UNIVERSITY STUDENT UNION  
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE  
RETIREMENT PLAN COMMITTEE  
MAY 29, 2018  
MINUTES**

**I. Call to Order**

Michael Odinlo called the meeting to order at 10:38 a.m.

**II. Roll Call**

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

*D. DeYoung arrived at 11:11 a.m.*

**III. Approval of Agenda**

M/S/P (J. Illuminate /K. Pichler) motion to approve the agenda for May 29, 2018.

M/S/P (J. Illuminate /K. Pichler) Amendment to main to move Discussion Items A & B to Discussion Items C & D and to move Discussion Items C & D to Discussion Items A & B.

There was no discussion.

***Amendment passes 5-0-0***

***Main Motion, as amended, passes 5-0-0***

**IV. Approval of Minutes**

M/S/P (D. Stewart/ K. Pichler) motion to approve the minutes for March 28, 2018.

***Motion passes 5-0-0***

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V. **Chair's Report**

None

VI. **Action Items**

None

VII. **Discussion Items**

A. **Retirement Health Benefits Plan (RHBP) Update**

Joe Illuminate led the discussion and stated that since the last meeting held on March 28, 2018, our legal counsel, Nancy Ober, has amended and restated our RHBP Policy Procedure into an official Plan Document.

This summary presents the list of significant revisions to the Retirement Health Benefits Plan Policy & Procedure which are now incorporated into the Plan Document created by Nancy Ober, the USU's legal counsel.

1. **Cover Page** - the RHBP has been upgraded from a USU Policy & Procedure to an official Plan Document known as the University Student Union California State University, Northridge Retirement Health Benefits Plan.
2. **Introduction and Purpose Page** - the Plan Document references the future adoption of the Auxiliaries Multiple Employer Voluntary Employees Beneficiary Association (VEBA) to prefund post retirement expenses.
3. **Section 1 Definitions** - added to define key terms used throughout the Plan Document. Includes the newly added definitions of "Emergency Hire" and "Temporary Hire.
4. **Section 2.1 (c) Eligibility Requirements for Employees** – an employee, receiving benefits under the USU's long-term disability policy, is able to participate in the plan if they are at least 57 years of age and has completed a minimum of 18 years of continuous service.
5. **Section 2.1 (c) Eligibility Requirements for Employees** – a retiree, under the age of 65, who decides to continue participation on the USU's health plan is not eligible to participate in this plan.
6. **Section 2.2 (c) Eligibility Requirements for Spouses and Registered Domestic Partners** - additional protection for the Spouse/Registered Domestic Partner of the Employee. If the employee has met the service and age requirements of the RHBP, but dies prior to officially retiring, the Spouse/Registered Domestic Partner is still eligible to participate in the plan commencing at age 60, if they 57 years of age, at the time the employee dies. If the Spouse/Registered Domestic Partner remarries or enters into a new domestic partnership, then all benefits under the plan shall cease.

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7. **Section 2.3 Enrollment** – language added that the USU will inform the Spouse/Registered Domestic Partner of their eligibility to enroll in the plan in the event of the Employee’s death.
8. **Section 2.7 Audit** – section added giving the USU the right to require proof of a Spouse or Registered Domestic Partner’s continuing eligibility in the plan in order to prevent participation through fraud.
9. **Section 3.1 Reimbursement of Benefit** - the annual Reimbursement Benefit, effective January 01, 2019, increased to \$18,000 for participants under age 65 and to \$9,000 for participants over the age of 65.
10. **Section 3.3 Benefits** – adds language that the USU may directly pay health care providers for Eligible Health Care Expenses in lieu of reimbursing the participant.
11. **Section 3.4 Forfeiture** – makes explicit that any benefits not used in the current calendar year will be forfeited and that there is no carryover unused Reimbursement Benefits.
12. **Section 3.5 Procedure for Reimbursement** - the Procedure for Reimbursement has been made easier for participants. Participants now have up to 30 calendar days at the end of each calendar year to submit claims incurred in that calendar year.
13. **Section 3.6 Right to Recover Benefit Overpayments** – makes it explicit that the USU has the Right to Recover Benefit Overpayments.
14. **Section 3.7 Funding of Benefits** - benefits may funded using the VEBA or the general assets of the USU depending on the type of expense submitted for reimbursement.
15. **Section 3.8 Cashout of Sick Time** - employees shall have the right to cash out up to one-third (1/3) of their accrued sick time to a maximum of 500 hours.
16. **Sections 4.1 to 4.5 Plan Administration** – makes clear that the Administrator is responsible for Plan Administration and lists the Administrator’s Powers and Duties.
17. **Section 4.5 Claims Administrator** - lists the duties of the Claims Administrator (Foy & Associates).
18. **Section 5 Claims Procedures** - outlines Claims Procedures for handling the following:
  - a. Disputes Concerning Eligibility
  - b. Submission of Claims for Benefits
  - c. Determination of Claims for Benefits
  - d. Review of Denied Claims
  - e. Claimant Authorized Representative

