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## THE CSD RETIREMENT TRUST

### OVERVIEW

In January 2010, the CSD Retirement Trust launched in response to school districts asking for help in navigating the IRS requirements, implemented in 2009 for employers sponsoring 403(b) plans. The formation of the Trust was an 18-month process and was “Created for Educators by Educators.” In its first year, 17 school districts joined with \$25 million in plan assets. As of December 31, 2020, the Trust had 56 school districts/charters/educational associations, over 7,800 participants and \$206 million in plan assets.

What makes the Trust different from other 403(b)/457(b) providers? The Trust is not just a group of similar entities pooling resources to reduce costs for their member employers and their employees. The Trust is like no other entity: a **consortium** of school districts/charters/educational associations that have come together to create a model focused on improving retirement outcomes for K-12 employees.

The Trust is not just about processing transactions. It’s about the total employee experience that emphasizes financial education, low-cost transparent fees and diligently evaluated and monitored investment options. And, it’s about never being satisfied with the status quo, i.e., always looking to the industry, and participant experiences and their feedback to enhance the Trust model to improve retirement outcomes.

### INSTILL THE HIGHEST DEGREE OF GOVERNANCE AND PROGRAM OVERSIGHT

Our focus on improving retirement outcomes begins with THE AGREEMENT AND DECLARATION OF TRUST for the CSD RETIREMENT TRUST PLAN. It details how we govern the Trust, and each member has a copy. We review it at least annually with our legal counsel, an expert in organizations like ours.

Each member employer has a representative on the Board of Advisors (BOA), and each representative must be an active participant in the Trust. How does our governance work?

**You will have a representative on the BOA.** The BOA elects the Executive Committee (EC) that approves all Trust service providers<sup>i</sup> and the three trustees who enter contracts on behalf of the Trust and who conduct day to day business.

The Trustees and EC meet quarterly, seven weeks after the end of the calendar quarter. The EC meets with CBIZ, the Trust's Registered Investment Advisor (RIA), to perform a full review of the performance of all investment options for the most recent quarter (see details below). The EC and CBIZ also maintain our Investment Policy Statement (IPS).

**Quarterly Investment Review.** A critical oversight activity is the quarterly review of the Trust's investment options by the EC with CBIZ. This review focuses on performance, risk and other factors. Of the many actions that focus on improving the retirement outcomes for our participants, this one, with our focus on employee education, allows the Trust to provide greater due diligence and oversight of investments in contrast to the traditional multi-vendor environment. **No other 403(b)/457(b) consortium solution that we know does this!** Our quarterly review is about ensuring each investment option is striving to outperform its Morningstar Performance Rank in Category. This is the fund's total return percentile rank relative to all funds in the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. And, it's working! In 11 years since the Trust's inception, the Trust has only replaced four funds out of over 30 and, , over 97% of our investment options have outperformed the average (in the better half) of their Performance Rank in Category.

**Task Forces.** The EC also selects members for its ad hoc task forces, a very important part of governance. Utilizing task forces is another example of how the Trust is unique. Our members understand that to help employees have a better retirement outcome, we must continually improve and enhance the Trust service model. The Trust is not just about processing transactions. It is about providing services to all K-12 employees to help them achieve their financial goals. Over the last three years Trust task forces developed, and the BOA approved, recommendations on:

- Participant Fees and the Trust's Financial Reserves to minimize participant expenses while achieving reserves to enable the Trust to be financially stable.
- Adding Managed Accounts, enabling participants who do not want to manage their retirement accounts to have a professional investment manager do so for a reduced fee.<sup>ii</sup>
- Adding Qualified Longevity Annuity Contracts (QLAC), a deferred annuity that meets certain IRS requirements in which participants can invest a portion of their 403(b)/457(b) funds for a guaranteed monthly income and defer required minimum distributions from the annuity until payments begin.

- Financial Wellness & Literacy: The most recent task force reviewed organizations that provide financial wellness and literacy education and developed a communications and education plan for all member employees.
- Student Loan Assistance: Provides access to two expert organizations, one focusing on student loan forgiveness, and another to refinancing, to lower debt for member employees.

The Trust established its most recent task force at our May 2020 meeting to review our governance model to ensure it continues to be sensitive to employee retirement needs as we expand the number of members and geographically.

The Trust documents the governance process above through detailed minutes of all Trustee, BOA and EC meetings. BOA and EC meetings are open to all including prospective members, in person or virtually. We invite **YOUR ORGANIZATION** to attend and “audit” an upcoming quarterly meeting. The Trust, through our partner CBIZ, also provides Success Tracker™: a dynamic document tracking all critical Trust activities to ensure that each quarter we accomplish what we need to be relevant.

