

INVESTMENT COMMITTEE

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

CALL TO ORDER

Members of the Investment Committee of the CSD Retirement Trust met on Wednesday, August 22, 2018, at 10:00 a.m. at Enterprise Bank and Trust, 11401 Olive Boulevard, St. Louis, Missouri. The meeting was called to order at 10:00 a.m. with the following members in attendance: Dwight Lindhorst, Chairman, (Ritenour), John Stewart (Brentwood), Mary Jo Gruber (Clayton), Robert Vogelaar (Liberty), Kathy Wood (Lindbergh), Kurt Kaup (Orchard Farm), and Brendan Mahan (Washington). Also in attendance were: Ed Hinders (CBIZ), Richard Counts (VALIC), Catherine Harstick (VALIC), Lori Johnson (VALIC), and Stephen Keyser, CSD Retirement Trust.

Participating via conference call were: Alex Saywell (CBIZ) and Dave Koller (VALIC).

MINUTES

Minutes for the May 16, 2018, Investment Committee meeting were presented for approval. Whereupon, on motion made by John Stewart and seconded by Mary Jo Gruber, the minutes were unanimously approved as presented.

FIDUCIARY GOVERNANCE SOLUTION

The Investment Committee was provided an update on Success Tracker, a tool that provides a checklist of fiduciary responsibilities for governance of the Trust. Success Tracker provides ongoing monitoring of tasks to be completed, frequency of those tasks, when tasks were last completed, and when the next occurrence of tasks are to be addressed. Mr. Hinders noted that at this time all second quarter fiduciary tasks were completed as scheduled and with no concerns. Third and fourth quarter tasks are noted on the Success Tracker checklist and will be reviewed at future Trust meetings.

THE 3(21) FIDUCIARY REGISTERED INVESTMENT ADVISORY SOLUTION

Second Quarter 2018 Investment Review

Alex Saywell, CBIZ Investment Analyst, provided a detailed analysis of second quarter investment performance. She explained that the US economy remained on a positive trend, with the S&P showing a 3.4 percent increase from April through June. Employment continued to post gains, while at the same time the unemployment rate fell to 3.8 percent. The global economic environment is expected to continue on an upward trajectory, due in part to expansion of US fiscal policy and improving trade and investment in many regions of the world. Japan's GDP slipped, and China posted solid gains despite escalating tensions over tightening of US trade policy and increased tariffs. The housing segment continued to be a positive for the economy. However, housing analysts expect that the rise in mortgage rates will have a negative impact on the housing market.

Fixed income securities generated mixed total returns across the various market segments. In the Domestic Equity category, large cap stocks generated a 3.6 percent return. Within the large cap segment, growth stocks outperformed value stocks. Small cap stocks finished the quarter with a total return of 7.8 percent, outperforming large caps by a fairly wide margin. Small cap value stocks outperformed small

cap growth stocks. Energy and IT both posted solid performance during the second quarter under economic sectors, with gains of 13.5 and 7.1 respectively. Consumer discretionary also posted positive gains at 8.1 percent. International stocks performed poorly on a relative basis, generally lagging behind US equities. Slow growth in Europe and Japan contributed to the poor performance, and emerging markets did not fare well either. The markets overall are very strong, and 2018 should finish in a positive fashion.

Ms. Saywell continued her report by reviewing the Investment Style Box. She stated that T. Rowe Price is now moved off the Watch List. Management change and good performance contributed to the improvement of that fund. The Vanguard Mid Cap Growth Inv continues to remain on the Watch List due to performance, and it will continue to be monitored.

Ms. Saywell also reported that the VALIC Fixed Interest Option is currently crediting 2.00 percent through July 31, 2018. She then reported on the breakdown of assets by investment. The 403(b) plan increased by \$3.8 million since the first quarter, and the 457(b) increased by \$1.4 million. No significant change in assets by style was reported. Mr. Hinders shared that Stable Value, which used to represent 25-30 percent of investments, now represents approximately 19 percent of investments. He observed that due to the education platform of the Trust, participants are becoming more diversified in their investments. A more personalized approach to advising clients is attributed to the change.

VALIC Comdex Update

Ms. Saywell continued with her report, noting the VALIC Comdex rating of 81 out of 100, which is good. Mr. Counts indicated that VALIC continually strives to seek ways improve its Comdex rating.

Target-Date Evaluator

Vanguard Target Retirement Funds were briefly reviewed, with no concerns noted.

Investment Detail Reports

Ms. Saywell completed her report by highlighting the short- and long-term performance of funds on the Watch List. Vanguard is experiencing a turnaround in performance, showing a more than 2 percent outperformance of funds in its peer class. The fund will continue to be monitored for future performance.

THE PARTICIPANT SOLUTION

Retirement Matters Newsletter

Mr. Hinders reported that Participant Solution, Retirement Matters newsletter, was released in July. It is one way for districts to educate participants about investments, retirement goals, and the CSD Retirement Trust.

Financial Finesse Update

CBIZ continues to explore the possibility of working with Financial Finesse, a financial education and counseling service, as an added benefit for the Trust. Financial Finesse assists people in setting financial goals and deploying resources to help them tackle those goals. It contributes to improved morale of employees by assisting them with assessing current debt, developing a realistic budget, setting financial goals, and ultimately saving for retirement. Mr. Hinders suggested that at some point in the future, the

Advisory Board may want to consider forming a Task Force to look at the service for districts under the Trust umbrella. A more extensive report about Financial Finesse would be made in November.

THE PLAN ADMINISTRATION SOLUTION

Unique Headcounts

Lori Johnson, VALIC Senior Relationship Manager, reported on Unique Headcounts, a method by which VALIC is paid for its service. She explained that Unique Headcounts is a better and more accurate solution for determining participant headcount than combing through a variety of reports to come up with a number from which VALIC assesses its fee.

Review Universal Availability Procedures

Catherine (Kitty) Harstick, VALIC District Vice President, reminded districts about compliance responsibilities related to annual Universal Availability Procedures. An annual reminder is sent to districts each summer. She emphasized the importance of keeping VALIC informed of changes to a district's Plan Administrator. This, in turn, helps VALIC ensure that each district receives information in a timely manner and can follow up accordingly.

ADJOURNMENT

The purpose of the meeting having been accomplished, and upon motion duly made, seconded and unanimously approved, the meeting adjourned at 11:00 a.m.

Respectfully submitted,

Elise Reineck
Recording Secretary
CSD Retirement Trust