

MINUTES OF AN OPEN MEETING OF THE PENSION PLAN

BOARD OF TRUSTEES

AND WELFARE BENEFITS PLAN

BOARD OF TRUSTEES

OF THE MONARCH FIRE PROTECTION DISTRICT

OF ST. LOUIS COUNTY, MISSOURI, HELD ON

TUESDAY, MAY 23, 2023

In Person and Via Video

May 23, 2023

BE IT REMEMBERED, that the Pension Board of Trustees and the Welfare Benefit Plan (VEBA) Board of Trustees of the Monarch Fire Protection District of Saint Louis County, Chesterfield, Missouri (collectively referred to below as the “Pension Board”), held an in-person and video meeting via Zoom on Tuesday, May 23, 2023 at 1:03 p.m. in a Pension Board of Trustees and a Welfare Benefit Plan (VEBA) Trustees Open Meeting.

At the aforementioned time there were present the following Officers, Directors and Trustees:

Grace Harvey –Trustee/Director
Jean Millner – Trustee/Director & Secretary
Robin Harris – Trustee/Director
Adam Stack – Trustee (via video)
Joe Rallo – Trustee (via video)

Also present:

- Jamie Zveitel Kwiatek, Counsel
- Josephine Stewart Harvey, Counsel (via video)
- Abby Sowatsky – Controller, Monarch
- Chris Petzold – Leafhouse (via video)
- Quint Hogrefe – Genex

Connie Rettig – Empower

Melanie Wilson – Human Resources Director, Monarch

Participants attending (via video): Matt Lawler, Tim Kolb, Scott Brazill,
Ben Hotop, Mark Kraatz

A quorum being present, Trustee/Director Millner called the meeting to order and announced the Board of Trustees open meeting to be in session for the transaction of any and all business to be brought before it at this time.

The first matter to be considered was the vacancy for the Pension Board president/chair left by Trustee/Director Rick Gans' retirement in April. Trustee/Director Millner moved that Robin Harris be elected to serve as the new Pension Board president/chair. The motion was seconded by Grace Harvey and was approved by a vote of 4-0 (with Trustee Rallo unable to turn on his camera for the vote).

Trustee/Director Harris noted that there were no other changes to the agenda other than the election of the Pension Board President. However, Trustee/Director Milner suggested that they also consider appointing a new Pension Board Secretary. Thereafter, Trustee/Director Harris moved that Grace Harvey, who was elected to the Fire Protection District Board in April and thereby automatically became part of the Pension Board by state statute, be elected to serve as the secretary for the Pension Board. A discussion ensued regarding whether either of the employee Pension Board Trustees would prefer to serve in that position. However, Trustees Stack and Rallo declined. The motion was seconded by Trustee/Director Harvey and was approved by a vote of 4-0, with Trustee Rallo again unable to be present by video.

The next matter to be considered was approval of the open minutes for the February 28, 2023 meeting. Trustee/Director Millner presented the Secretary's report as Trustee/Director Harvey had not yet been elected as a Director at the time of the prior meeting. Trustee/Director Milner reported no corrections to the minutes as previously distributed and recommended approval of the open minutes for the February

28, 2023 meeting. Trustee/Director Millner moved to approve the minutes. The motion was seconded by Trustee/Director Harris. There was no discussion of the motion. Upon vote, the Trustees approved the motion and the minutes were approved 3-0 with Trustee Rallo not available by video and Trustee/Director Harvey abstaining due to not having reviewed the minutes.

The next matter to be considered was approval of the closed minutes for the February 28, 2023 meeting. Trustee/Director Millner moved to approve the minutes. The motion was seconded by Trustee/Director Harris. There was no discussion of the motion. Upon vote, the Trustees approved the motion, and the minutes were approved 3-0 with Trustee Rallo not available by video and Trustee/Director Harvey abstaining due to not having reviewed the Minutes.

The five participants referenced above were permitted to join the meeting via video after informal discussion among the members of the Pension Board. No one had any issue with the participants listening in electronically, though electronic access to the open meeting is not legally required.

It was next noted that Trustee/Director Harvey had attended a multi-day pension meeting hosted by Investment Performance Services at which Empower was present. She stated that the key take-away was that security is the biggest current concern. She also noted that Frank Abingail was one of the speakers and gave tips on security.

