

INVESTMENT COMMITTEE
CSD RETIREMENT TRUST
305 St. Louis Avenue, Box 254
St. Louis MO 63088

MINUTES

The Investment Committee of the CSD Retirement Trust met on Wednesday, February 17, 2021 at 8:30 a.m. via Zoom. Chairman Ron Orr (Pattonville) called the meeting to order with the following members present: Mary Jo Gruber, Trustee (Clayton), Dion Edwards (Confluence Academy), Gene Stephens (Ferguson-Florissant), Molly Johnson (Independence), Robert Vogelaar, Trustee (Liberty), Kurt Kaup (Orchard Farm), Dwight Lindhorst, Trustee (Ritenour), and Jeff Haug (Special).

Guests in attendance were: Ed Hinders, Cory McComas, Jack Keller and Ryan Wehking, CBIZ, and Eric Levy, Dave Koller, Michael Dickson, and Bill Abramowicz, AIG.

Mr. Stephen Keyser, Managing Director, was also in attendance.

APPROVAL OF AGENDA

The agenda for the meeting was presented, and there being no additions or deletions, Mr. Lindhorst moved to accept the agenda as presented. Mr. Kaup duly seconded the motion, and the motion carried.

APPROVAL OF MINUTES

The Investment Committee was presented minutes from its meeting on November 18, 2020 for approval. There being no corrections to the minutes, and upon motion made by Ms. Gruber and seconded by Mr. Lindhorst, the minutes were approved as presented.

THE FEE AND EXPENSE DOCUMENTATION SOLUTION

PARTICIPANT FEES

The Investment Committee was presented an analysis of participant fees that included actual revenue and expenses for 2020, and forecasted revenue and expenses for years 2021, 2022 and 2023 and with two scenarios depicting excess rep fees at 0 bps and 2.0 bps. It was recommended that participant account fees be reduced to 28.75 bps/annum effective January 1, 2021. Mr. Keyser explained that the 2 bps excess fee would provide a buffer if plan assets would drop and fees increase for AIG and CBIZ for a quarter or longer, and would provide the financial resources and time for the Trust to conduct an in-depth strategic review of marketing, its service model, and other areas for 2021 and beyond to determine if changes are needed and funding for any changes. The breakdown for the fees would be: AIG 18 bps/annum; CBIZ 5.5 bps/annum; CSD Retirement Trust 5.25 bps/annum. Following the explanation, the Committee was asked if there were any questions, and there were none. Thereupon, Mr. Haug moved that the Investment

Committee recommend to the Board of Advisors that the participant account fees be reduced to 28.75 bps/annum (from 31.75 bps/annum) effective January 1, 2021, with the said reduction to be deducted in April 2021. Dr. Vogelaar duly seconded the motion, and upon the vote, the motion carried unanimously.

FIDUCIARY GOVERNANCE SOLUTION

Success Tracker The Investment Committee was provided a copy of Success Tracker. Mr. Hinders reminded the Committee that the document is updated on a quarterly basis to reflect actions taken by the Investment Committee and Board of Advisors, to maintain compliance with regulatory changes, and to incorporate any other activities requiring tracking by the Trust.

Investment Policy Statement Mr. McComas reported that the Investment Policy Statement was reviewed by CBIZ as part of its fiduciary responsibilities. Since there have been no legislative or IRS regulatory changes made that would impact the Statement, no changes are recommended at this time.

Annual Summary of Activities Mr. McComas presented an Annual Summary of Activities conducted by the Investment Committee for the 2020 calendar year. The report was prepared as an information item only.

FIDUCIARY REGISTERED INVESTMENT ADVISORY SOLUTION

FOURTH QUARTER 2020 INVESTMENT REVIEW

The “On the Margin” newsletter was noted for the Committee’s information

Mr. McComas opened his presentation coining the term “vaccine bump, and hold.” He explained that the availability of a vaccine for COVID transformed the global pandemic into a manageable situation, and the market responded accordingly. The stressed sectors and industries in the equity markets responded to the change with a “vaccine bump” through the month of November, and small cap stocks rallied with a 31 percent increase and outperforming large cap companies for the quarter. Value stocks outperformed growth stocks for the fourth quarter, with Russell Value performing at 33 percent and Russell Growth at 29 percent. The S&P finished the year up 18 percent. For the year growth stocks outperformed value stocks. Global economic recovery depends on how the world handles vaccine distribution, with markets responding accordingly.

