



**SAN DIEGO JEWISH ACADEMY**  
**BOARD OF TRUSTEES MEETING**

**Thursday October 8, 2015**

# SAN DIEGO JEWISH ACADEMY BOARD OF TRUSTEES MEETING

THURSDAY, OCTOBER 8, 2015

11:30 AM – 1:30 PM

## AGENDA

AGENDA ITEM	APPROVAL REQUIRED RESOLUTION # <i>(see next page)</i>	START TIME/ MINUTES	DISCUSSION LEADER(S)
<b>1 D'var Torah</b>		<b>11:30 / 8</b>	Rabbi Yael
<b>2 Consent Agenda</b>	<b>1</b>	<b>11:38 / 2</b>	Theresa
<b>3 Head of School Report</b> School Reports, Enrollment Update		<b>11:40 / 20</b>	Chaim
<b>4 Board President Report</b> BOT Retreat Recap		<b>12:00 / 20</b>	Theresa
<b>5 Advancement Committee Report</b> SDJA 2015/2016 Annual Campaign Plan		<b>12:20 / 20</b>	Jessica/Rachelle
<b>6 SDJA Dashboard Reports (Key Metrics)</b>		<b>12:40 / 20</b>	Russell
<b>7 Finance Committee Report</b> Proposed 2015/16 Operating Budget	<b>2</b>	<b>1:00 / 15</b>	Dan/Skip
<b>8 Retirement Plan Committee Report</b> Merger of 403(b) and 401(k) Plans	<b>3</b>	<b>1:15 / 10</b>	Skip
<b>9 Good and Welfare</b>		<b>1:25 / 5</b>	Theresa
<b>10 Adjournment</b>		<b>1:30 PM</b>	Theresa

**FOR THE MINUTES OF THE MEETING OF  
THE BOARD OF TRUSTEES OF  
SAN DIEGO JEWISH ACADEMY**

**October 8, 2015**

***DRAFT RESOLUTIONS***

**CONSENT AGENDA**

**1. Approval of BOT Meeting Minutes**

RESOLVED, the minutes of the regular meeting of the BOT on August 27, 2015 are hereby approved and the Secretary of the School is directed to insert a copy of such minutes into the School's minute book.

**FINANCE COMMITTEE REPORT**

**2. Proposed 2015/16 Operating Budget**

RESOLVED, the BOT hereby approves SDJA's fiscal year 2015/16 operating budget as presented and discussed at this meeting.

**RETIREMENT PLAN COMMITTEE REPORT**

**3. Merger of 403(b) and 401(k) Plans**

WHEREAS, SDJA maintains the San Diego Jewish Academy 401(k) Savings Plan ("401(k) Plan") and 403(b) Plan ("403(b) Plan"); and

WHEREAS, SDJA is the named fiduciary of the 401(k) Plan and the Plan Sponsor of the 403(b) Plan;

RESOLVED, the 403(b) Plan will be terminated effective December 31, 2015; and

RESOLVED FURTHER, the 401(k) Plan will be amended to make employees classified as Administrators and Coaches eligible to participate in the 401(k) Plan effective January 1, 2016, subject to the age and service requirements set forth in the 401(k) Plan Document; and

RESOLVED FURTHER, the 401(k) Plan will be amended to adopt a Qualified Automatic Contribution Arrangement plan design effective January 1, 2016, with a default enrollment percentage of 3%, automatic escalation of 1% up to a cap of 6%, and a 2-year cliff vesting schedule; and

RESOLVED FURTHER, the Retirement Plan Committee, on behalf of SDJA, is authorized and directed to take all further actions necessary or appropriate to effect the intent and purposes of the foregoing resolutions.

**MINUTES OF THE MEETING OF  
THE BOARD OF TRUSTEES OF  
THE SAN DIEGO JEWISH ACADEMY**

August 27, 2015

A regular meeting of the Board of Trustees (BOT) of the San Diego Jewish Academy (SDJA) was held at SDJA's central administrative offices on August 27, 2015 at 11:30 a.m.

