

**UNIVERSITY STUDENT UNION, INC.
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
RETIREMENT PLAN COMMITTEE AGENDA
NOVEMBER 8, 2013
MINUTES**

I. Call to Order

The meeting was called to order by Chair, P. Varela at 3:33 pm.

II. Roll Call

Present	Absent	Guests
Debra Hammond, Executive Director (voting)	Collin Johnson, Board Chair (non-voting)	Patrick Robison, USU Financial Advisor
J. Illuminate, Associate Director, FBS (voting)		
Jonathan Navarro, Executive Secretary (non-voting)		
Kristen Pichler, Human Resources Officer (voting)		
Perlita Varela, Committee Chair (voting)		
Shelly Ruelas-Bischoff, AVP Student Affairs (voting)		
Kandee Bracero, Student Board Representative (voting)		

P. Robison was teleconferenced at 3:41 to lead the first two discussion items. The call lasted until 4:07 pm. D. Hammond arrived at 3:38 pm, departed at 3:47 pm and returned at 5:20 pm. Shelly Ruelas-Bischoff arrived at 3:38 pm.

III. Approval of Agenda

M/S/P (J. Illuminate / K. Pichler) motion to approve the agenda for November 8, 2013.

Motion approved by general consensus

IV. Approval of Minutes

M/S/P (J. Illuminate/K. Pichler) motion to approve the minutes for August 12, 2013.

Motion passes by general consensus

V. Chair's Report

P. Varela informed the committee members of the unofficial minutes on October 4, 2013 when members of the committee met to discuss the two retirement plan providers bidding for the USU's retirement plan business. She thanked the group for their time, input and patience as we navigate through the selection.

VI. Discussion Items

A. 2013 Third Quarter Monitoring Reports Review

P. Robison reviewed the quarterly monitoring reports from the Standard which give the performance of the investments in both the 403(b) and pension plans. The current assets for the pension plan and 403(b) plan are \$1,332,911 and \$1,113,584 respectively as of September 30, 2013. Both plans asset allocations are aligned with the national average, according to Patrick Robison. P. Robison stated that under the current market conditions there are no potential returns for those participants who are investing in the plan's money market funds.

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P. Robison advised that bonds are at a historical low and the 10 year treasury notes are returning anywhere between 2.75% and 3.25%. He stated that the interest rates are very low and that is an indication not to put your money in bonds because of the volatility of interest rates.

B. Watch List Funds Update

P. Robinson reviewed with the committee the performance of the TIAA-CREF Mid Cap Value, Thornburg International Value, and BlackRock Small Cap Funds as of 9/30/13. The fund's performance is not improving and they do not meet the minimum investment criteria as established in the USU's Investment Policy Statement (IPS). The funds' beta, which is the quantitative measure of the volatility relative to the overall market, is not improving and is performing less than the group's average as compared to the total return. The beta for TIAA CREF Mid Cap Value is 0.98; Thornburg International Value is 0.93; and the BlackRock Small cap is 1.08 are above the 0.50 market average. This is an indication that the funds are underperforming. In addition, the BlackRock Small Cap has removed the entire investment team and no longer meets the tenure established by the USU's financial advisor.

Based on Patrick Robison's recommendations, the funds on the watchlist will be replaced as follows:

- John Hancock Disciplined Mid Value Cap will replace TIAA-CREEF
- MFS International Diversification Fund replaces the Thornburg International Value Fund
- T. Rowe Price New Horizons replaces the BlackRock Small Cap Growth Fund

All of the recommended funds meet the criteria USU's Investment Policy Statement.

C. Retirement Plan Committee Orientation

P. Valera and J. Navarro gave members an orientation via a PowerPoint presentation which included a discussion of the following:

1. Purpose of the committee
2. Committee codes
3. Committee responsibilities
4. Committee member composition
5. Review of the concept of being a fiduciary, fiduciary responsibilities, and potential legal liability

D. Retirement Plan Vendor Search

J. Illuminate reviewed the key points of his memo addressed to the retirement plan committee.

In 2009, the USU selected the Standard to succeed SBL as the USU's retirement plan service provider. The principal reason the Standard was selected over the other candidates was due to its financial stability and the wide range of investment options available for plan participants. In 2012, a Department of Labor (DOL) rule went into effect that requires plan administrators to make plain the fees plan participants are required to pay. Currently, USU retirement plan participants pay two kinds of fees: administration and investment. Administration fees are paid to the retirement plan service provider (e.g. the Standard). The Standard charges a net administrative fee of 0.94% and the mutual fund managers charge an average investment fee of 0.65%. Total combined or "all in" administrative and investment fees are 1.59%.

The USU began a search for an alternative lower fee retirement plan provider in September 2013. Patrick Robison selected Verisight and Ascensus to present their retirement plan services to the Retirement Plan Committee. Patrick reported that both he and his clients have had positive long-term experiences with both Verisight and Ascensus. Both companies are smaller, non-insurance companies that are privately held while the Standard is a large publicly traded insurance company. The challenge with private companies is that

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financial information is not publicly available which makes it very difficult to evaluate financial stability. Private companies are very reluctant to release any financial information for fear that it will fall into the hands of its competitors. Both Verisight and Ascensus are able to provide all the basic functions of a retirement plan provider:

- Plan sponsor services and tools
- Transition services
- Investment options
- Compliance & reporting services

The key differences between the two vendors that favored Verisight are evidence of financial stability and pricing.

The Administrative Fee Comparison demonstrates that Verisight's quoted annual fee is \$2,842 compared to Ascensus's quoted annual fee of \$4,848. Verisight's "all in" fee percentage is 0.79% compared to Ascensus's "all in" fee of 0.88%. Verisight's price is \$16,598 lower than the Standard's and Ascensus price is \$14,592 lower.

The USU's primary allegiance is to its plan participants. The USU has a fiduciary duty to the participants to obtain the lowest possible fees and a duty to ensure any retirement plan service provider selected is financially stable. J. Illuminate provided some questions the committee should discuss as part of the selection process:

1. Would the USU be considered negligent in its fiduciary duty to its participants by retaining the Standard due to its higher fees when compared to Verisight?
2. Would the retention of the Standard expose the USU to legal challenges due to its higher fees?

The committee members concluded that the USU had a low possibility of being considered negligent because according to the *401k Book of Averages* provided by Maria Delin, the average "all-in" fees of plans with an average of 25 participants and \$1.25 million in assets are 1.56%. This is 0.13% less than the current fees USU retirement plan participants are currently paying with the Standard.

The committee decided that it would delay voting on selection of new retirement plan service provider until February 2014. The committee will conduct further research on Verisight, especially on its customer service and plan participant education it might be able to provide. A reference check of three current Verisight customers will be also be completed.

VII. Action Items

None

VIII. Announcements

None

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IX. Adjournment

The meeting was adjourned by P. Varela at 5:23 pm.

Respectfully submitted by,

Jonathan Navarro