### **RELIEVE YOUR ORGANIZATION OF ADMINISTRATIVE BURDENS**

The CSD Retirement Trust is the turnkey, seamless solution for **YOUR ORGANIZATION** sponsoring its 403(b) and 457(b) programs. We provide, maintain and update all plan documents (e.g. Secure and Cares Acts) and documentation needed. There is no cost to **YOUR ORGANIZATION** for being in the Trust. Specifically, the Trust provides:

- Trust governance described above.
- 403(b) Plan Design.
- 457(b) Plan Design.
- Information needed to satisfy Universal Availability requirements.
- Fee disclosure documents.
- Record-keeping to ensure **YOUR ORGANIZATION** complies with IRS requirements.
- Forms enabling **YOUR ORGANIZATION** and its participants to enroll in the plans or make changes online to reduce, if not, eliminate paper forms.
- “Retirement Manager™” – an AIG RS service that aggregates not only Trust assets but all legacy providers to meet the regulatory requirements for loans and hardship withdrawals.
- Online ability to record beneficiary designations online.

- Technology to integrate payroll connections in the most efficient manner.
- The ability to extract District specific metrics to analyze participant behaviors for planning purposes.

It will take 45 days (usually less) to integrate **YOUR ORGANIZATION's** data system with the Trust via the AIG RS system. AIG RS will assign both a local and home office representative to **YOUR ORGANIZATION** to shepherd it through the integration. Because of our experience integrating a variety of information systems, we don't expect any issues integrating **YOUR ORGANIZATION**. Finally, we will work with the go to person at **YOUR ORGANIZATION** who traditionally interfaces with your employees and we will make their job infinitely easier. By joining the Trust **YOUR ORGANIZATION** will reduce most, if not all, of the administrative burdens and cost related to sponsoring its 403(b).

### **OFFER A COST-EFFECTIVE FEE STRUCTURE**

A cost-effective transparent fee structure is another way in which the Trust model is unique and seeks to improve retirement outcomes.

Since it launched in January 2010, the Trust has reduced administration expenses by 59% and over 94% of our investment options have reduced their investment management fees. Total plan administration fees are currently less than 0.29%/29 bps annually of a participant's plan assets, plus an annual \$20/participant fee.<sup>iii</sup>

What does that mean in participant expenses? An individual with a \$10,000 account will pay less than \$49 per year in administration expenses. Our weighted average investment management fee is 0.19%/19bps, so a participant with a \$10,000 account will pay \$19 per year in investment management fees. Using the weighted average investment management fee, a participant with the \$10,000 account will pay less than \$68 per year for administration and investment management fees.

**How does the Trust compare?** Traditional 403(b) provider annual fees can easily be \$250 for a \$10,000 account and can be as high as \$500. The Trust has used its buying power as plan assets have increased and has lowered administration expenses by 59% since it began. It seeks to leverage its buying power to continue to lower administration expenses. Also, traditional 403(b) providers may charge rollover/transfer fees when a participant wants to purchase service credits in their state pension program. **The Trust has no rollover/transfer fees.**

In addition, the Trust has used its collective buying power and diligent investment evaluation and monitoring process to reduce investment management fees. First, as plan assets increase in certain mutual funds that have management fee breakpoints, the management fees decrease once the asset levels that correspond to the breakpoints are reached. Because the Trust pools the plan assets of its participants, fee breakpoints may be reached sooner than they otherwise might. Second, with the pooled plan assets, the Trust is able to take advantage of lower cost

share classes. Third, we will search for funds whose fund managers proactively reduce costs or offer new share classes. As a result, investment management fees have been reduced since inception for over 90% of the Trust's mutual funds. We regularly monitor the funds available through the Trust for those breakpoints and other opportunities to reduce investment management fees. And our participants benefit from those decreases regardless of how much they have invested individually in the respective fund.

As of January 1, 2021, investment management fees range from 0.04%/4bps (\$4 annually for a \$10,000 account) for an index fund to 0.97%/97bps (\$97 annually for a \$10,000 account) for an actively managed fund. The Trust also offers Target Date Funds in 5-year increments enabling a participant to select a fund closest to their planned retirement that decreases the allocation to equity securities and increases the allocation to fixed income investment options as retirement approaches. It is a very popular choice for participants who want to "set it and forget it." Currently participants have over \$50 million invested in the Trust's target date funds. Recently we were able to reduce the fee paid from 13-15bps (.13-.15%) to 9 bps (.09%), creating a significant savings for them.

