



*The Foundation for
California State University, San Bernardino*

BOARD OF DIRECTORS MEETING

Thursday, June 11, 2009 - 4:00 p.m.

Foundation Board Room

MINUTES

Pursuant to notice given, the Board of Directors of the Foundation for California State University, San Bernardino convened for a regular meeting at the Foundation Board Room located on the campus of California State University, San Bernardino, 5500 University Parkway, San Bernardino, California, on March 19, 2009, at 4:00 p.m.

Members Present:

Dr. Albert Karnig, Chairman	Mr. Howard Friedman, Director
Ms. Lois Carson, Secretary	Dr. Frank Rincón, Director
Dr. Dorothy Chen-Maynard, Director	Mr. Phillip Savage III, Director
Mr. Robert Gardner, Treasurer	Dr. Haiwei Chen, Director
Dr. Edward Teyber, President	
Dr. William Aguilar, Director	

Members Absent:

Mr. Stephen Saleson, Director
Mr. Robert Fullerton, Vice President
Dr. Louis Fernandez, Director
Mr. Rex Jackson, Director
Mr. George Gorian, Director
Mr. Jeremy Vasquez, Student Representative

Others Present:

Ms. Debbie Burns, General Manager
Ms. Lisa Iannolo, Finance Manager
Dr. Jeff Thompson, Associate Provost for Research
Ms. Cindi Pringle, Special Assistant to VP for Advancement
Ms. Cara-Marie Pham, Administrative Assistant

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:27 p.m.

Secretary

Agenda Item A – Call to Order/Introductions

Board President Teyber called the meeting to order at 4:07 p.m. A quorum was declared. The following guests were present: Dr. Jeff Thompson, Associate Provost for Research and Ms. Cindi Pringle, Special Assistant to the VP for Advancement.

Agenda Item B – Welcoming Remarks

President Karnig provided an update on University activities:

- Dr. Karnig began with the “good” news by expressing that the campus is excited for the upcoming end of the school year celebrations. There are six commencements and a variety of graduation events.
- Dr. Karnig also touched on the State Budget. Currently, everything is still up in the air about the upcoming budget and President Karnig is waiting to hear more from the Chancellor’s Office. There is a strong possibility that Cal State, San Bernardino will end up significantly reducing enrollment by approximately 1,600 students. The CSUSB campus has begun to reduce expenditures by significantly reducing new hires, eliminating all foreign travel and greatly reducing US travel, and leaving open the possibility of another fee increase and possible payroll actions. He is expecting the hardship to last another one to three years.

Agenda Item C – Guest Presentation: Maternal Intervention Project at Glen Helen Regional Center

Faith McClure and Laura Kamptner from the Psychology and Human Development department at CSUSB, gave a presentation to the Board regarding a special project that they are working on at the Glen Helen Regional Center. Faith and Laura work with the female inmates that have children. They help the mothers to interact with their children and learn proper parenting skills to provide a safe and healthy environment at the home. Faith and Laura use a video strategy and tape the parent-child interactions. When they review the video with the mothers, they stress and applaud the positive interactions. This gives the mothers positive reinforcement and they have found this to show tremendous gains within four to six sessions. They have found that pointing out the positives instead of preaching about the negatives has worked a lot better for these mothers to improve their parenting skills and parent-child interactions.

Agenda Item D - Approval of Minutes from March 19, 2009 Directors Meeting (Action)

Recommendation: It is recommended that the Board approve the minutes of the March 19, 2009, Board of Directors meeting.

Board Action: The minutes of the March 19, 2009, Board of Directors meeting were approved with minor changes made by Dorothy Chen Maynard. (Carson/Chen-Maynard/Unanimous)

Agenda Item E – Approval of Proposed 2009-2010 Board and Committee Meeting Dates (Action)

Recommendation: It is recommended that the Board approve the proposed dates for the 2009-2010 schedule of meetings for the Foundation Board of Directors, Executive Committee, and Standing Committees.

Background: It has been the practice that the Board of Directors approves the dates for meetings of the Board of Directors, Executive Committee, and Standing Committees in advance of the next fiscal year to assist Board and Committee members with calendar management.

