

## 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 19, 2020, 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), John Stewart (Brentwood), Kristine Wentzien (Carondelet Leadership Academy), MaryJo Gruber, Trustee (Clayton), Dion Edwards (Confluence Academy), Carlton Brooks and Gene Stephens (Ferguson-Florissant), Mike O'Connell (Jennings), Julie Derby (Lift for Life), Jeff Haug (Meramec Valley), Kurt Kaup (Orchard Farm), Brian Whittle (Parkway), Ron Orr (Pattonville), Paul Northington and Daniel Steinbruegge (Rockwood), Ilene Knobler and Sara Schaffer (Special), Scott Hafertepe (University City), Shelley Kinder (Warren County), Joann Kite (Webster Groves), Anita Brace and Jeremy Way (Wright City).

Guests in attendance were: Sandy Wiley Skinner and LaNita Harrison (Webster Groves), Kathy Jackson and Evelyn Woods (Hazelwood), and Brian McKenney (Lindbergh).

Also in attendance were: Ed Hinders (CBIZ), Ryan Wehking (CBIZ), Richard Counts (AIG), Michael Dickson (AIG), and Stephen Keyser, CSD Retirement Trust.

Members participating via conference call were:

Paul Shrout (CSD-Kansas City), DeWana Schneider (Frontier Schools), Crystal Frederick (Grain Valley), Kathy Vangorkom (Harrisonville), Tanya Shippy (Hogan), Phyllis Thomas and Molly Johnson (Independence), Elaine Morgan (Kansas City Public Schools), Michael Dayton (KIPP-Kansas City), Robert Vogelaar, Trustee (Liberty), Brian Adesso (Menasha Joint Public School District), Rob Garner (Platte County), Wayne Krueger (Smithville).

Roger Schmitz (Lawrence) participated as a guest via conference call.

Also participating via conference call was Colin Rogers and Jack Keller (CBIZ).

### APPROVAL OF AGENDA

The Board was requested to approve the agenda for the February 19, 2020, Board of Advisors meeting. There being no amendments to the agenda from the floor, and upon motion made by Mr. Lindhorst and seconded by Mr. Stewart, the agenda was approved as presented.

### UPDATE ITEMS

#### 403(b) AND 457(b) PLAN DESIGNS

Mr. Keyser announced that final steps of the Plan Design process are underway. It is hoped that a final draft will be shared with the Board of Advisors before the May meeting.

## INVESTMENT COMMITTEE MEMBERSHIP

The Investment Committee has two open seats. The first is due to increased membership in the Trust. Since the Trust has 55 member schools and districts, it can add a sixth at-large member to the Committee. The second opening is due to the resignation of John Stewart from the Committee. Mr. Stewart accepted a position with Fox School District, which is not a member of the Trust, leaving his seat open. While any district may be represented on the Investment Committee, the goal is to have representation on the Committee that reflects the geographic diversity of the Trust. Districts located in the Kansas City area or that are charter schools would be preferred. Those interested in serving should contact Steve Keyser or any of the three Trustees.

## WEBSITE UPDATE

Mr. Keyser shared potential website content to the Board of Advisors. He stated that development of the website is underway and is being funded by AIG. The goal is to create a consistent look among all marketing materials, PowerPoint presentations, and the website. If Board members have ideas about website content, they were asked to let Mr. Keyser know.

## FINANCIAL STATEMENT

Mr. Keyser presented the financial statement for the CSD Retirement Trust as of December 31, 2019. The financials include actual and accrued revenues and expenses, and plan assets for basis point calculations exclude annuity assets. As of the end of the fourth quarter 2019, the headcount for fee purposes increased 3.3 percent. There are just over 7,500 plan participants—approximately 7,300 mutual fund and 250 annuity-only participants. During the fourth quarter, Independence School District added 95 participants, and Oak Grove added 50 participants. The remaining Trust growth was from existing members. Mutual fund assets increased \$10.5 million during the quarter, with \$4.3 million from contributions and \$6.2 million from the stock market increase.

During the last quarter, the Trust renewed its fiduciary liability insurance policy with no increase in premiums. Trust reserves increased by almost \$6,100.