### **What does a participant receive for their fees?**

For their plan administration fees described above, participants receive:

- A comprehensive and personal financial education experience.
- Diligently evaluated and monitored investment options (actively, passively (index) managed and age appropriate target date funds.)
- Quarterly review of all investment options to ensure investment objectives of risk, performance and other metrics are met.
- Flexible Investment options to include
  - 403(b) and 457(b), both traditional and Roth
  - Option to invest in a Qualified Longevity Annuity Contract (QLAC) to provide a guaranteed income in retirement
- A dedicated financial professional plus an 800 number or online account access. AIG RS financial professionals facilitate a wide range of services to CSD RT and plan participants, including education about the plan, support and customer service, and assistance with group and individual meetings and enrollment, and distributions (including required minimum distributions) and transfers or rollovers into the plan.<sup>iv</sup>
- For the Trust participant who prefers more than the guidance and education provided by the dedicated financial professional, investment advisory services through VFA's GPS Program (Managed Accounts) are available for a negotiated rate.<sup>v</sup>

**Fee Transparency.** Transparency is a key to a cost-effective fee structure and the Trust is unique in that regard. Employees see all fees, including investment management fees and administration expenses. Quarterly participant statements show the administration fees deducted.

## **PROVIDE A COMPREHENSIVE AND PERSONAL FINANCIAL EDUCATION EXPERIENCE FOR PARTICIPANTS**

Let's talk about the employee experience. The Trust has selected AIG RS to provide dedicated financial professionals for **YOUR ORGANIZATION**.

AIG RS financial professionals provide the employee education about the plan, support and customer service, and assistance with enrollment, distributions (including required minimum distributions), and transfers or rollovers into the plan. The AIG RS financial professional focuses on engaging with and guiding the employee to improve retirement outcomes. The plan investment options a participant chooses does not impact the AIG RS financial professional's compensation; their guidance is based on the participant's long-term financial goals consistent with their risk-reward tolerance.<sup>vi</sup>

**That is the Trust model, how it will be for YOUR ORGANIZATION employees and what YOUR ORGANIZATION wants.** By contrast, this type of focused employee engagement may not be available in the traditional model of a single plan sponsor with multiple product vendors and a focus only on plan enrollment.

**YOUR ORGANIZATION will have at least one dedicated financial professional and more if needed.** Whether an employee is or has been participating in a 403(b)/457(b) at YOUR ORGANIZATION, the financial professional will engage the employee to determine their current financial situation and future goals. The financial professional will ask the employee to bring confidential information (i.e. income, assets and expenses) with them to optimize the planning meeting. Using AIG RS's Pathfinder™, the process will include:

- Modeling a retirement plan using a variety of market conditions.
- Organizing saving strategies to meet varying goals to include adjusting retirement dates, etc.
- Creating multiple dynamic plans to explore different scenarios.
- Integrating the supplemental options in the Trust with your state's Public Education Employees Retirement System to maximize retirement outcomes.

This process will enable the participant to get real-time answers to the following questions:

- Can I retire when I planned?
- How much monthly income will I need?

- Am I currently saving enough?
- Is it possible to guarantee my retirement income?
- How do I convert retirement savings into income?
- Will I outlive my retirement savings?
- What happens if I die prematurely?

It's important to note that the flexibility provided by the Trust in having both a 403(b) and 457(b) plan, traditional and Roth, improves retirement planning success regardless of the age of the participant or how long they plan to work at **YOUR ORGANIZATION**. The process will create a financial plan to act as a road map to help the employee reach their destination. **This is not a "one and done" process -- the employee can elect to continue to meet with the financial professional as needed to incorporate changes to keep the employee's retirement on track.**

As a result of the Financial Wellness & Literacy task force's recommendations the Trust, with AIG RS, developed a Communications & Education plan to deliver data-driven financial wellness topics each month using a variety of media. The education programs cover these topics (and others): consumer debt, student loan debt, retirement savings, budgeting (credit scores, insurance, investing "101"), and basic legal documents (wills, health care directives, power of attorney). This is in addition to the one-on-one meetings provided. These programs are open to all **YOUR ORGANIZATION** employees, not just Trust participants. And there is no cost to attend.

### **ELEVATE PARTICIPATION LEVELS by ESTABLISHING GOALS and MEASURING OUTCOMES**

When engaging with employees, it's about "What's in it for Me (WIIFM)?" Individuals need to realize some benefit to them to engage with this program or any other. **YOUR ORGANIZATION** cannot promise all employees will have a great retirement, but it can promise a great retirement model for all employees. Achieving a target percentage of employees participating in a 403(b)/457(b) program does not necessarily create a great retirement model for all employees. Let's shift the paradigm for success so it focuses on helping employees with planning.

**Employee Success.** The Trust's goal is to meet with 100% of your employees and create a financial plan for each person with the objective of replacing 75-80% of their pre-retirement monthly income when they retire. The financial plan will integrate all financial resources: your state's defined benefit plan for public education employees, Social Security, 403(b)/457(b) defined contribution plan, an individual's personal assets, post-retirement work plans, etc. Together, if **YOUR ORGANIZATION** and the Trust can do that, they will have created a great retirement model that really helps your employees.