The Executive Committee recommended at its June 4, 2009 meeting to approve the proposed dates for 2009-2010 meetings of the Foundation Board of Directors, Executive Committee, and Standing Committees.

Board Discussion: Since there are a lot of conflicting events that go on in June with commencement and end of the year activities, Dorothy Chen-Maynard asked that we change the last Board Meeting in the 2009-2010 fiscal year to start a week earlier. By doing this, the committee dates would also be moved up a week. This would hopefully eliminate having the meetings conflict with another event on campus.

Board Action: The Board approved the proposed dates with the request to change the June Board and Committee Meeting Dates to start a week earlier. (Chen-Maynard/Gardner/Unanimous)

Agenda Item F – Approval of Proposed Change to Medical Benefits/Retiree Benefits (Action)

Recommendation: It is recommended that the Board approve the proposed change to exit CalPERS Medical and replace such coverage with comparable medical benefits. It is further recommended that the Board approve the Foundation's change in its benefit plan to eliminate retiree medical for all new employees hired after January 1, 2010, at minimum. This change is only possible with the exit from CalPERS.

Background: The Foundation has been with CalPERS medical for many years. CalPERS requires that employees working at least 20 hours per week be vested after 5 years of employment and are eligible for lifetime medical benefits upon retirement. CalPERS does not allow any modification to the definition of a full-time employee (hours worked) and/or service requirement. As such, the Foundation has no flexibility to make plan changes that would allow it to reduce its future liability with regard to retiree medical. The current actuarial study based upon 126 employees required that we book a \$4,251,000 liability on our books. The annual medical premium payment for just 27 retirees is approximately \$140,000.

The Foundation has already taken steps to name Alliant Insurance Services as the new Broker of Record for the purpose of assisting the Foundation with exiting CalPERS Medical and also to serve as a consultant in surveying the market for new medical, dental, vision, life and long term disability insurance plans:

- Alliant Insurance Services has successfully consulted and transitioned other Auxiliaries (Pomona, Fullerton, SDSU)
- 10% premium reduction guarantee.
- They will match our current benefit offerings.
- Throughout the process they will provide analysis and strategic planning; and bidding and selection; and implementation; and ongoing monitoring and support.
- They will prepare and present detailed plan summaries and rate exhibits for all quotes provided and compare all benefits and rates to current CalPERS offerings.
- Assist in all transitional issues: employee meetings, health fair, administration, group meetings, etc.

The Foundation will bring a recommendation to the Board in September regarding a change in service requirements and/or the grandfathering of retiree medical benefits for existing employees. However, it is the Foundation's recommendation that new employees hired after January 1, 2010 not be eligible for retiree medical benefits under the new medical plan as this will be the only way to halt the increasing liability.

Board Discussion: Debbie Burns expressed to the Board that eliminating retiree medical benefits for future employees would significantly reduce our liability. Most organizations do not offer medical benefits to retirees because at age 65 a person qualifies for Medicare.

Board Action: The Board approved these recommendations and proposed changes to the medical benefits and retiree medical benefits for future employees and authorized the General Manager, Deborah Burns, to sign all applicable documents related to these changes. (Carson/Savage/Unanimous)

Agenda Item G – Resolution Approving CalPers 457 Deferred Compensation Benefit Plan (Action)

Recommendation: It is recommended that the Board approve a resolution adopting the addition of the CalPERS 457 Deferred Compensation Plan for its employees as a new benefit.

Background: Prior to 2009, the Foundation offered the 403(b) Tax Sheltered Annuity plan to its employees as a pre-tax supplemental retirement option. In September 2007, the Internal Revenue Service finalized regulations to take effect on January 1, 2009 that would impose new financial burdens for employers. The Foundation was no exception. Specifically, the Foundation would be responsible for producing and administering an annual written legal plan document that would detail all aspects of our plan offerings. The cost of doing business in this one area of the new IRS regulations would cost the Foundation approximately \$20K - \$55K per year, per chosen carrier. This cost was previously absorbed by our carriers. Under the new regulations, the underwriters of the carriers conveyed to us an unwillingness to provide this continued service at no cost. The Foundation would like to continue to provide supplemental income benefits to its employees and the CalPERS 457 Plan will provide many of the same benefits that our employees enjoyed with the 403(b) plan. The benefits of joining with CalPERS 457 is that they will provide the plan and all of its services to our employees at no cost to the employer as well as administering the plan with superior service just as they currently do for the university.