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f. Finality of Decision and Legal Action

19. **Section 6.2 Right to Terminate: No Vested Benefits** – added protection for plan participants if the USU terminates the RHBP. Payments to participants in the plan at the time of termination will continue for a period of 10 years or until the death of the participant whichever comes first.
20. **Section 7 General Provisions** – language added for General Provisions.
21. **Section 8 HIPAA Privacy and Security** - language added for HIPAA Privacy and Security.

The committee raised questions on several different sections of the plan document.

First, discussion centered on **Section 2.2 (c) Eligibility Requirements for Spouses and Registered Domestic Partners**. The committee inquired as to how age 57 was selected as the cutoff for spouses and registered domestic partner eligibility. In consultation with Nancy Ober, it was agreed that age 57 was reasonable. We accepted Nancy's proposal that the spouse and registered domestic partner becomes eligible in the *year* that they turn 57 years of age and not on the date they actually become 57..

In a follow up discussion with Nancy Ober, she stated that she has clients that have similar provisions in their plan documents, but they do not have any age limits. An age limit is appropriate because our RHBP is not intended to have spouses and registered domestic partners waiting 20 to 30 years to be eligible for the plan at age 60. Having a reasonable age limit makes the plan administratively more efficient.

The committee also discussed the possibility of adding a provision to allow the Executive Director to make exceptions to the provisions in the plan document. However, this idea was rejected because making exceptions could result in the USU facing potential lawsuits since participants would not be treated equally.

Second, discussion centered on **Section 3.8 Cashout of Sick Time**. The question was are there any other auxiliaries that have similar provisions in their plan document and the answer is yes:

- The University Corporation at CSUN pays out sick time equal to 30% of accrued sick leave with a minimum of 20 years of continuous service and attainment of normal retirement age.
- The Associated Students at CSU San Francisco pays out 25% of accrued sick leave.
- The Research Foundation at CSU Long Beach pays out 40% of accrued sick time to a maximum of \$20,000.

As a result, Section 3.8 was revised to allow USU retirees to cash out up to 500 hours of accrued sick time or \$25,000 whichever is less.

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Third, discussion centered on Section 6.2 Right to Terminate: No Vested Benefits. The issue was that if the Board of Directors terminated, the RHBP, then those retirees already in the plan would continue to receive benefits for up to 10 years or until death whichever comes first. This provision was revised to remove the time limit on retirees receiving benefits. Limiting benefits to 10 years is not fair to retirees whose expectation was to receive these benefits until death.

**B. Voluntary Employees Beneficiary Association (VEBA)**

Joe Illuminate stated that we are in the process of completing the VEBA Participation Agreement Package. Once the RHBP Plan Document has been finalized, the RHBP Plan Document and the VEBA Participation Package will be submitted as action items to the Retirement Plan Committee.

**C. First Quarter 2018 Retirement Plan Review**

Financial advisor, Dennis DeYoung, presented the First Quarter 2018 Retirement Plan Review reporting the plan's cash balances, asset allocations, and the FI360 Fiduciary Score Breakdown as of March 30, 2018.

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

	<b>403(b) Plan</b>	<b>Pension Plan</b>
Cash Balance*	\$2,772,071	\$2,251,219
Asset Allocation – Stocks	69.85%	69.29%
Asset Allocation – Bonds**	30.15%	30.71%

\*"The Cash Balance" for the 403(b) plan includes \$160,468 in loans to participants.

