

## 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, September 2, 2020, via Zoom. Ron Orr, Investment Committee Chairman (Pattonville), called the meeting to order at 10:00 a.m. with the following members in attendance: Dwight Lindhorst, Chair Trustee (Ritenour), Mary Jo Gruber, Trustee (Clayton), Robert Vogelaar, Trustee (Liberty), Gene Stephens (Ferguson-Florissant), Brian Adesso (Menasha Joint), Molly Johnson (Independence), Kurt Kaup (Orchard Farm).

Also participating were: Ed Hinders (CBIZ), Ryan Wehking (CBIZ), Cory McComas (CBIZ), Jack Keller (CBIZ), Michael Dickson (AIG), Eric Levy (AIG), Catherine Harstick (AIG), and Stephen Keyser, CSD Retirement Trust.

Guests in attendance were Jason Hoffman and Tonya Berhorst (Jefferson City) and Monica Williams-Woods (Riverview Gardens).

### APPROVAL OF AGENDA

Mr. Orr called for a motion to approve the agenda. Whereupon Mr. Lindhorst duly moved to approve the agenda as presented. Dr. Vogelaar seconded the motion, and upon the vote, the motion carried.

### MINUTES

Minutes from the May 20, 2020, Investment Committee meeting were presented for approval. There being no corrections and upon motion made by Mrs. Gruber seconded by Dr. Vogelaar, the minutes were approved as presented.

### SUCCESS TRACKER

Mr. Hinders highlighted Success Tracker, noting that it is a tool used by CBIZ to monitor and document governance matters and other tasks related to management of the Trust. A recent addition to the document is a review of participant fees by the Investment Committee at the fourth quarter meeting—recordkeeper (AIG), advisory (CBIZ) and headcount (CSDRT). Success Tracker is continually updated as new tasks are added and others completed.

New in this meeting's packet is a comprehensive Q&A document that discusses the Coronavirus Aid, Relief, Economic Security (CARES) Act, and its impact on distributions, loans and contributions.

### RETIREMENT MATTERS NEWSLETTER

Cory McComas, Financial Investment Advisor, led the quarterly review for the Investment Committee. He first reported on a recent article featured in Pensions & Investments magazine regarding private equity in defined contribution plans. The Department of Labor issued an information letter approving the use of a professionally managed asset allocation fund with a private equity component as a designated investment alternative. The letter outlines steps the fiduciary must take when evaluating risks and benefits of the investment alternative. It gives plan sponsors the ability to do what is in the best interest of

participants. CBIZ will be monitoring the situation closely, particularly regulations that might be passed related to 403b investments.

Mr. McComas noted the Retirement Matters newsletter, which is sent to participants and focuses on educating participants and to prompt participants to reach out to their respective financial advisors with financial planning and investment questions.

### FIRST QUARTER INVESTMENT REVIEW

Mr. McComas reviewed the First Quarter 2020 market commentary and investment report. He stated that second quarter saw the global economy plunge into a coordinated shutdown and subsequently re-emerge from the quarantine. Efforts to control the infection rate of COVID-19 will continue to have a large impact on the growth trajectory for the remainder of the year and beyond. As the global economy continues to reopen, it is facing a challenging environment of unprecedented supply and demand shocks. The US, along with other countries, is experiencing patterns of supply and demand mismatch—production recovered quickly from the quarantine; however, demand remains weak.

As the US economy began to reopen, labor markets improved swiftly. April 2020 saw a loss of over 20 million jobs; however, May gained 2.7 million jobs and June another 4.8 million. Job numbers are expected to improve, but much depends on the pattern of COVID-19 infection rate. Public leaders face a tough challenge of balancing public health issues with economic security for US citizens.

After a challenging first quarter, risk assets recovered much of their losses. The corporate credit market was a great place to be. Corporate earnings prospects continued to be revised downward, leaving equity valuations at high levels. As long as COVID-19 remains a concern, a high correlation between market sentiment and pandemic sentiment is expected, resulting in market volatility.

A snapshot of the US economy for April/May/June 2020 shows the market declined. Data is still forthcoming. July unemployment came in at around 10 percent and continues to drop as more areas are opening up. Gross domestic product numbers reflect consumer sentiment is not in line with business sentiment. Second quarter performance shows an economic rebound with most losses having been recovered. A review of US equity shows that the S&P 500 gained over 20 percent for the second quarter, and additional gains have been reported for July and August. Mid-Cap and Small-Cap valuation funds are still struggling. Value sectors suffered the most from COVID-19 and are still struggling. These include energy, financial and manufacturing. Growth in technology did very well. International equity stayed the course and shows double digit returns.