Mr. Keyser discussed the three-year (2020-2022) financial forecast for the Trust. His forecast assumes the following:

- Headcount increase due to organic growth versus acquisition, with more growth in the Kansas City and outstate areas. The forecast does not include growth outside of Missouri.
- Plan asset increases based on growth in contributions from organic headcount. It does not include any drop in financial markets.
- Basis point fees for the Trust are not reduced. If the Trust reduces the participant fee during the forecast period, revenues will decrease. Trustees decided not to reduce the basis point fees at this time for the following reasons:
  - Avoid the need to raise basis point fees because of a significant drop in plan assets; and
  - Build the needed fund balance.
- Meeting expenses increase as meeting attendance in Kansas City increases.

- Legal and insurance expenses increase due to higher insurance premiums due to rate increases and increased levels of coverage, along with increased legal costs for review of service provider agreements.
- Consulting service expenses increase due to use of social media assistance.
- Marketing expenses increase to cover costs associated with marketing supplies, logoed promotional materials, and conference registration costs.
- Increase in commission to CSD-KC due to increased headcount.
- Increased personnel expense due to increased hours.

Mr. Keyser further explained that it is important for the Trust to take these assumptions into consideration because should the Trust consider reducing its basis point fees to participants, the three-year financial forecast would show the potential impact on the operating budget and future fund balance.

### INCREASING EMPLOYEE PARTICIPATION

Mr. Keyser posed a question to the Board of Advisors, “How many districts have employees that could benefit from participation in the Trust?” With all hands being raised at the St. Louis location, he then asked why the Trust is not at 20 percent participation by districts. The Trust began in response to school districts that were seeking a solution to increased oversight, compliance and administration of 403(b) and 457(b) accounts, which was mandated by the Internal Revenue Service. It has since evolved into an education platform that assists employees with meeting their retirement goals.

Discussion then ensued by the Board of Advisors and guest Human Resource personnel about ways the Trust could educate and encourage employees to consider participating in the Trust. Some of the stumbling blocks identified by those in attendance were:

- A significant percentage of employee income is paid to PSRS/PEERS, health insurance, voluntary benefits, and taxes, leaving little to save;
- A high employee turnover rate.

Ideas for improving participation that were suggested include:

- Educating and communicating more about the importance of saving;
- Presenting the product (Trust) by asking, “Can you live on 60 percent of your salary? Can you pay for your own health insurance premium?”
- Include a financial wellness component to employee health and wellness fairs.
- Encourage AIG financial advisors to reach out more to districts and improve follow-up;
- Give financial advisors better access to employees;
- Invite financial advisors to staff meetings by giving them 5 minutes on an agenda;

- Show employees the BrainShark video;
- Ask the superintendent to champion the Trust.

Mr. Keyser reiterated that the goal of the Trust is to increase participation by districts to 30 percent over the next 12 months, and he encouraged districts to set that as a goal. He also indicated that he would be reaching out to the Human Resource administrators in districts to encourage their involvement in the Trust.

### GOT ZOOM

Elaine Morgan, Director of Finance and Benefits, reported on the recent launch of GotZoom in the Kansas City Public School District. She stated the program started in September, 2019. The marketing program for GotZoom includes:

- An email communication to all employees;
- Including information in the open enrollment process;
- Incorporating information into the employee handbook;
- Using multiple touchpoints, understanding that it will take about 6-10 times to get a person's attention;
- Encouraging face-to-face communication because it is the most powerful.

There has been great reaction about the offering. One person has signed up to date and reported they are saving about \$2,400 per month.

For the future, they will be adding information to the new hire orientation and including it in the recruitment package. The biggest challenge is communication material—it needs to be less than one paragraph, include more charts, contain bullet points, and show graphics. The AIG financial advisors have been very supportive of the launch of GotZoom and are taking literature with them to share with employees.

### BEST INTEREST VS. FIDUCIARY RULE

Richard Counts reported on the Best Interest Rule, which is a 2019 Securities and Exchange Commission (SEC) rule that requires broker-dealers to only recommend financial products to their customers that are in their customers' best interests, and to clearly identify any potential conflicts of interest and financial incentives the broker-dealer may have with those products. He reported that:

- The SEC reaffirmed and clarified aspects of the fiduciary duty investment advisors owe clients;
- Fiduciary duty applies to the entire investment advisor-client relationship;
- The advisor and client may shape the scope of the relationship by agreement if there is full and fair disclosure and informed consent (but the duty cannot be waived); and
- The advisor must serve the best interest of his or her client and not subordinate the client's interest to his or her own.

