

BOARD OF ADVISORS

CSD RETIREMENT TRUST
305 ST. LOUIS AVENUE, BOX 254
ST. LOUIS MO 63088

CALL TO ORDER

Members of the Board of Advisors of the CSD Retirement Trust met on Wednesday, February 20, 2019, at 11:15 a.m. at Enterprise Bank and Trust, 11401 Olive Boulevard, St. Louis, Missouri. The meeting was called to order at 11:15 a.m. with the following members in attendance:

Dwight Lindhorst, Chair Trustee (Ritenour), Steve Fedchak and Krista Dieckman (Affton), John Stewart (Brentwood), Mary Jo Gruber, Trustee (Clayton), Carlton Brooks (Ferguson-Florissant), Julie Derby (Lift for Life), Kurt Kaup (Orchard Farm), Brian Whittle (Parkway), Paul Northington and Daniel Steinbruegge (Rockwood), Ilene Nobler (SSD), Shelley Kinder (Warren County), Brendan Mahon (Washington), Joann Kite (Webster Groves), and Anita Brace (Wright City).

Also in attendance were: Ed Hinders (CBIZ), Richard Counts (VALIC), Catherine Harstick (VALIC) and Stephen Keyser, CSD Retirement Trust.

Members participating via conference call were:

Elaine Morgan (Kansas City Public Schools), Sara McMillin (Lee's Summit), Robert Vogelaar, Trustee (Liberty), and Rob Garner and Angela Hughes (Platte County).

Also participating via conference call was Mike Bauer and Lori Johnson (VALIC).

WELCOME AND SPECIAL INTRODUCTIONS

Phyllis Thomas, Independence Public Schools, was introduced as a guest participating via conference call. It was announced that the Independence School District Board of Education will be requested to authorize the district to join the Trust at its March 2019 Board meeting.

MINUTES

Minutes from the November 14, 2018, meeting of the Board of Advisors were presented for approval. Whereupon, on motion made by Mr. Stewart and seconded by Mr. Lindhorst, the minutes were approved as presented.

FINANCIAL STATEMENT

Mr. Keyser presented the Trust's Financial Statement for the period ending December 31, 2018. Trust assets as of December 31, 2018, decreased to \$127 million from \$139 million as of September 30, 2018. The decrease in Trust assets was less than that of the overall market because of the percentage of plan assets in fixed income investments. Total plan assets as of February 15 were \$146.7 million, with \$8.8 million in annuities from Kansas City. Despite the events that occurred in December relative to the market, plan assets are back to the September 30, 2018 level.

Fourth quarter expenses compared to the third quarter forecast were lower for meeting and legal, but higher in postage, printing and miscellaneous equipment. This was due to replenishing of marketing folders bought in December and replacement of the Managing Director's laptop.

Compared to the third quarter forecast, for 2019-2021 forecasted headcount and plan assets decreased. Headcount is a timing issue because there is a one quarter lag from when a district or charter school joins to when its participants are actually enrolled. The forecast for plan assets assumes \$1 million per month net flow in assets from existing participants plus an increase in assets from the addition of new districts and charters and an increase in participation from current member districts and schools. A potential drop in stocks could offset some or all increases.

BOARD OF ADVISORS UPDATES AND REPORTS

Independence School District. Ed Hinders and Steve Keyser met with the District's leadership team to review the trust, and VALIC made a presentation to the District's Insurance Committee. The Board will be asked to authorize the District to join the Trust at its March 12 meeting. VALIC staff are currently working with the District on the rollout process.

Financial Wellness & Literacy Task Force. The Task Force met via webinar on January 29 with VALIC presenting its suite of tools. Financial Finesse is scheduled to make a webinar presentation to the Task Force following the Board of Advisors' meeting.

Kansas City Charter School Presentation. Michael Bauer, VALIC, made a presentation to ten charter schools at KIPP-Kansas City. One is joining.

Kansas School District. Efforts continue to find a sponsoring organization for the Trust that meets the State of Kansas's statutory requirements.

VALIC Meeting. Work continues since the meeting with VALIC's Executive Management Team in October. The Board of Advisors was shown a short video clip based on the Trust's Top Ten using Brainshark. Other strategies using social media focusing on a targeted list of prospective districts and charter schools continues. Work continues with VALIC's compliance department on related issues. The top states for expansion include Illinois, Kansas, Colorado, Tennessee, North Carolina and Arkansas.

Top Prospects. The Board of Advisors was presented a list of prospective Missouri member districts. The Board was asked to identify any districts and take the lead on reaching out to that district's administrative staff. Mr. Vogelaar volunteered to contact Fort Osage and Raymore-Peculiar.

Restatement of Plan Documents for 403(b) and 457(b). The Board was reminded that the Restatement of Plan Documents is in process with a deadline of April 2020 for completion.

