

HUMBOLDT STATE UNIVERSITY FOUNDATION

The University Center Fund Quasi-Endowment Gift Instrument

The Humboldt State University Center Board of Directors, (the “Donor”) and the Humboldt State University Foundation (the “Foundation”) intend to establish the University Center Fund (the “Fund”), a quasi-endowment fund of the Foundation.

- I. **NAME AND RECOGNITION:** The Fund shall be called the University Center Fund and function as a quasi-endowment of the Foundation. The Foundation may publicly recognize the Fund through a variety of communication channels.
- II. **PURPOSE:** The purpose of the Fund is to cover the post-employment benefit obligations of the University Center with any earnings over such obligations going directly to student scholarships.
- III. **SOURCE OF FUNDS:** A contribution in the amount of \$7,000,000 from the Donor to the Foundation will establish the Fund. Additional contributions to the Fund may be made by anyone at any time.
- IV. **DISTRIBUTIONS:** The Donor has established the Fund as a quasi-endowment fund with the intention of funding the post-employment benefit obligations of the University Center. When the post-employment benefit obligations have been met in total, the Fund will convert to a permanent endowment.

Distributions from the fund will be made annually to cover the post-

employment benefit obligation payments of the University Center. Any earnings over such obligations will be paid annually to student scholarships. No distributions will be made until after the Fund has been established and invested by the Foundation for at least four calendar quarters and consistent with the Foundation's annual schedule for determining endowment distributions.

- V. MANAGEMENT AND EXPENSES:** The Fund is a quasi-endowment fund and will be administered in accordance with the California Uniform Prudent Management of Institutional Funds Act, as amended ("UPMIFA"). The assets of the Fund will be invested and managed in accordance with the investment and spending policies of the Foundation, as amended. The assets of the Fund may be commingled with other assets of the Foundation for investment purposes, with separate receipt and disbursement records maintained consistent with accepted fund accounting practices. The Foundation may make a charge to its funds and to gifts to its funds for direct and indirect costs incurred by the Foundation to ensure that the Fund is properly administered and the intended purpose achieved.

The Foundation employs a total return investment strategy in managing its charitable assets. The Foundation's goals in administering the Fund are to maintain a stable level of financial support for the Purpose described above and to preserve the purchasing power of the Fund against inflation over time. Any investment return remaining after distributions for the Purpose of the Fund and payment of investment management, administrative, and other costs, shall be retained as part of the principal of the Fund.

- VI. DEFINITIONS AND TERMS:** The Fund is an institutional fund as defined under UPMIFA. The Fund is not a trust and no trust relationship is created by this gift instrument.

This document is a gift instrument as defined under UPMIFA. This gift instrument is not a contract and does not create a contractual relationship between the Foundation and any party. This document is the entire gift

instrument and contains all terms and conditions of the Fund.

VII. AMENDMENT: The Fund shall at all times be subject to the variance power of the governing board of the Foundation to eliminate or modify any restriction, condition, or limitation imposed with respect to the Fund if, in the judgment of the governing board of the Foundation, such restriction, condition, or limitation becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation. In such event the Fund shall be used for purposes as the governing board of the Foundation, in consultation with Humboldt State University, determines are consistent with the charitable intentions of the Donor.

The Foundation reserves the right to alter the name of the Fund, if, at some future date, circumstances change substantially so that the continued use of the above Fund name creates a public trust concern for the Foundation or Humboldt State University.

Changes or additions to this gift instrument can be made only by written amendment to this gift instrument consistent with UPMIFA and the Foundation's policies.

Agreed to and Accepted:

Humboldt State University Center Board of Directors, Donor

Date

Agreed to and Accepted:

Humboldt State University Foundation
Frank Whitlatch, Executive Director

Date



MEMORANDUM

February 11, 2021

To: University Center Finance Committee

From: Wendy Sotomayor
Interim Executive Director

SUBJECT: **Withdraw VEBA Funds for Retiree Premiums**

Background: In the year ended June 30, 2012, University Center (UC) began participating in VEBA (Voluntary Employees' Beneficiary Association) to assist in funding post-retirement healthcare benefit obligations. UC contributed \$100,000 a month from January 1, 2012-October 2014, for total contributions of \$3.4M. In November 2014, monthly contributions were discontinued as the plan was approx. 87% funded. No additional contributions have been made since that time.

