

## 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, May 15, 2019, at 10:00 a.m. at Enterprise Bank and Trust, 11401 Olive Boulevard, St. Louis, Missouri. The meeting was called to order at 10:04 a.m. with the following members in attendance: Dwight Lindhorst, Chair Trustee, (Ritenour), John Stewart (Brentwood), Robert Vogelaar, Trustee (Liberty), Kathy Wood (Lindbergh), Kurt Kaup (Orchard Farm), Ron Orr (Pattonville), and Brendan Mahon (Washington). Also in attendance were: Ed Hinders (CBIZ), Jack Keller (CBIZ) (via conference call), Ryan Wehking (CBIZ), Patrick Donnelly (CBIZ), Richard Counts (VALIC), and Stephen Keyser, CSD Retirement Trust.

### GUEST IN ATTENDANCE

Gene Stephens, Ferguson-Florissant School District NEA Representative, was introduced as a guest. Also introduced were Ryan Wehking, CBIZ Investment Consultant (St. Louis), and Patrick Donnelly, CBIZ Investment Consultant (Cleveland). Mr. Wehking is joining the CBIZ team and will be working closely with Mr. Hinders to support the work of the Trust. Mr. Donnelly was attending on behalf of Alex Saywell, who was unable to participate in the meeting.

### APPROVAL OF AGENDA

The agenda for the May 15, 2019, Investment Committee meeting was presented. There being no changes to the agenda, Mr. Lindhorst moved to approve the agenda as presented, and Mr. Kaup seconded the motion. Motion carried.

### MINUTES

Minutes for the February 20, 2019, Investment Committee meeting were presented for approval. There being no corrections to the minutes, upon motion made by Mr. Stewart and seconded by Mr. Kaup, the minutes were unanimously approved as presented.

### FIDUCIARY GOVERNANCE SOLUTION

#### **Success Tracker**

Mr. Hinders presented Committee members with the First Quarter (January-March) 2019 Success Tracker report. He explained that Success Tracker is a tool that provides a checklist of fiduciary responsibilities for governance of the Trust, reflects past tasks and activities, recent/current activities, and those tasks and activities that are to be done in the future. It is continually updated, and it can be amended as Trust needs change. There were no questions regarding Success Tracker.

### THE 3(21) FIDUCIARY REGISTERED INVESTMENT ADVISORY SOLUTION

#### **First Quarter Investment Review**

Patrick Donnelly presented the First Quarter Investment Review. Mr. Donnelly opened his report by stating trade tensions between the United States and China are impacting economic activity. In an effort to level trade imbalances, President Trump is expected to impose a tariff increase to 25 percent on approximately \$200 billion of Chinese imports. In retaliation to action by the US, China is expected to increase tariffs on \$60 billion of goods imported from the United States. The increases imposed by China are to take place June 1. As the trade war escalates, the United States Trade Representative is calling a hearing in June to consider tariffs on an additional \$300 billion of Chinese goods, which would include cell phones and laptops. As of last week, the matter remains unresolved.

Gross domestic product (GDP) estimates were reported at 2.2 percent for the fourth quarter, lower than the prior estimate of 2.6 percent, and lower than the third quarter reading. No additional interest rate increases in 2019 are expected as economic growth has eased. The global markets are hitting their peaks and are adjusting monetary policies.

The housing market remains strong, with existing home sales continuing to grow when compared to sales at the same time in 2018. The outlook for housing remains positive, as wages continue to increase and are accompanied by decreases in mortgage rates.

The employment situation remains good, with an unemployment rate of 3.8 percent. Economists are of the opinion that it will end the year even lower. Average hourly earnings increased by 3.4 percent from a year ago.

Total returns on fixed income securities were positive across the various market segments. The Russell 1000 Index of large cap stocks increased in value, and within the large cap segment, growth stocks sharply outperformed value stocks. Small cap stocks slightly outperformed large caps. Small cap value underperformed small cap growth stocks. In each of the ten primary economic sectors, performance results were positive during the quarter. International stocks delivered generally positive results, yet they fell short of gains in US equities. It is not uncommon for international equities to lag that of the US.

Mr. Donnelly continued his report, highlighting the Investment Style Box. He stated that the Style Box demonstrates that participants have sufficient investment choice without being excessive.

The Investment Watch list was presented, and Vanguard Selected Value Inv remains on the list. This is the third quarter the fund has been on the list.

The review continued with a highlight of assets by investment. There has been an 11 percent increase in plan assets since Fourth Quarter 2018, largely due to an increase in portfolio values and an increase in new members. Investments by style show that there has been significant stability despite the Fourth Quarter 2018 market volatility.

Mr. Donnelly shared the CBIZ RPS Monitoring Criteria used to monitor fund performance. He stated funds are evaluated on:

- Performance (3-year, top 60 percent of category; 5-year, top 50 percent of category; 10-year, top 50 percent of category)
- Risk 3- and 5-year Sharpe ratio (top 60 percent of category), 5-year Up-capture (top 60 percent of category), and 5-year Down-capture (top 60 percent of category)
- Style/Operations (style drift, R-squared, manager tenure, total fund assets, expense ratio)
- Ratings (scores and typical number of “watch” quarters)

A team of CBIZ investment consultants work collaboratively to monitor and evaluate fund performance and make recommendations. This analysis is reviewed and overseen by the CBIZ Investment Advisory Board.

Mr. Donnelly segued his report to the Monitoring Report. Vanguard Selected Value Inv was placed on the Watch List in September 2018 due to subadvisor sector rotation, lagging international fund performance, and international fund volatility. Overexposure to the international stocks weighed on its performance. It will continue to be monitored; no action is recommended at this time. With the exception of Vanguard Selected Value Inv, all other securities showed similar themes with no significant shifts in funds.

Mr. Donnelly closed his report with a review of Vanguard Target Retirement Funds. The Target Retirement Funds are a fully passive series with basic sub-asset allocation, use a strategic glide path with little change to asset allocation, strike a balance between market and longevity risk, slightly aggressive up to target date, and end seven years after target date. He shared the trend line comparison between the Vanguard Target Retirement Funds and Morningstar Moderate, Conservative and Aggressive categories.

### THE PARTICIPANT SOLUTION

#### **Retirement Matters Newsletter**

Mr. Hinders stated that the quarterly Retirement Matters Newsletter was distributed to CSD Board of Advisors members. He reminded them to distribute the Newsletter to all employees in their respective school districts.

#### **Financial Wellness**

Mr. Hinders also announced that the Financial Wellness and Literacy Task Force completed its work, and a recommendation to the Board of Advisors will be presented at its meeting.

### ADJOURNMENT

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

Respectfully submitted,

Elise Reineck  
Recording Secretary  
CSD Retirement Trust