**Trustees Present**

Theresa Dupuis (Chair), Brenda Bielas, Michel Cohen, Jessica Effress, Dan Feldman, Heidi Gantwerk, Ben Handler, Chaim Heller, Julian Josephson, Ingram Losner, Michelle Lyons, Rabbi Yael Ridberg, Laura Roselinsky, Leslie Fastlicht Russo, Russell Silberstein, Beni Surpin, Caryn Viterbi

**Trustees Absent**

Ira Feinswog, Judy Lilienthal

**Also Present**

Skip Carpowich, Rachelle Jagolinzer, Kelley King, Mike Quigley, Sheila Reilly

**D'VAR TORAH**

Rabbi Yael Ridberg delivered the D'var Torah.

**INTRODUCTION AND WELCOME**

Theresa welcomed everyone to the meeting, including new trustees Brenda Bielas, Michel Cohen and Caryn Viterbi.

**CONSENT AGENDA**

After discussion, the following resolutions (motion by Ben Handler, seconded by Heidi Gantwerk) were unanimously adopted:

*Approval of BOT Meeting Minutes*

RESOLVED, the minutes of the regular meeting of the BOT on June 9, 2015 are hereby approved and the Secretary of the School is directed to insert a copy of such minutes into the School's minute book; and

*Head of School Retirement Plan Contribution*

WHEREAS, the 457(f) retirement plan benefit for the Head of School accrues on a pro rata basis throughout the year;

RESOLVED, SDJA's annual contribution to the Head of School's 457(f) plan shall be made in equal monthly installments effective September 2015.

**INTRODUCTION OF NEW BOT COMMUNICATION PROCEDURES**

Skip discussed new Board communication protocols including new forms of BOT meeting packages, minutes, and the development of confidential Board-only information on the SDJA website. This will give trustees a central location for Board materials and information.

**HEAD OF SCHOOL REPORT**

Chaim reported SDJA’S enrollment is solid. He commented that SDJA can continue on its current course and remain “good,” or SDJA can strive to become exceptional. He then presented a proposal for establishing areas of concentration within the school beginning Fall 2016 (“Three Institutes at SDJA” proposal). Chaim summarized this initiative and the rationale for forming three institutes: a STEM Advanced Research Institute, a Center for Creative Writing and the Arts, and an Advanced Institute for Judaic Studies. He further presented the proposed next steps and project leadership for developing each of the three institutes (including near-term solicitation of a major gift for the Advanced Institute for Judaic Studies), and what is needed from the Board in moving forward.

Following Chaim’s presentation, each trustee was given time to share their comments and ask questions on the proposal.

After discussion, the following resolution (motion by Dan Feldman, seconded by Beni Surpin) was unanimously adopted:

RESOLVED, the BOT hereby authorizes and directs the Head of School to proceed with planning efforts to establish a STEM Advanced Research Institute, a Center for Creative Writing and the Arts, and an Advanced Institute for Judaic Studies, as presented and discussed at this meeting.

**BOARD PRESIDENT REPORT**

Due to time limitations the review and approval of the HOS annual goals for 2015/16 was deferred until the September 20, 2015 Board Retreat.

**GOOD AND WELFARE**

The Board congratulated Beni Surpin for being named one of San Diego’s best lawyers, and further congratulated Beni on his daughter Daniella becoming a *Bat Mitzvah*. The Board also expressed condolences for the loss of Bea Levinson, Anne Jaffe’s mother, and Gerry Bubis, Deena Libman’s father.

**ADJOURNMENT**

There being no further business to come before the Board, the regular meeting was adjourned at approximately 1:00 p.m.

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Ira Feinswog  
Secretary



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# **BOARD PRESIDENT'S REPORT**

# Proposed Board Goals 2015-2016

## 1. Community Visibility and School Pride

The Board will design a formal Board ambassadorship program designed to (a) reach out to members of the school's key current market segments and (b) act as positive ambassadors to those segments—bringing positive messaging from the school staff to them and sharing positive achievements by segment members' children with the school's Director of Communication. Ambassadors will be trained by specialist coaches to appropriately listen for issues that need to be brought to the attention of the Head of School and to bring those issues to the Head of School in a time sensitive and appropriate fashion. Board ambassadors will increase their visibility at school and communal events as per the Brit.