Participants in the CalPERS 457 Plan make "before tax" contributions and earnings grow tax-free until withdrawn as taxable income after retirement. The plan offers:

- 14 investment options, with all funds managed by CalPERS staff and professional investment managers, as well as FDIC-insured CDs and access to more than 4,000 mutual funds through a self-managed brokerage option.
- Choices for all types of investors - conservative, moderate, or aggressive
- Asset protections - all funds are held in trust for the exclusive benefit of participants
- Investments and services delivered at low cost to the employee through a simple and fair fee schedule.
- All employee contributions are made through payroll deductions.
- The employee may stop, increase or decrease their contributions as often as the Foundation allows without penalty or cost.

No direct costs to the employer. Indirect costs would be administering the program as well as setting up the payroll system.

Board Discussion: There was no discussion, considering this will only help the Foundation and there is no cost to adopt the CalPERS 457.

Board Action: The Board approved the Resolution adopting the CalPERS 457 as an addition to the employee benefit plan. The Foundation will take immediate action to implement the new benefit. (Savage/Chen-Maynard/Unanimous)

Agenda Item H – Approval of Updated Indirect Cost Policy (Action)

Recommendation: It is recommended that the Board approve the changes to the Indirect Cost Policy as proposed by the Sponsored Programs Committee.

Background: In accordance with the U.S. Office of Management and Budget, CSUSB and the Foundation periodically submit documentation to the U.S. Department of Health & Human Services to validate the indirect cost rate. The approved or negotiated rate represents the rate of indirect required to fully cover all University and Foundation costs to administer sponsored programs. The Indirect Cost Policy had not been updated since March 1996. The primary change to the policy is the insertion of the new federal negotiated rate as of July 1, 2008.

The Sponsored Programs Committee recommends that the Board approve the policy revision. The amended Policy would become effective immediately.

Board Discussion: It was asked by President Karnig that Jeff Thompson make a presentation on Indirect Cost at the next Board meeting for clarification on indirect areas in which the Foundation invests its money.

Board Action: The Board approved the policy revision. (Chen-Maynard/Karnig/Unanimous)

Agenda Item I – Approval of Updated Investment Policy Statement (Action)

Recommendation: It is recommended that the Board of Directors endorse the action of the Investment Committee to revise the asset allocation to include commodities, as well as adopt a revision to the “Annual Spending” provision in the Investment Policy Statement (“IPS”) that would allow spending from underwater endowments as expressly requested by donor.

Background: The existing Investment Policy Statement does not provide for spending from underwater endowments. The Foundation currently has an endowment agreement with Osher Foundation that specifically requests such spending. As such, an amendment to the IPS is necessary.

In addition, the Foundation’s investment advisor, Beacon Pointe has suggested a change in the asset allocation to reduce the amount allocated to real estate (from 5% to 2.5%) and add an allocation to commodities (2.5%) as indicated in the attached policy.

Board Discussion: There was little discussion regarding the revision of allocations. However, there was lengthy discussion on how the wording should be written in the IPS on how and if we should allow spending from underwater endowments if it is expressly requested by the donor. It was suggested by the Board that we receive some legal advice before the language is adopted.

Board Action: The Board approved the recommendation to revise the allocation to include commodities, however, the Board decided to delay approval of the spending revisions until legal advice on the wording was specified by an attorney. (Savage/Chen/Carson/Unanimous)

Agenda Item J – Review of 2009-2010 Budget (Action)

Recommendation: It is recommended that the Board of Directors adopt the attached budget for FY 2009-2010 as proposed.

Background: Foundation staff has prepared an estimate of the revenues and expenditures for 2009/2010 budget year. The estimates are based upon factual information of prior years’ performance and anticipated projections. The information is provided in summary form, along with notes to accompany major changes in the budget.

The Executive Committee recommended at its June 4, 2009 meeting to approve adoption of the proposed budget for FY 2009-2010.

