

INVESTMENT COMMITTEE

CSD RETIREMENT TRUST
305 ST. LOUIS AVENUE, BOX 254
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CALL TO ORDER

Members of the Investment Committee of the CSD Retirement Trust met on Wednesday, May 19, 2021, via Zoom. Ron Orr, Investment Committee Chairman (Pattonville), called the meeting to order at 8:30 a.m. with the following members in attendance: Dion Edwards (Confluence Academy), Kurt Kaup (Orchard Farm), Dwight Lindhorst, Chair Trustee (Ritenour), Robert Vogelaar, Trustee (Liberty), Gene Stephens (Ferguson-Florissant), Brian Adesso (Menasha Joint), Molly Johnson (Independence), Jeff Haug (SSD). Mary Jo Gruber (Clayton) was unable to attend.

Also participating were: William Abramowicz (AIG), Ed Hinders (CBIZ), Cory McComas (CBIZ), Jack Keller (CBIZ), Michael Dickson (AIG), David Koller (AIG), and Stephen Keyser (CSD Retirement Trust).

Richard Counts, Managing Director Elect for the CSD Retirement Trust, was introduced to the Committee.

APPROVAL OF AGENDA

Mr. Orr called for a motion to approve the agenda. Whereupon, Mr. Lindhorst moved to approve the agenda as presented, and Mr. Haug seconded the motion. Motion carried.

MINUTES

Minutes from the February 17, 2021, Investment Committee meeting were presented for approval. There being no corrections and upon motion made by Mr. Lindhorst seconded by Ms. Johnson, the minutes were approved as presented.

FIDUCIARY GOVERNANCE SOLUTION

SUCCESS TRACKER

Mr. Hinders pointed out to the Committee the Success Tracker document. The document includes a schedule and tasks related to fiduciary governance and compliance; ongoing tasks and responsibilities for the Investment Committee, Board of Advisors and Trustees; investment advisory; fee and expense documentation; participant communications; and plan administration.

ANNUAL CONSULTANT REVIEW

Mr. Hinders provided a report on the annual consultant review. The review covered an examination of the qualifications of CBIZ financial consultant personnel along with a list of individual credentials and certifications of consultants, industry memberships, industry awards and recognitions, and publications and public speaking events.

FIDUCIARY REGISTERED INVESTMENT ADVISORY SOLUTION

FIRST QUARTER 2021 INVESTMENT REVIEW

Cory McComas, Senior Investment Consultant, CBIZ, led a review of the First Quarter investment performance. He reported that from a global perspective, the US market is trending in a positive way, especially following the peak of the pandemic. Vaccination efforts across the globe are impacting the world economy. The successful vaccination effort in the US is leading to slow re-openings in various parts of the country, as well as segments of the economy—consumer spending, manufacturing and service sectors. Optimism for economic re-opening escalated due to the effectiveness of the vaccines. Infection numbers fell during the first quarter. The government stimulus payments helped consumer spending.

Supply chains are currently bottlenecked, creating a temporary shortage of goods and an increase in prices for goods. Prices are also impacted by higher labor costs. With higher unemployment benefits, businesses are in competition with unemployment. According to the Fed, price spikes are transitory and recovery-based, and the long-term price structure is not expected to change. The housing industry remained strong as a result of historically low interest rates and low inventory.

Mr. McComas continued with a review of asset class performance. Small cap funds were hit hardest; more aggressive asset classes performed better; and value-based investments outperformed growth. International equities showed lower returns but remain positive; they are not performing as well as US equities.

A review of the Investment Style Box showed a very diversified menu—large, medium and small funds; value, blend and growth funds; fixed income and balanced investments. There are currently no funds on the Watch List. The Vanguard Mid Cap Growth Inv, while still showing on the report, was replaced effective April 1, 2021. A change to Vanguard Target Retirement Inv funds at the institutional rate was also effective April 1, 2021.

The VALIC Fixed Interest Option credited at 1.75 percent through March 31, 2021, which is an excellent rate.

Mr. McComas concluded the Investment Review with a highlight of assets by investment.

SECTOR FUND DISCUSSION

Mr. McComas led a review and discussion of sector funds. He stated that he conducted an analysis of S&P 500 Sector performance for the last 13 years, and the analysis was shared with the Committee. A sector fund is one that is specifically invested in a particular sector

such as energy, technology, real estate, utilities, etc. He noted that the S&P 500 Sectors provide a good barometer for the performance of sector funds. He pointed out the upticks and downticks of various sector funds and how they trend.