Maybe after meeting with a financial professional and developing a financial plan, the individual decides they don't need to contribute to a 403(b)/457(b) for whatever reason (e.g., other

financial resources, post-retirement work plans, etc.) to replace 75-80% of their pre-retirement monthly income. That's OK. Individuals will have opportunities to revisit their decisions periodically.

If we make it our goal to meet with and develop a financial plan for all employees to achieve financial success in retirement, we're really doing something for them, i.e., WIIFM vs. attaining a certain percentage of participation in the 403(b)/457(b) program.

**Making it happen.** So, how does the Trust achieve 100% engagement? By working together. Some employees may not want to meet with a financial professional because they're afraid they will sell them something they don't want. Together, we communicate the goal above. We want to meet with employees to help them understand how they can seek to replace 75-80% of their pre-retirement income on a monthly basis (or if they have a lesser goal, fine). They don't have to buy or commit to anything. They do need to bring a checklist of confidential information with them and be willing to talk about their retirement goals when they meet with the financial professional. The Trust and the financial professional will do the rest.

The Trust, working with AIG RS, will develop a communication and education strategy that aligns itself with the above goal using **YOUR ORGANIZATION's** culture to develop messaging and communications that will resonate with your employees. Also, we will co-brand the materials with **YOUR ORGANIZATION** so it is your message which will help employees view retirement planning in a way that succeeds. To be successful, the Trust will need your central office and your building leaders to promote the Trust and the above process. In the Trust's experience when we have a few minutes at building and department meetings to explain what we are trying to do for employees, engagement increases dramatically and success for employees follows.

## SUMMARY

The CSD-RT has changed the paradigm for supplemental retirement programs in the K-12 public education marketplace. It is not only the most attractive model for today, but is becoming the standard for the future. The Trust...

1. Provides all plan documents and ensures compliance with IRS regulations.
2. Gives **YOUR ORGANIZATION** a "seat at the table" on the Board of Advisors.
3. Reduces interruptions during the day & improves school security.
4. Offers consistent communications and education for all employees on retirement planning and financial literacy.
5. Engages financial professionals who can focus on educating participants not only about their 403(b) or 457 plans and the available investments but also their retirement objectives and can provide broader financial services.
6. Uses diversified investment options, i.e. actively, passively (index) managed and age appropriate target date funds.



7. Lowers administration & investment management fees through a diligent evaluation and monitoring process, collective buying power and transparency.
8. Flexible with both pre- and post-tax (Roth) contribution plans for 403(b) and 457(b).
9. Monitors and reports on investment performance, risk and other factors quarterly, replacing underperforming funds as needed.
10. Allows participants to buy service credits in your State pension system with no transfer fees.

**THE CSD-RT WORKS WITH CBIZ RETIREMENT PLAN SERVICES AND AIG RETIREMENT SERVICES TO IMPROVE THE BOTTOM LINE FOR YOUR RETIREMENT PLAN PARTICIPANTS AND THEIR RETIREMENT OUTCOMES. IT LEVERAGES ITS BUYING POWER TO LOWER ADMINISTRATIVE EXPENSES, OFFERS A DILIGENT EVALUATION PROCESS FOR INVESTMENTS, AND MONITORS FUND RISK, PERFORMANCE AND INVESTMENT MANAGEMENT FEES.**

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<sup>i</sup> The Trustees have selected, and the BOA has approved, VALIC Retirement Services Company (VRSCO) to provide the Trust with non-discretionary plan administrative services; VALIC Financial Advisors Inc. (VFA), an affiliate of VRSCO, to offer investment advisory services (traditional advice or managed accounts) to plan participants who may decide to enroll in its Guided Portfolio Services® (GPS) Program, and The Variable Annuity Life Insurance Company (VALIC) to provide fixed-interest investment options to the Trust. VALIC and its subsidiaries VRSCO and VFA comprise AIG Retirement Services (AIG RS), and all are members of American International Group, Inc. (AIG).

<sup>ii</sup> For more information about these services, including applicable fees, click [here](#).

<sup>iii</sup> See Fee Disclosure Documents for more [information](#).

<sup>iv</sup> For optional services, including investment advisory services and loans, additional fees apply.

<sup>v</sup> See additional information [here](#).

<sup>vi</sup> In addition to the focus on the 403(b)/457(b) plans and retirement outcomes, AIG RS financial professionals also provide education aimed at achieving financial wellness and can help a participant with other financial needs, e.g. life insurance. AIG RS financial professionals are compensated separately for services they provide to plan participants, including in the form of commissions, distribution fees and advisory fees. For more information, click [here](#).