## 2. Recruitment

The Board will support the Director of Admission and the chair of the Atid committee in their efforts to implement a market-segment focused recruitment effort. As part of the Atidenu program, board members will take an active role in efforts to generate segment-specific lists of prospective families and students, track them in a database and cultivate these families to encourage visitation, application and enrollment in SDJA.

## 3. Strategic Plan “Dashboard” Tracking

The Board will work with the CFO/COO to translate the strategic plan into annual progress milestones and develop in concise report format dashboard indicators of progress for the key initiatives which will be reported on quarterly (or more frequently if appropriate) by appropriate SDJA Staff and Board committee members at Board meetings. The goal is to increase Board members' connection and knowledge to the strategic plan and enhance their ownership of the plan in conjunction with their Staff partners. It is expected that these indicators will include enrollment, tuition revenue, development revenue, rental revenue, key expenditure indicators, as well as programmatic milestones.

## 4. Open Scholarship Initiative

The Board will work with the school Administration to design the Open Scholarship initiative so that it achieves the desired enrollment and community engagement goals as set forth in the Head of School's proposal.

## 5. Development

The Board, in conjunction with the Director of Development and Head of School, will formulate a plan in conjunction with its PEJE GFA coach, to steadily increase annual fundraising (included directed giving) over the next 3 years to \$4,000 per student, which would bring the school to 75<sup>th</sup> percentile among Jewish day schools nationally.

The Development Committee will form two sub committees—a Directed Giving Subcommittee and an Alumni Subcommittee—which will develop and help implement plans to increase engagement and philanthropic support by key donors and alumni in support of the broader fundraising goals of SDJA.



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# **ADVANCEMENT COMMITTEE REPORT**



Advancement  
Chair

Jessica Effress

Associate Campaign Chair

Michel Cohen

Major Donors

Mega Donors

Major Donors- *Heidi Silberstein + Shari Schenk*

Board- *Theresa Dupuis*

Legacy + Endowment- *Michel Cohen*

Past Presidents- *Shari Schenk*

Hineni Society- *Richard + Ann Jaffe*

Parent/Class  
Campaign

Parent Campaign-  
*Jami + Adam Rosenthal*  
*Michel + Samantha Cohen*

Grandparents

Grandparent Chair-  
*Jenny Josephson/ Felicia Mandelbaum*  
*(not confirmed)*

Alumni

Alumni Council-  
Chair *Mike Dolinka*  
Parents of Alumni  
Chairs *Suki Lurie + Ann Jaffe*

Other

Employee  
B'Yachad

Special Events

**36th Year Events:**

Community Event  
Fundraiser

Golf Tournament  
Chairs: *Heidi Silberstein*  
*Sonia Mandelbaum*  
*Tamara Klein*

# Advancement Report

10.8.15

Jessica Effress

I. Hatikva Society

Levels	Hatikvah Society
\$1,800	Kineret
\$3,600	Massada
\$5,400	Jerusalem
\$7,200	Ein Gedi
\$10,018	Hakotel

II. Fundraising Goals:

Total goal to raise at fundraising event in February- \$200,000-250,000

Total Directed Giving to be raised in 2015-2016:  
\$1,600,000

Judaic Advanced Institute: \$1,000,000  
Humanities Institute: \$100,000  
STEM Institute: \$300,000  
Open Tent Initiative: \$200,000

Total Percentage Goals:  
Board- 100%  
Parent- 55%  
Employee-55%

Donor # and Donor Goals:

	2014/15 Annual		2015/16 Annual	
	# of donors	\$	# of donors	
Board	19	\$60,348.00	19	\$125,000
Major Donors	15	\$212,660.00	15	\$160,000
Parent	125	\$53,647	150	\$35,000
Grandparent	36	\$21,048.00	40	\$23,000
PALS	13	\$8,352.00	18	\$10,000
Alumni	1	\$54.00	3	\$1,500
Corporate	2	\$1,420.80	2	\$1,500
Employee	45	\$9,134.00	60	\$10,000
Foundations	7	\$10,130.95	7	\$30,000
Other	13	\$6,734.13	15	\$7,500
<b>Total</b>	<b>375</b>	<b>\$383,528</b>		<b>\$403,500</b>



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## **SDJA DASHBOARDS (KEY METRICS)**