A question was posed about why China continues to be considered an emerging market despite its large economy and world-wide impact. It was explained that it is considered an emerging market because it is not transparent with data, thus creating an element of risk for investors.

Mr. McComas continued his review by sharing the Investment Style Box, pointing out that American Funds Growth Fund of Amer R6 came off the Watch List. Two funds remain on the Watch List, representing about 4 percent of Trust assets. The Fixed Interest fund is crediting 2.05 percent (through June 30, 2020). A breakdown of assets by investment shows that compared to last quarter, assets increased. Growth continues through contributions, and as of today (September 2, 2020), Trust 403b assets are at \$146 million. Likewise, assets in the 457b plan continue to show growth, and as of today (September 2, 2020), 457b assets are at \$34 million. Investments by style show a very nice, well diversified mix of investments. Mr. Keyser commented that Stable Value (Fixed Interest) contains about 17 percent of assets, whereas when the Trust began in 2010, it was at about 33 percent. The decrease in

the Stable Value investments is attributed to increased investments in target date funds, which is now just over 22 percent of investments.

Mr. McComas reminded the Investment Committee that monitoring criteria for investments takes into consideration performance, risk, and style/operations, resulting in a rating/score. Based on the score, the fund either passes or is placed on the Watch List. Watch List funds were then reviewed. Two funds, T. Rowe Price Equity Income and Vanguard Mid Cap Growth Inv, are currently on the list.

### INVESTMENT ANALYSIS OVERVIEW RESULTS

The Investment Committee was requested to consider some alternatives to the Trust's current investment menu. Mr. Keyser explained that after reading industry newsletters about defined contribution (DC) plans, there have been discussions about investment categories now being offered in DC plans that either were not available or considered appropriate at the time the Trust was launched, over ten years ago. At that time K-12 employees were accustomed to having multiple options in an investment category. There was concern that having only one fund per category would make the Trust less attractive, so for marketing purposes, multiple options in an investment category were offered. Other than for performance purposes, the Trust's investment line-up has not changed since 2010; however, it is important to revisit these matters from time to time. It was decided that a deep dive into the status quo was apropos, so this topic was added to today's agenda for consideration and discussion.

Mr. McComas stated that he conducted a comprehensive review of the Trust investments. The review included an examination of returns, performance relative to peer group, risk-reward, calendar year performance, and risk-operations for index, target date, foreign bond, large cap value and environmentally social governance (ESG) funds. A summary of findings and recommendations was presented to the Investment Committee. He pointed out that ESG funds are being recommended as an addition to the fund line-up, due to interest by investors to have these as investment options. He then reviewed the current fund line-up and a recommended fund line-up, noting annual plan cost savings due to lower expense ratios. The recommendations resulting from the analysis were reported as:

1. That the Investment Committee approve adding the Fidelity Total Bond Index Fund, replacing the Vanguard Total Bond Index Fund
2. That the Investment Committee approve adding the Fidelity 500 Index Fund, replacing the Vanguard Institutional Index Fund
3. That the Investment Committee approve adding the Prudential Global Bond Fund

Whereupon, on motion made by Dr. Vogelaar and seconded by Mrs. Gruber, and upon a unanimous vote by the Investment Committee, the recommended changes to the investment line-up as a result of the comprehensive analysis of the Trust's investments were approved.

Further discussion ensued about the target date fund comparison. It was noted that a comparison of Vanguard Target Retirement and Fidelity Freedom Index funds is an apples-to-apples comparison because both are passively managed. While American Funds is a target date fund, it is actively managed and is not equally compared. American Funds has higher fees but also has higher performance, resulting in higher net of fees. Mr. McComas recommended that American Funds at least be considered and suggested a follow-up call be made to explore further.

### UNIVERSAL AVAILABILITY

Mr. Dickson reported on the Universal Availability document and procedures. The document is distributed annually and will be sent to employers soon. It should be shared with all employees.

#### ADJOURNMENT

The purpose of the meeting having been accomplished, the meeting adjourned at 10:10 a.m.