Mr. Keyser closed his presentation by pointing to two people who were giants in their respective industries—John Bogle, founder of the Vanguard Group, and Herb Kelleher, founder of Southwest Airlines. Both of these men, who recently passed away, were visionaries and change agents by making something available to the masses that was typically available only to the wealthy. They changed their respective industries, thereby forcing their competitors to change. In a similar way, the Trust is doing the same thing by making investing available to masses of educators. The competition is taking notice and is trying to mimic the Trust. While on the surface the competition may appear similar, in the end they lack the scope and depth of services available to participants, and the commitment to lowering fees and keeping the interests of participants at the forefront of decisions.

VALIC REPORT

Richard Counts, Vice President, Group Management for VALIC, presented VALIC's Annual Report to the Trust. He opened his comments by sharing Robert Scheinerman's, President of VALIC, commitment to growing and expanding the Trust into other states. As a result of a successful meeting with VALIC's Executive Management Team in October, Mr. Scheinerman has promised complete support of the Trust's efforts to expand and has committed VALIC to provide appropriate tools, resources and personnel required to make it happen. It is an exciting time for the Trust. He introduced the Trust's team; namely, Michael Bauer, Kitty Harstick and Lori Johnson.

Mr. Counts continued by reporting that as of December 31, 2018, plan assets for the 403(b) plan were at \$115 million. For the 457(b) plan, assets were at \$22.5 million. He described the market volatility in December as a "market correction." Plan assets as of today are close to what they were as of September 30, 2018. There is a net flow of approximately \$1.1 million per month into the Trust.

The number of participants grew in 2018—8 schools or districts joined resulting in 845 new participants in the 403(b) plan and 380 new participants in the 457(b) plan. The goal is 30 percent participation of eligible employees for each district. The unduplicated participant headcount is approximately 6,100.

Mr. Counts reviewed the number of participants holding one non-diversified fund (784 403(b) plan; 257 457(b) plan) and attributed the low numbers to the efforts of financial advisors to educate participants about diversification. The target date funds have been a popular option for participants, and there has been a steady increase in those options over the years. The fixed interest option continues to hold a significant amount of funds, and this is to be expected because participants use these funds to purchase service credit from PSRS/PEERS as they near retirement. Mr. Counts reviewed the asset allocation by class to demonstrate the degree of diversification within the plan. Both the 403(b) and 457(b) plans closely mirror one another.

Mr. Counts continued his report by reviewing asset allocation by age, and employee contribution by age. As expected, risk tolerance decreases and the amount of money invested increases as employees near retirement age. Life events lead to employees having more disposable income as they near retirement, thus allowing them to save more. Mr. Counts also reported on touchpoints with participants and noted charts highlighting internet logins and voice contacts with participants.

Mr. Counts also noted that VALIC stays abreast of Department of Treasury and IRS distribution rules and amendments, Department of Labor fiduciary rules and other regulatory guidance and rules. Compliance is an important and critical component of VALIC's services provided to the Trust.

CBIZ REPORT

Ed Hinders, Vice President and Senior Consultant, CBIZ, updated the Board on CBIZ activities. He highlighted Success Tracker, the Fiduciary Governance Solution, a tool that provides a checklist of fiduciary responsibilities for governance of the Trust. The list is continually reviewed and updated, and it tracks and guides ongoing fiduciary governance activities.

Mr. Hinders then reviewed the Summary of Investment Committee Activities with the Board, noting how those activities fulfilled the Trust's fiduciary activities. Those activities included the following:

- Quarterly meetings of the Investment Committee where minutes were recorded;
- A review of VALIC's Comdex rating;
- A re-evaluation of the Vanguard Retirement Date Series option;

- A review of the investment platform with VALIC;
- Receipt of confirmation that the CBIZ Retirement Plan Consultant renewed appropriate CEFEX certifications;
- Receipt of documentation on CBIZ Retirement Plan Consultant's background information and credentials;
- Confirmation that participants received the quarterly investment newsletter, Retirement Matters.

Mr. Hinders continued his report by updating the Board on Watch List funds. He explained that two funds were removed from the Watch List—T Rowe Price Equity Income and Vanguard Mid Cap Growth Inv. Two funds remain on the Watch List—Vanguard Selected Value Inv and Goldman Sachs Bond R6. Both funds were placed on the Watch List in September 2018, and it is recommended that these two funds continue to be monitored.

OTHER

Eligible Headcount

Mr. Keyser stated that eligible headcount data was collected from participating school districts just before the holidays. There are some significant differences between data collected in 2017 and 2018 for a few districts, giving rise to questions about the correct numbers. It will be necessary to reach out to those districts to confirm the numbers submitted.

ADJOURNMENT

There being no other or further business to come before the Board, and upon motion duly made and seconded, the meeting was unanimously adjourned at 12:40 p.m.

Respectfully submitted,
Elise Reineck
Recording Secretary
CSD Retirement Trust