As of June 30, 2020, the most recent actuarial valuation date and also the measurement date, UC's total OPEB (Other Post-Employment Benefits) liability was \$4,044,069. The Fiduciary Net Position of the VEBA trust at June 30, 2020 was \$4,557,185, resulting in a Net OPEB Asset of \$513,116, which will be reflected on UC's June 30, 2021 Statement of Financial Position.

The market value of the VEBA trust funds on January 31, 2021 was \$5,355,343. As a result of the increased market value over the years and UC's OPEB liability being over 132% funded at this time, management believes it is in the financial interest of UC to begin withdrawing funds from VEBA to fully fund annual premiums paid for retiree premiums.

Staff recommendation: UC management is proposing to move forward with the board's approval to withdraw funds (approximately \$240K) from the Auxiliaries Multiple Employer VEBA to reimburse the UC for insurance premiums paid for UC retirees and their dependents for health benefits for 2020-21.

UC management is also recommending that the available VEBA trust funds be used to pay UC retirees and their dependents health premiums into the future until all existing obligations are fulfilled.

Attachments: 1. Change in Portfolio Balances for 2019-2020 and the seven months ended January 31, 2021 and Asset Allocation as of January 31, 2021
2. VEBA Trust Portfolio Summary as of January 31, 2021.

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Asset and Liability Proposal | February 5, 2021

Overview

As part of the dissolution of the University Center, one of the major priorities is to ensure pension obligations are met and former employees receive the pension payments they earned during their time working for the University Center. One major challenge is that to ensure UC's pension liabilities are paid in full to CalPERS, UC would need to cover the Hypothetical Termination Liabilities, estimated at \$41.3 million. Currently, UC's pension asset pool is valued at \$17.5 million, resulting in an unfunded termination obligation of \$23.9 million. As of December 31, 2020, UC's net position is about \$8.9 million, leaving a shortfall in resources available to cover the pension liability of approximately \$14.9 million.

Proposal

All UC assets will be transferred to the University as part of the wind down of UC business operations. In return, the University will assume responsibility for all remaining UC liabilities, including a commitment to ensure all UC pensions are honored into the future.

University Asset Distribution Plan

All non-cash assets transferred to the state will continue to support the same activities and programs to ensure continuity of services for our students.

Cash assets will be distributed as follows (current distribution amount reflects net position as of December 31, 2020 at \$8.9 million):

- Endowment: \$7,000,000 (*estimate – final amount subject to change based on UC inflows/outflows*)
 - Establish an endowment through the Foundation to cover pension obligations in perpetuity
 - Priority 1: Cover annual pension payments
 - Priority 2: Any available funding after covering annual pension payments will go to support student scholarships; once pensions are fully paid off, all endowment distributions will go to student scholarships
- 2021-22 Pension Obligations: \$350,000 (*estimate*)
- Planned Maintenance Projects: \$922,500
 - Support completion of UC Service Elevator (\$172,500) and UC Roof Replacement (\$750,000) projects as outlined in the 2020-21 Budget
- Center Activities: \$109,000
 - Amount based on 1) ½ of the remaining budget gap for the current year and 2) pre-pandemic average operating deficit – provided to support short term budget stabilization while longer term plans are being developed
- Center Arts: \$103,000

- Amount based on 1) ½ of the remaining budget gap for the current year and 2) pre-pandemic average operating deficit – provided to support short term budget stabilization while longer term plans are being developed
- Student Union: \$450,000 (*estimate – final amount subject to change based on UC inflows/outflows*)
 - Funding to support facility improvements on the Student Union building – Dean of Students, Student Center Director, Student Advisory Board, and Facilities Management will collaborate on allocation strategy to maximize benefit to students