## ENROLLMENT

	2010/2011	2011/2012	2012/2013	2013/2014/	2014/2015	2015/2016
<b>ECC</b>						
Start	100	92	92	92	92	92
Attrition - Voluntary	-5	-5	-5	-5	-5	-5
Attrition - Involuntary	-5	-5	-5	-5	-5	-5
Gained	2	10	10	10	10	10
End	92	92	92	92	92	92
<b>GMLS</b>						
Start	100	92	92	92	92	92
Attrition - Voluntary	-5	-5	-5	-5	-5	-5
Attrition - Involuntary	-5	-5	-5	-5	-5	-5
Gained	2	10	10	10	10	10
End	92	92	92	92	92	92
<b>MUS</b>						
Start	100	92	92	92	92	92
Attrition - Voluntary	-5	-5	-5	-5	-5	-5
Attrition - Involuntary	-5	-5	-5	-5	-5	-5
Gained	2	10	10	10	10	10
End	92	92	92	92	92	92
Kindergarten	30	30	30	30	30	30
Grade - 1	30	30	30	30	30	30
Grade - 2	30	30	30	30	30	30
Grade - 3	30	30	30	30	30	30
Grade - 3	30	30	30	30	30	30
Grade - 4	30	30	30	30	30	30
Grade - 5	30	30	30	30	30	30
Grade - 6	30	30	30	30	30	30
Grade - 7	30	30	30	30	30	30
Grade - 8	30	30	30	30	30	30
Grade - 9	30	30	30	30	30	30
Grade - 10	30	30	30	30	30	30
Grade - 11	30	30	30	30	30	30
Grade - 12	30	30	30	30	30	30
	420	420	420	420	420	420

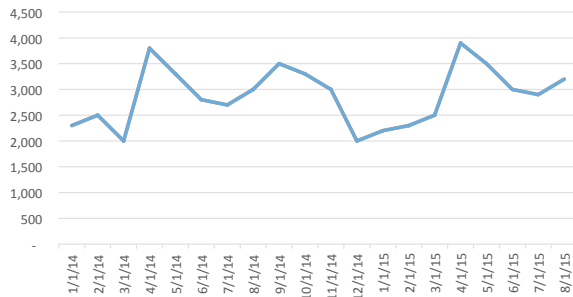
## RECRUITMENT

	2010/2011	2011/2012	2012/2013	2013/2014/	2014/2015	2015/2016
Inquiries	113	115	120	125	130	135
Inquiries - Conversion	70%	70%	70%	70%	70%	70%
Tours	79	81	84	88	91	95
Tour - Conversion	70%	70%	70%	70%	70%	70%
Applications	55	56	59	61	64	66
Applied - Sibling	10	11	12	13	14	15
Applied - New Family	45	45	47	48	50	51

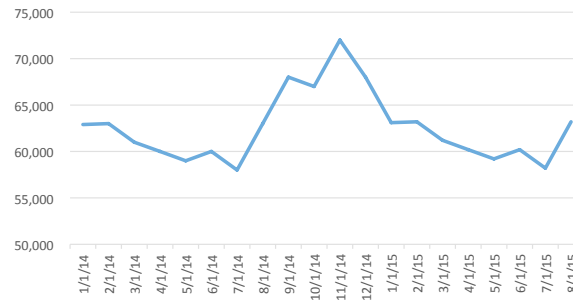
## Web Traffic

	Unique Visitors	Total Hits	Pages/Visits	Links SE	" " ext pages (other)
1/29/14	2,300	62,900			
2/28/14	2,500	63,000			
3/30/14	2,000	61,000			
4/29/14	3,800	60,000			
5/29/14	3,300	59,000			
6/28/14	2,800	60,000			
7/28/14	2,700	58,000			
8/27/14	3,000	63,000			
9/26/14	3,500	68,000			
10/26/14	3,300	67,000			
11/25/14	3,000	72,000			
12/25/14	2,000	68,000			
1/24/15	2,200	63,100			
2/23/15	2,300	63,200			
3/25/15	2,500	61,200			
4/24/15	3,900	60,200			
5/24/15	3,500	59,200			
6/23/15	3,000	60,200			
7/23/15	2,900	58,200			
8/22/15	3,200	63,200			