Mr. McComas continued his review by highlighting the Investment Watch Summary. Vanguard Mid Cap Growth Inv continues to be on the Watch List for performance issues, and the Committee is being asked to consider replacing the fund with an alternative fund. Vanguard Mid Cap Growth Inv has been on the Watch List for four quarters, it represents approximately 2 percent of the Trust’s assets with 395 participants in the 403(b) plan holding Vanguard funds and 124 participants in the 457(b) plan holding Vanguard funds. Mr. McComas shared that the combination of the sub-advised managers led to poor performance along with poor security selection.

The Black Rock Mid Cap Growth Equity Fund was recommended as the replacement for the Vanguard Mid Cap Growth Inv Fund. Mr. McComas stated that research on the Black Rock Fund shows that it demonstrates outperformance over all periods as a result of superior security selection, has favorable risk metrics as measured by down capture ratio, standard deviation and beta, and there is no revenue sharing. It is the lowest cost option in the mid cap growth space. Following the presentation on the recommended fund change, the Committee was asked for questions or comments regarding the recommendation. There being none, Mr. Kaup moved that the Investment Committee recommend to the Board of Advisors that the Vanguard Mid Cap Growth Inv Fund be replaced with Black Rock Mid Cap Growth Equity Fund, and Mr. Lindhorst duly seconded the motion. There being no further discussion on the matter, the Chairman called for a vote on the motion, and the motion carried unanimously.

Mr. McComas pointed out that on the quarterly Monitoring Report, Watch List indicators that have typically appeared below a fund's respective information would now be moved to a separate report that would be incorporated into the Investment Committee's quarterly review. This is being done to expedite the turnaround for client reports (inclusion in the actual Monitoring Report creates week-long reporting delays). Some discussion ensued around the matter, and CBIZ assured the Committee that the same information traditionally provided would continue to be so; however, it would simply be moved elsewhere in the quarterly investment review document.

TARGET DATE FUND REVIEW

Mr. McComas presented a report on the Investment Committee's Target Date Fund Review. He recapped the follow-up questions and activities requested by the Committee at its Third Quarter 2020 meeting, and then he shared a summary of findings and recommendation for consideration by the Committee. Since the last meeting, CBIZ completed its comprehensive review of the CSD Retirement Trust's target date series (Vanguard) with a comparison of the series against American Funds and other active managers. During the Fourth Quarter, Vanguard dropped the minimum investment for Vanguard Target Retirement Fund Instl fund options from \$100 million to \$5 million, and it reduced its expense ratio for the Institutional funds to .09 percent. Both of these actions are game changers for the Trust. Based on these actions, along with the overall Target Date Fund review, CBIZ findings were:

- Accepting the change to Vanguard Target Retirement Fund Instl fund options would allow plan participants to save on target asset amounts;
- Retaining Vanguard would cause the least amount of disruption to plan participants while allowing the opportunity to pass on cost savings;
- Vanguard provides a good balance of performance, cost and down-side protection to plan participants, consistently ranking in the top 50 percent.

He noted that American Funds does outperform Vanguard and holds up better in periods of market decline, yet it has a limited track record on its income fund series. Adding American Funds adds three additional funds to the CSD Retirement Trust line-up that were not previously there, potentially being a burden to plan participants.

Thereupon, Mr. Kaup moved that the Investment Committee recommend to the Board of Advisors that the Vanguard Target Retirement Fund **Inv** options be replaced with Vanguard Target Retirement Fund **Instl** options. Ms. Gruber duly seconded the motion. There being no discussion, the Chairman called for a vote on the motion, and the motion carried unanimously.

SINCE INCEPTION PERFORMANCE

CBIZ prepared a report on performance of funds since inception of the CSD Retirement Trust, and the report was received by the Investment Committee.

THE PARTICIPANT SOLUTION

Retirement Matters Newsletter Investment Committee members were reminded that CBIZ distributes to the CSD Retirement Trust a quarterly newsletter, and that newsletter is passed on to members of the Board of Advisors for sharing with each members' respective participants and employees.

GotZoom Two new electronic publications about GotZoom were shared with Committee members. Districts interested in offering the service to their employees should reach out to Mr. Hinders.

ADJOURNMENT

The purpose of the meeting having been accomplished, and upon motion duly made and seconded, the meeting adjourned at 10:00 a.m.

Respectfully submitted,

Elise Reineck, Recording Secretary
CSD Retirement Trust