Board Discussion: Lisa Iannolo, Finance Manager, presented the Board with the 2009-2010 budget. She highlighted the major changes from the previous budget that included setting aside \$145,000 in operational reserves. This will allow the Foundation to pay down the Dining Services debt (approximately \$900,000). Non-mandatory allocations will be temporarily discontinued actual net income exceeds budget projections. The budget is tight but the Foundation is heading in a positive direction.

Board Action: The Board approved the adoption of the proposed budget for FY 2009-2010. (Gardner/Carson/Unanimous)

Agenda Item K – Palm Desert Building (Action)

Recommendation: It is recommended that the Board of Directors approve the transfer of three Palm Desert Buildings, which are Foundation assets, to assets of the State. These assets are more appropriately placed with the campus.

Background: These three buildings were built with gift funds. It was always the intention that once the buildings were complete that they would be transferred over to the State.

Board Action: The Board approved the recommendation to transfer the three buildings from the Foundation over to the State. (Gardner/Carson/Unanimous)

Agenda Item L – Financial Highlights – April 30, 2009 (Informational)

Lisa Iannolo updated the Board with the financial status as of April 30, 2009. There was nothing out of the ordinary with the numbers. The Foundation is still showing a net loss, however, it is predicted that these numbers will be positive by the end of the next fiscal year. On a positive note, the total distributed to campus was up approximately \$222,697.80 from last year. This is the highest contribution to date.

Agenda Item M – General Manager’s Report on Foundation Operations (Informational)

Debbie Burns, Foundation General Manager, updated the Board regarding the status of the Foundation Chancellor’s Audit, which occurs every three years. The audit began on May 25, 2009 and is going to last for five weeks. The auditors are focusing on compliance, information technology, and policy.

Debbie also touched on Foundation operations. She said that Follett will be giving the bookstore a \$500,000 face lift. The remodeling will begin on June 22nd and is expected to go until July 10th. The inside of the store will be modernized with sleek new fixtures, carpet, paint, and an efficient floor plan. The bookstore is also in the process of hiring a new textbook manager. Overall, the bookstore has received good reviews and is always looking for ways to improve.

There was not a lot of new information regarding the other operations. However, Debbie encouraged the Board to read over the committee minutes to get a complete update.

Agenda Item N – Fundraising Activities (Informational)

William Aguilar, Vice President for University Advancement, provided an update on the status of development and fundraising activities. He invited the Board to celebrate with the campus at the groundbreaking ceremony of the Murillo Family Observatory. It will take place on Friday, June 12th at the bottom of Little Badger Hill. The Murillo family donated \$800,000 toward the \$3 million dollar facility. The campus has received a variety of other general contributions as well.

Dr. Aguilar stated that for this year's Annual Faculty & Staff Campaign, over \$90,000 was donated. This is more money than Advancement has ever raised for this campaign.

An update of the Barnes Estate was presented to the Board. The Barnes home was sold for \$165,000, which makes the total gift just above \$700,000. Dr. Aguilar expects to receive the gift in full within the next few weeks. The purpose of the funds is to support the Robert Fullerton Art Museum, provide scholarships to theater arts students, as well as contribute to the new performing arts building.

Agenda Item O – Update – Research Building (Informational)

Jeff Thompson, Associate Provost Research, provided an update on the status of a possible research building. Jeff submitted three supplemental grants and one equipment grant proposal to the federal government to receive \$15 million in funding for a 14,000 square foot research building. If this goes through, they are hoping to get the funds in 2010 and have this project completed within five years. The building would belong to the Foundation and become a Foundation asset.

Agenda Item P – Status of Board Member Expirations/Appointments for 2009-2010 (Informational)

Debbie Burns, General Manager, provided a handout that updated the Board on the status of Board Member expirations and appointments. George Gorian resigned from the Board and Debbie asked Rex Jackson and Phil Savage to let her know by next month if they had interest in another term. Debbie also expressed to the Board that she is seeking names of possible Board Members for the next fiscal year.

Agenda Item Q – Committee Reports (Informational)

Background: No action required. In lieu of committee presentations to the Board of Directors, drafts of all minutes of Foundation Standing Committees were provided with the board meeting package.