Unique Visitors



Total Hits



## FACULTY

### Survey

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Metric	12	13	14	15	16	17
Metric	20	21	22	23	24	25

### Faculty Count

	2010/2011	2011/2012	2012/2013	2013/2014/	2014/2015	2015/2016
<b>ECC</b>						
Start	100	92	92	92	92	92
Attrition - Voluntary	-5	-5	-5	-5	-5	-5
Attrition - Involuntary	-5	-5	-5	-5	-5	-5
Gained	2	10	10	10	10	10
End	92	92	92	92	92	92
<b>GMLS</b>						
Start	100	92	92	92	92	92
Attrition - Voluntary	-5	-5	-5	-5	-5	-5
Attrition - Involuntary	-5	-5	-5	-5	-5	-5
Gained	2	10	10	10	10	10
End	92	92	92	92	92	92
<b>MUS</b>						
Start	100	92	92	92	92	92
Attrition - Voluntary	-5	-5	-5	-5	-5	-5
Attrition - Involuntary	-5	-5	-5	-5	-5	-5
Gained	2	10	10	10	10	10
End	92	92	92	92	92	92









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# **FINANCE COMMITTEE REPORT**

# SAN DIEGO JEWISH ACADEMY

## COMPARATIVE OPERATING BUDGET/ACTUAL DATA

FY13/14 Actual - FY15/16 Budget

(in 000's)

	13/14 Actual	15/16 Budget Variance										
		(a)	(b)	(b) - (a)		(c)	(c) - (a)		(c) - (b)			
		14/15 Budget	14/15 Actual	Increase (Decrease)	%	Proposed 15/16 Budget	Budget vs. Budget	%	Budget vs. Actual	%		
<b>REVENUE</b>												
Tuition & Fees	10,298	10,357	10,712	355	3%	(2)	10,812	455	4%	100	1%	(11)
Tuition Assistance & Discounts	-2,150	-2,040	-2,226	-186	9%	(3)	-2,250	-210	10%	-24	1%	(12)
Student Auxiliary Service Fees	416	376	452	76	20%	(4)	401	25	7%	-51	-11%	
Early Child Center Net Fees	1,131	1,240	1,237	-3	0%		1,512	272	22%	275	22%	(13)
<b>Total Student Tuition &amp; Fees</b>	<b>9,695</b>	<b>9,933</b>	<b>10,175</b>	<b>242</b>	<b>2%</b>		<b>10,475</b>	<b>542</b>	<b>5%</b>	<b>300</b>	<b>3%</b>	
Net Annual Campaign Revenue	426	325	309	-16	-5%		400	75	23%	91	29%	(14)
Support Funding & Releases	401	528	518	-10	-2%	(5)	377	-151	-29%	-141	-27%	(15)
Facility Rental, Catering & Other Revenue	479	429	534	105	24%	(6)	493	64	15%	-41	-8%	(16)
<b>TOTAL OPERATING REVENUE</b>	<b>11,001</b>	<b>11,215</b>	<b>11,536</b>	<b>321</b>	<b>3%</b>		<b>11,745</b>	<b>530</b>	<b>5%</b>	<b>209</b>	<b>2%</b>	
<b>EXPENSES</b>												
Salaries & Wages	6,328	6,641	7,014	373	6%	(7)	7,238	597	9%	224	3%	(17)
Fringe Benefits	1,442	1,599	1,550	-49	-3%	(8)	1,645	46	3%	95	6%	(18)
Programs & Instructional Materials	576	498	590	92	18%	(9)	572	74	15%	-18	-3%	(19)
Facilities & Technology	1,647	1,545	1,559	14	1%		1,568	23	1%	9	1%	
Reserve Contributions	321	321	321	0	0%		180	-141	-44%	-141	-44%	(20)
Administration & Support	578	554	597	43	8%	(10)	541	-13	-2%	-56	-9%	(21)
<b>TOTAL OPERATING EXPENSES</b>	<b>10,892</b>	<b>11,158</b>	<b>11,631</b>	<b>473</b>	<b>4%</b>		<b>11,744</b>	<b>586</b>	<b>5%</b>	<b>113</b>	<b>1%</b>	
<b>NET OPERATING MARGIN</b>	<b>109 (1)</b>	<b>57</b>	<b>-95</b>	<b>-152</b>			<b>1</b>	<b>-56</b>		<b>96</b>		