\*\*"The Asset Allocation – Bonds" category includes the Stable Asset Fund.

DeYoung noted that The U.S. stock market performed weakly in the first quarter. Stock prices fell and volatility spiked in the first quarter, bringing an end to an especially long and steady winning streak. The Standard & Poor's 500 Index recorded its first quarterly loss since 2015.

The market faced its first correction because higher than expected U.S. wage growth in January increased concerns about inflation. Another factor is that multiple interest rate hikes by the Federal Reserve could stunt economic growth. Also, the threat of an international trade war as a response to the U.S. imposing tariffs, has also played a role.

DeYoung then discussed the FI360 Fiduciary Score Breakdown report that rates all the investment options in the two retirement plans. The FI360 report uses 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.

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As of March 31, 2018, most funds were in the green zone. The only exception was the Vanguard Information Technology Idx Adm fund with a score of 53. This fund will be monitored and reviewed in the next quarter. The USU has a total of 24 investments options in both the 403(b) and pension plan respectively.

**D. Retirement Plan Expenses**

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 fees charged by each fund in the investment lineup. The USU's total plan expenses are 1.19% compared to 1.21% for the average plan, a positive variance of 2 basis points.

The second benchmark report takes into account expenses paid by both plan participants and the USU. The USU pays the fees for Financial Advisor fee Dennis DeYoung and the fees for The Ryding Company, the third-party administrator. The USU's total plan expenses are 1.47% compared to 1.22% for the average plan, a negative variance of 25 basis points.

**E. 2017-18 Retirement Plan Committee Goals**

The committee reviewed the goals for the fiscal year.

No.	GOALS
<b>1</b>	Convert the USU's Retirement Health Benefits Plan (RHBP) 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. <b>(April 2018)</b>
<b>2</b>	Revise the USU's Retirement Health Benefits Policy to include the changes in the RHBP described in Goal 1 <b>(April 2018)</b>
<b>3</b>	Join the CSU Auxiliary Voluntary Employee Beneficiary Association (VEBA) <b>(April 2018)</b>

**Goal 1 –Complete\***

Converting the current plan from a retiree reimbursement plan to a plan where the USU pays health insurance premiums directly to healthcare providers is not in the best interest of USU employees, retirees, and the organization due to cost, plan quality, and plan flexibility. Based on our analysis, the recommendation is to improve our current RHBP by providing a higher annual benefit and adding language that adds more clarity to the plan.

The USU considered plans from CalPERS and the Auxiliary Organizations Association (AOA).

The CalPERS RHBP was rejected because its eligibility requirements are 55 years of age and 10 years of continuous service whereas the USU's eligibility requirements are 60 years of age and 20

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years of continuous service. CalPERS lenient eligibility requirements would increase the cost of the USU plan because more employees would be eligible to enter the plan.

The AOA RHBP was rejected due to the quality of the AOA plan and the negative impact of changing healthcare providers and the quality. Joining the AOA RHBP would require the USU to change healthcare providers from Cigna to Anthem. Changing health plans to benefit a few retirees is not in the best of interests of 70 active employees. In addition, the Cigna plan has more beneficial features for employees than the Anthem Plan although the cost of both plans is approximately the same.

Improving the current RHBP provides the USU with the most flexibility and cost control. The USU's eligibility requirements can be maintained and the Board of Directors retains control over the plans provisions. For example, the Board has the authority to change the annual benefit amount and the inflation factor used to increase the annual plan benefit.

**Goal 2 - Complete\***

The USU's Retirement Health Benefits Policy has been converted into an official legal plan document by our legal counsel.

**Goal 3 - In Process\***

We have received and filled out the VEBA application.

*\*Requires approval of the Retirement Plan Committee and Board of Directors*

**F. Committee member Appreciation**

Chair Odinlo recognized the outstanding work of the committee members this fiscal year.


**VIII. Announcements**

None

**IX. Adjournment**

The meeting was adjourned by Chair, Michael Odinlo, at 11:59 a.m.

Respectfully submitted by,



Jonathan Navarro  
Accounting Manager