### SECURE ACT

Richard Counts reported on key points related to the Secure Act (Setting Every Community Up for Retirement Enhancement Act). The Act is a significant step forward to improving the financial wellness of retirees, and provisions affect plan sponsors, participants and retirees. Key provisions include:

- Required minimum distribution is age 72 for those born after July 1, 1949.
- Designated beneficiaries are required to take payments within a ten-year period from a deceased account holder's account, rather than allowing beneficiaries to take payments over their life expectancy. This can have significant tax consequences for beneficiaries, so it would be important for them to consider strategies for estate or wealth transfer.
- There is no longer a maximum age for making IRA contributions; IRA contribution eligibility requires that the individual have compensation.
- For 457(b) plans, the legislation reduced the earliest permitted distribution age for in-service distribution to 59.5 years of age.
- Retirement assets up to \$5,000 from an eligible defined contribution plan or IRA may be used for birth or adoption of a child.

There are a number of other provisions included in the legislation—lots of positives and some negatives. More information will become available as the IRS and other oversight agencies provide rules and guidelines for implementation.

### SALES AND MARKETING

Mr. Keyser reported that he met with representatives from AIG-Nashville, and the presentation was well received and the discussion went very well.

De Soto (Kansas) School District is close to joining, so the Trust will be expanding into another state.

The Trust will be represented at a booth at the MASA Spring Conference in March. Recently created banners were shown to the Board of Advisors.

### AIG REPORT

Michael Dickson, Executive Relationship Manager for AIG, presented the AIG's Annual Report for the Trust. As of the date of the meeting (February 19, 2020), plan assets were \$145.5 million in 403(b) investments and \$31.0 million in 457(b) investments for a total of \$176.5 million. There are 4,147 active participants. Contributions for 2019 were \$17.5 million; distributions at \$15.4 million. There were 1,314 new enrollments.

The average account balance is \$23,500. There are 396 outstanding loans, and the average loan is \$4,359.

Total plan assets for the 403(b) plan have doubled since 2016. The number of active participants in the 403(b) increased by 61.6 percent since 2016.

Mr. Dickson highlighted asset allocation by class for the 403(b) plan, noting fixed income holds 43 percent of investments, with large cap stocks holding 20 percent, and hybrid 11 percent. Mid cap and global/international stocks each contain 8 percent of investments with small cap and specialty holding 5 and 4 percent respectively.

An analysis of asset allocation by age shows that as employees age, they move assets to a more conservative allocation as they approach retirement. The average account value is \$23,937, and the average annual contribution to the Trust is \$3,125.

Mr. Counts then reported on quarterly activity. AIG financial advisors have been enrolling new participants, assisting participants with financial plans, attending staff meetings, meeting face-to-face with employees and participants, and making lunch visits. He also reported that there is \$13 million of assets in the guided portfolio services.

#### CBIZ REPORT

Mr. Hinders reported that the Investment Committee met earlier and received an update on Success Tracker. He explained that Success Tracker is a quality-control document that is a tool used to track fiduciary, governance, communications, fees, investment, plan design, and administration activities as they relate to the Trust. It is updated and monitored each quarter to reflect completion of tasks and activities. It also provides information about upcoming tasks and responsibilities, whether they are scheduled to be completed on a quarterly or annual basis.

Mr. Hinders also shared a report on investment performance since the inception of the Trust. The report shows the different funds and benchmarks performance for each at one, three, five, and ten years. The report shows that the Trust contains an outstanding selection of investment options.

He then reported on the Watch List, noting two funds are currently on it. Goldman Sachs, which was on it at the last meeting, had outstanding performance for 2019. It remains on the Watch List as per the Investment Policy Statement. Van Guard Mid Cap Growth Inv was added to the Watch List due to underperformance in its peer group. The fund is adjusting to a new sub-advisor structure, and the fund has large overweight allocations in technology and industrials.

Mr. Hinders reminded districts to reach out to him if they are interested in offering GotZoom as a voluntary benefit to their employees. He encouraged them to forward the information link on GotZoom to employees.

#### NEXT MEETING

The Board of Advisors was reminded about the date for the next meeting, which is May 20, 2020.

#### ADJOURNMENT

There being no other or further business to come before the Board, upon motion duly made and seconded, the meeting adjourned at 1:25 p.m.

Respectfully submitted,  
Elise Reineck  
CSD Retirement Trust