Use of 13/14 Net Operating Margin 100 Per Finance Committee directive, cap use of carryover at \$100,000

**ADJUSTED NET OPERATING MARGIN** 5

# SAN DIEGO JEWISH ACADEMY

## 2015/16 Operating Budget and Variances

Notes below are cross-referenced to comparative operating budget/actual data on prior page

### 2013/14 Operating Results

- (1) 2013/14 ended with a net operating margin of \$109K. The Finance Committee approved use up to \$100K of this amount to support 2014/15 operations, as needed. A total of \$95K was used, which enabled an increased level of 2014/15 professional development (refer to (9) below).

### 2014/15 Operating Results (Unaudited)

Actual 2014/15 operating revenues exceeded budget by \$321K (3%), primarily due to the following:

- (2) Tuition & Fees exceeded budget by \$355K (3%) due to higher than budgeted K-12 enrollment (477 vs. 470), and use of a budget methodology that excluded tuition revenue from student withdrawals.
- (3) Tuition Assistance & Discounts exceeded budget by \$186K (9%) due to under budgeting of MUS staff discounts (\$101K) and release of \$81K less Preschool Loyalty Funds in comparison to budget.
- (4) Student Auxiliary Service Fees exceed budget by \$76K (20%) due to under budgeting of international student activity fees (\$43K) and Learning Center fees (\$38K).
- (5) Support Funding & Releases was under budget by \$10K (2%) net. This included \$190K less in budgeted fund releases (\$75K Facilities Reserves, \$75K Professional Development, and \$40K STEM), offset by release of an unbudgeted anonymous gift to cover severance costs (\$198K).
- (6) Facility Rental, Catering & Other Revenue exceeded budget by \$105K (24%) primarily due to increased catering revenue (\$55K), and under budgeting of operating expense reimbursements from the KEN and other facility rentals.

Actual 2014/15 operating expenses exceeded budget by \$473K (4%), primarily due to the following:

- (7) Salaries & Wages exceeded budget by \$373K (6%) primarily due to unbudgeted severance costs of \$277K, most of which was associated with the departure of the MUS Division Head.
- (8) Fringe Benefits expense was under budget by \$49K (3%) due to conservative budgeting of retirement plan contributions/participation and medical insurance increases.
- (9) Program & Instructional Materials exceeded budget by \$92K (18%) primarily due to unbudgeted professional development costs, raising PD expenditure levels to desired 2% of operating expenses.
- (10) Administration & Support expenses exceeded budget by \$43K (8%) primarily due to unbudgeted promotions/events and advertising expenses.

### 2015/16 Operating Budget

Budgeted 2015/16 operating revenue is \$209K (2%) higher than 2014/15 actual, primarily due to the following:

- (11) Budgeted Tuition & Fees revenue is 100K (1%) higher than prior year actual due to decreased K-12 enrollment (469 vs. 477), offset by a 4% increase in tuition rates. (Note: tuition revenue from part-year students is not budgeted, which is conservative).

- (12) Tuition Assistance & Discounts is \$24K (net) higher than prior year actual. This includes an increased tuition assistance fund of \$63K, offset by the loss of the Brandes Scholarship (\$48K).
- (13) Early Childhood Center Net Fees are budgeted \$275K (22%) higher than prior year actual. This is primarily due to planned growth in the Preschool, including plans to add an additional classroom in late 2015.
- (14) Net Annual Campaign Revenue is budgeted \$91K (29%) higher due to the fact that the 2014/15 budget partitioned \$75K in campaign revenue as restricted income (associated with LOLA and STEM). Funds raised from LOLA were included in the Support Funding & Releases revenue line item in 2014/15. The full \$400K in budgeted campaign revenue is included in the operating budget in 2015/16, as all amounts are expected to be unrestricted.
- (15) Support Funding & Releases are budgeted \$141K (27%) lower than prior year actual. This includes increased fund releases from Professional Development (\$85K), Jewish Education (\$50K), and gift funds donated to support an MUS teacher and a NADIV fellow (\$71K); offset by the reduction in Brandes Scholarship release funding (\$48K), Nadiv program funding (\$63K), LOLA STEM fund releases (\$41K), and the one-time release of an unbudgeted anonymous gift to cover severance costs in the prior year (\$198K).
- (16) Facility Rental, Catering & Other Revenue is budgeted \$41K (8%) lower than prior year actual primarily due to reduced rental revenue from the departure of Bread of Life Church.

