

## 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 20, 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), Kurt Kaup (Orchard Farm).

Also participating were: Ed Hinders (CBIZ), Ryan Wehking (CBIZ), Colin Rogers (CBIZ), Cory McComas (CBIZ), Richard Counts (AIG), Michael Dickson (AIG), Eric Levy (AIG), and Stephen Keyser, CSD Retirement Trust.

Jeff Haug (Meramec Valley) and Molly Johnson (Independence), Members-Elect, also participated.

### APPROVAL OF AGENDA

Mr. Orr called for a motion to approve the agenda. Whereupon Mr. Adesso duly moved to approve the agenda as presented. Mrs. Gruber seconded the motion, and upon the vote, the motion carried.

### MINUTES

Minutes from the February 19, 2020, Investment Committee meeting were presented for approval. There being no corrections and upon motion made by Mr. Adesso seconded by Mrs. Gruber, the minutes were approved as presented.

### RETIREMENT MATTERS NEWSLETTER

Cory McComas, Financial Investment Advisor, led the quarterly review for the Investment Committee. He first reported on first quarter Retirement Matters newsletter, which was sent to participants via email link earlier in the month. Retirement Matters contains timely information on market volatility due to COVID-19, and a review of poor spending habits. He stated that the newsletter focuses on educating participants and is designed 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 Investment report. He began his report by stating that data contained in the report is as of March 31, 2020, and much has changed significantly since that date. In fact, unemployment has reached record highs at 14.7 percent. The first quarter ended with Gross Domestic Product down 4.8 percent, and since March 31, it dropped further. COVID-19 and the resulting shut-down of the economy happened at a time when the economy was historically strong. As states ease restrictions on business operations and the economy begins to reopen, the economy is expected to turn around.

He continued his report with a study of Asset Class Performance, noting that small asset classes were hammered and are the ones needing assistance through the stimulus package. Risk assets were generally sold off during the First Quarter, and US treasury and other safe assets gained. As the market declined, investors sold off more aggressive investments and shifted funds into bonds. US Agg (US Investment Grade Bonds) was the top performing category, with T-Bills ranking second. However, high-yield bonds bore the hardest fall with double-digit losses during the quarter. He also noted that US Corporate fell significantly, a category that is traditionally a strong, stable investment category. US MBS (Morgan Backed Securities) were propped up because the US government bought bonds.

During the First Quarter of 2020, value continue to underperform growth across all capitalizations, as sectors disproportionately impacted by COVID-19 weighed down on value. Small cap stocks sold off heavily, posting a -30.61 percent total return. A review of equity performance showed energy took the largest hit for the quarter, with a -50.5 percent return. As COVID-19 led to a global shutdown, the fall in demand for oil resulted in plummeting prices. The financial market also experienced steep losses due to business shutdowns and unemployment impacting loan losses. Information technology is the only one to post positive returns. All markets were down under international equities. It was noted that a review of market trends shows that about every ten years a major downturn of about 20 percent in the market occurs, and about every five years a smaller downturn also occurs. The market, however, always seems to recover.

Mr. McComas continued his review, noting the Investment Style Box and respective offerings in each style. He pointed out that there are two funds on the Investment Watch List, Vanguard Mid Cap Growth Inv and American Funds Europacific Growth R6. He also noted that the Valic Fixed Interest Option is crediting 2.05 percent, which is very competitive.

Fourth Quarter 2019 403b investments ended with \$133,758,075, and First Quarter 403b investments ended at \$115,199,164, down \$18,558,911. As of today (May 20, 2020), 403b assets are at \$134.6 million, above Fourth Quarter 2019 assets.

Similarly, Fourth Quarter 2019 457b investments ended with a balance of \$29,675,442, and First Quarter 457b investments ended at \$26,311,575, down \$3,363,867. As of today (May 20, 2020), 457b assets are at \$29.5 million, just below Fourth Quarter 2019 assets.

Mr. McComas highlighted investments by style, noting that investment patterns are similar to those of other clients.

Monitoring criteria for investments was briefly reviewed. Funds are evaluated on performance (3-, 5-, and 10-year), risk (3- and 5-year Sharpe ratio, 5-year upcapture and downcapture), and style/operations. Funds are then rated, and a score greater than or equal to 70 percent is "pass," and below 70 percent is "watch."

The two funds on the Watch List were discussed in detail. Vanguard Mid Cap Growth is currently on the Watch List due to underperformance. The previous subadvisor made poor stock selections, which resulted in poor performance. A new subadvisor is now managing the fund, and the fund is showing improvement as demonstrated by increased year-to-date performance. It will continue to be monitored.

American Funds EuroPacific Growth R6 is currently on the Watch List due to fund performance. While the fund has a history of strong performance, heavy investment in value stocks impacted fund performance, resulting in it being placed on the Watch List. It is not expected to be on the Watch List for long. Goldman Sachs is now off the Watch List.

### VALIC FIXED ACCOUNT REVIEW

Mr. McComas concluded his report by noting CBIZ conducted an annual independent third-party review of VALIC's Fixed Account. The review revealed no findings or concerns.

### SUCCESS TRACKER

Mr. Hinders reminded Investment Committee members about Success Tracker. Success Tracker provides a vehicle for CBIZ to document oversight of investments. The document includes a schedule and tasks related to fiduciary governance, ongoing fiduciary governance, investment advisory, fee and expense documentation, participant communications, and plan administration.

### CBIZ VOLATILITY WHITE PAPERS

Mr. Hinders reported that CBIZ has published several white papers on market volatility, and they have been shared with participating districts. He also reminded districts that they should feel free to distribute Retirement Matters newsletters to all employees, not just to plan participants. Retirement Matters newsletters provide timely and relevant information that may be helpful to all employees.

### GOT ZOOM UPDATE

A webinar on GotZoom was held and well attended. Ongoing conversations with districts interested in offering this voluntary benefit to employees continue. Mr. Hinders stated that he continues to work with Elaine Morgan in Kansas City Public Schools on implementation and participant growth. Unfortunately, COVID-19 has taken away attention on this project.

### ADJOURNMENT

The purpose of the meeting having been accomplished, the meeting adjourned at 11:02 a.m.

Respectfully submitted,  
Elise Reineck  
CSD Retirement Trust