Mr. McComas stated that consistent, long-term investment results are best achieved through a rigorous and disciplined investment process. Investment menus should be built for the masses and prioritize simplicity while at the same time offer a wide variety of choice. Furthermore, defined contribution plans should offer actively managed, passively managed (index) and target-date/risk-based investment options. He explained that sector funds are subject to volatility. Plan participants typically do not understand the nature of the performance of sector funds and thus are not normally recommended as part of a managed account program.

He further noted that a small percentage of participants typically have investment expertise. These individuals are able to access alternative investment vehicles outside of the plan or through self-directed brokerage accounts.

REAL ESTATE INVESTMENT TRUST

Mr. McComas continued his review by addressing the specific topic of real estate investment trusts. He explained that REITs are an income-producing vehicle. To be considered a REIT, 90 percent of property income must be passed onto investors. Assets invested in a REIT are easily liquidated. A downside to consider is a downturn in the real estate market may result in a decrease in income and property value. Investment in a REIT may be accessed through self-directed brokerage accounts.

Mr. Keyser explained that the topics of sector funds and REITs were brought about through requests by plan participants, financial advisors/professionals or prospective districts looking to join the Trust. He agreed to bring the topics to the attention of the Investment Committee, who would review and discuss the matters accordingly, and take action if warranted.

SELF-DIRECTED BROKERAGE ACCOUNTS

Mr. McComas segued to a discussion about self-directed brokerage accounts. Such accounts allow a person to invest a portion of their investment assets. It provides a window for participants to invest in a wide range of options. Opportunities to invest in sector funds are available through self-directed brokerage accounts.

Currently AIG offers self-directed brokerage accounts to its clients in other plans with very low usage among educators. Mr. Dickson explained that self-directed brokerage accounts may be opened to participants at no cost to the Trust. Participants in such accounts pay fees for the service. The service gives those who want more control over investing in an option the ability to do so.

There is a multi-step enrollment process designed to protect the investor, and includes restrictions, disclosures and other forms of documentation. A cap on total assets that may be

transferred from the Trust account to the PCRA would need to be established. Information on the Schwab Personal Choice Retirement Account (PCRA) was provided to the Investment Committee and recommended as an option for the CSD Retirement Trust.

Following the presentation, a brief discussion occurred among Investment Committee members. Offering a PCRA self-directed brokerage account was viewed as an appealing alternative to participants because it would allow access to sector funds to those interested yet provide some protection of assets by capping the amount that may be invested. Mr. Hinders pointed out that should the Investment Committee approve such an option, the Investment Policy Statement would need to be reviewed and revised accordingly.

Thereupon, the Chairman called for a motion about self-directed brokerage accounts. Mr. Lindhorst moved that the Investment Committee recommend to the Board of Advisors the addition of a self-directed brokerage account (Schwab Personal Choice Retirement Account) to the CSD Retirement Trust plan investment options. Investment in self-directed brokerage accounts would be limited to 50 percent of a participant's plan assets. Mr. Haug duly seconded the motion, and upon the vote, the motion carried unanimously.

AIG FIXED ACCOUNT REVIEW

Mr. Hinders reported that CBIZ conducted a comprehensive review of AIG's fixed account. The review was conducted as part of CBIZ's due diligence. Information was requested from AIG on the fixed interest account. The current credit rate is 1.75 percent, which is high compared to the standard market offering of 1.0 percent. The credit rating for AIG is very strong. From a fiduciary standpoint, this topic has been fully documented.

Mr. Counts commented on the "put option" that is part of the Trust's agreement with AIG. He suggested that the topic of 5-year versus 12-month put option be visited at a future Investment Committee meeting.

PARTICIPANT SOLUTION

RETIREMENT MATTERS NEWSLETTER

Mr. Hinders reminded Investment Committee members about the *Retirement Matters* newsletter. It is a quarterly publication that is sent out electronically and contains timely and relevant articles on a variety of topics. Committee members were encouraged to share the Newsletter with all employees in their districts, not just Plan participants.

TARGET DATE FUND EDUCATION CAMPAIGN

Mr. Hinders reported that CBIZ, AIG and Vanguard are pooling resources to develop an education campaign for participants about target date funds.

ADJOURNMENT

There being no other or further business to come before the Investment Committee, and on motion duly made, seconded and unanimously approved, the meeting adjourned at 10:00 a.m.

Respectfully submitted,

Elise Reineck, Recording Secretary
CSD Retirement Trust