Budgeted 2015/16 operating expense is \$113K (1%) higher than 2014/15 actual, primarily due to the following:

- (17) Salaries & Wages are budgeted \$224K (3%) higher, net, than prior year actual. This includes additional staffing costs associated with 8 new full-time equivalent positions (approx. \$320K), application of a 2.0% salary increase factor (\$105K), and step increases for existing faculty (approx. \$80K); offset by a reduction in one-time severance costs in the prior year (\$327K).
- (18) Fringe Benefits are budgeted \$95K (6%) higher than prior year actual, primarily due to fringe associated with budgeted increases salaries and wages noted above, and increased health insurance premiums of 5% along with an enhanced benefits package design for employees.
- (19) Program & Instructional Materials are budgeted \$18K (3%) lower than prior year actual, primarily due to setting the professional development budget at 1.6% of the annual operating budget, vs. 2% actual in the prior year. In previous years the professional development budget was set at approximately 1% of the annual operating budget.
- (20) Reserve contributions are budgeted \$141K (44%) lower than prior year actual. This consists of a reduced debt service budget of \$200K, due to a significant pay down of SDJA's bond debt over the past 18 months; offset by an increase to the Facilities Reserve and Contingency Reserve Funds of \$44K and 15K, respectively, essentially doubling the annual contribution rate to those funds. The combined balance in the Facilities and Contingency Reserve Funds is approximately \$1.2M.
- The \$141K reduction in annual reserve contributions enabled an increase to the professional development budget (\$70K increase over prior year budget allocation), and supported the net increase in the Salaries & Wages budget noted above.
- (21) Administration & Support is budgeted \$56K (9%) lower than prior year actual primarily due to overages incurred in the promotions/events and advertising in 2014/15, as noted in (10) above.



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# **RETIREMENT PLAN COMMITTEE REPORT**

## Proposed Merger of SDJA 403(b) and 401(k) Plans

### **Background:**

San Diego Jewish Academy (“Academy”) operates both a 401(k) and a 403(b) plan. The majority of employees are eligible for the 401(k) plan. The employees eligible for the 401(k) plan have the ability to contribute up to \$18,000 per year (up to \$24,000 for those over age 50) and receive an employer match of 100% up to 4.5% of their salary. The remainder of the employees (the Administrators) are eligible to participate in the 403(b) plan. The Academy set up the 403(b) plan for Administrators due to the fact that the 401(k) plan was regularly failing discrimination testing, which was causing the Academy’s highly compensated employees (those making over \$115,000, which is primarily the Administrators) to receive refunds at the end of the year.

The 403(b) plan was established in order to correct the discrimination testing issue. The highly compensated employees (the Administrators) were moved into the 403(b) plan, which was set up as a non-ERISA plan in order to exempt its participants from testing. In order to be non-ERISA, the Academy’s involvement with the plan (e.g., investment oversight, expense oversight) is severely limited. As a result, the 403(b) plan’s investments typically underperform (when compared to those offered within the 401(k) plan) and the fees for those investments tend to be excessive (retail fees vs. institutional fees). In addition, the Academy is unable to offer an employer match in the 403(b) plan in order for it to remain a non-ERISA plan. As a result, the Academy has been compensating the Administrators by offering the Administrators a 5% salary gross up.

The Academy has been in discussions with its independent retirement plan advisor, Global Retirement Partners, in order to develop a solution that would be beneficial to the Academy and all of its employees.

### **Solution:**

The proposed solution is to terminate the 403(b) plan and to redesign the 401(k) plan to allow the Administrators to participate while correcting the testing issues that the plan encountered in the past. ***As a result, the Administrators will get the benefit of greater oversight, better investment options and improved fees (institutional vs. retail).***

As an initial matter, the Academy would terminate the 403(b) plan effective December 31, 2015 and make the Administrators eligible for the 401(k) plan effective January 1, 2016. As a result of the termination of the 403(b) plan, the Administrators would have the option of (i) keeping their existing assets in their individual 403(b) contracts, or (ii) rolling those assets into the 401(k) plan. All new contributions would be made into the 401(k) plan.

In attempting to offer one retirement plan for all employees, the Academy has encountered two testing obstacles. The first obstacle has involved an overall coverage issue. In general, the Internal Revenue Code requires that a minimum percentage of the Academy’s non-highly compensated employees be allowed to participate in the plan (this percentage is determined in relation to the percentage of the Academy’s highly compensated employees that are allowed to participate). The Academy excludes several groups from participating in the plan due to the nature of the positions held by those groups (substitutes, coaches, catering staff, etc), which has caused the plan to fail coverage testing when the Administrators were allowed to participate. In order to correct this coverage issue, the Academy will

make both Administrators and Coaches eligible to participate in the 401(k) plan. ***As a result, a larger population of the Academy's employees will be able to take advantage of this generous benefit.***

The second testing issue is in relation to discrimination testing. In order to correct this issue, the Academy will implement a safe harbor plan design known as a Qualified Automatic Contribution Arrangement (QACA). This safe harbor will allow the 401(k) plan to be exempt from discrimination testing. As a part of the QACA plan design, the Academy will implement automatic enrollment at 3% with automatic escalation of 1% per year up to a cap of 6%. For example, once a new employee becomes eligible, that employee (absent any action from the employee) will be automatically enrolled into the 401(k) plan with a deferral rate of 3%. One year after the employee is automatically enrolled, the employee's deferral rate will increase from 3% to 4%. Note: Each employee will receive a notice regarding the automatic enrollment and an annual notice regarding that automatic escalation that will allow the employee to opt out of either or both of these automatic features. ***As a result, this plan design will cause (i) more employees to be enrolled in the 401(k) plan, (ii) employees who were automatically enrolled in the plan to have increasing deferral percentages each year, and (iii) more employees to take advantage of the generous employer match offered by the Academy.***

Also, as part of the QACA plan design, the Academy will change its vesting schedule from a 6-year graded schedule (0, 0, 20, 40, 60, 80, 100) to a 2-year cliff vesting schedule (0, 0, 100). ***As a result, employees will become vested (e.g., entitled to) the employer matching contributions faster.***

Additionally, the Academy intends to maintain its generous employer match, which is equal to 100% of the first 4.5% contributed by the employee. As a result of being eligible for the employer match, the Administrators will no longer be eligible for the 5% gross up in pay. ***As a result, the Administrators will receive a higher pre-tax retirement benefit while lowering their overall taxable income (income and payroll taxes).***

401(k)	403(b)
\$200,000 annual pay, 30% tax bracket	\$200,000 annual pay, 30% tax bracket
9% Contribution = \$18,000	9% Contribution = \$18,000
4.5% Match = \$9,000	5% Gross Up = \$10,000 (\$210,000)
Taxable income = \$182,000	Taxable income = \$192,000
Income tax = \$54,600	Income tax = \$57,600
After tax take home pay = \$127,400	After tax take home pay = \$134,400
401(k) total contribution = \$27,000	403(b) total contribution = \$18,000
<b>Total benefit = \$154,400</b>	<b>Total benefit = \$152,400</b>

**Impact to the Academy:**

The Academy utilizes Principal Financial Group as its 401(k) recordkeeper. Based on calculations performed by Principal, it was determined that the plan design changes discussed above (e.g., adding the Administrators and Coaches to the Plan and implementing automatic enrollment at 3%) will result in an estimated cost of \$111,629 to the Academy. This is a very aggressive estimate based on the assumption that ALL eligible employees will participate in the 401(k) Plan going forward. This cost will be reduced by the elimination of the 5% salary gross up currently received by the Administrators. By eliminating the 5% salary gross up, the Academy will save an estimated \$34,524, resulting in a net expense of \$77,105.

Further, as a result of eliminating the 5% salary gross up, the Academy and the Administrators will recognize additional savings as a result of reduced payroll taxes.

**Conclusion:**

It is our recommendation that the Board approves these proposed changes to our retirement plans with an effective date of January 1, 2016.