The Pension Board next received a financial update from Chris Petzold of Leafhouse regarding the retirement plan investment alternatives. The report received from Leafhouse is attached. For the sake of the participants present, Mr. Petzold noted that Leafhouse reviews the performance of the various investments over a one, three, five, and ten year period, with the analysis more heavily weighted toward the longer-term. Trustee/Director Harris asked if these GPA reports are distributed directly to participants, and Mr. Petzold indicated that they were not, as they don't include all required disclosures and disclaimers to qualify for distribution to participants. Attorney Kwiatek noted that the investment-related information and reports provided on the Empower website and also available from Quint/Genex, are much more geared toward participant investment decision making. She further advised that she did not believe

participants should be making specific investment decisions based on the information provided in the Leafhouse GPA report as it is merely quantitative and does not reflect the subjective considerations taken into account by Leafhouse in analyzing performance of the investment alternatives and determining whether or not to take any action with respect to any such investments. (The qualitative piece of Leafhouse's analysis is typically presented in person by the representative reporting to the Pension Board.) Thus, she recommended that they not be provided to the participants as they could be misleading. Mr. Pretzold stated that the Leafhouse GPA reports are geared toward presentation to the Pension Board for purposes of their responsibility to monitor Leafhouse's performance as the 3(38) fiduciary for the retirement plans.

Mr. Petzold next reviewed the funds on the watch list (generally, funds with a GPA of less than 2.5 but higher than a "failing" score of 1.7). The first was the Blackrock Mid-Cap Growth Equity K fund, which was on the watch list from last quarter as well. He noted that 2022 was a difficult year for this very growth-oriented fund heavily skewed toward the technology sector that was adversely affected by the interest rate hikes during 2022. Leafhouse did due diligence in February and learned that they are replacing their health market analyst as tech sector related selections in that category contributed to the poor performance of the fund. As long term results remain excellent, Leafhouse is keeping the fund for now and Mr. Petzold noted that performance has improved for the first quarter of 2023. Mr. Petzold next discussed the Lord Abbett Small Cap Gr Eq Tr II CL LH. He stated that it is new to the watch list this quarter and it is the first quarter on the watchlist for this fund. He advised that the fund continues to look solid over the long term in spite of relatively poor performance in 2022, including a rebound in the first quarter of 2023. He stated that it is also the first quarter on the watch list for the TIAA-CREF Real Estate Sec Instl fund, but Leafhouse is not concerned about the long term performance of the fund. Two iShares funds also remain on the watch list from last quarter – the US Aggregate Bond and the MSCI Total International. These funds give participants options if they want passive funds with low cost. These types of funds tend to lag managed funds. He advised that Leafhouse will retain these funds as they serve a purpose and there are actively managed funds in the

same fund style that are available to participants as well. Leafhouse does not see any particular red flags among any of the watch-listed funds at this time.

Mr. Petzold noted that Leafhouse had determined it was appropriate to add several new sector funds to the investment lineup after reviewing requests from certain participants that Leafhouse look into the possibility of adding some sector funds. The Pension Board previously requested that Leafhouse perform this review and determine what, if any, sector investment alternatives they should add to the extent Leafhouse believed it was prudent to do so following such analysis. Upon completion of their review, Leafhouse determined to add First Eagle Gold R6 (category: Equity Precious Metals), Vanguard Energy Index Admiral (Category: Equity Energy), Vanguard Health Care Index Admiral (Category: Health), Vanguard Information Technology Idx Adm (Category: Technology), Vanguard Utilities Index Adm (Category: Utilities), and PIMCO CommoditiesPlus Strategy Instl (Category: Commodities Broad Basket) to the retirement plans' investment lineups.

Attorney Kwiatek asked when the "Buy" action sector funds will be available for participant investment under the retirement plans. Mr. Petzold indicated that the buy instructions for the new sector funds typically take 60 days to be implemented and that 30 days advance notice must be given to the participants. Mr. Petzold expects the buy order to go out to Empower shortly.

Mr. Petzold had no other comments on current investments and inquired as to the RetireGuide managed account. Attorney Kwiatek advised that the managed account would be discussed further in closed section.

Ms. Kwiatek also inquired as to whether there is any available expense ratio and return benchmarking available. Mr. Petzold advised that each fund has return benchmarking listed in the Leafhouse report but that Leafhouse does not have any benchmarking for the expenses. Ms. Rettig stated that she would see if she could get that information.

With respect to monitoring Leafhouse's performance, Quint Hogrefe advised that Leafhouse continues to provide a diverse selection of funds that include both managed and index funds. He also cautioned against constantly trying to chase low cost and high

performance investment options as that would likely end up with lower overall performance.

Quint Hogrefe of Genex then reviewed the status of the VEBA investments and VEBA investment performance as of March 31, 2023. The report received from Genex regarding the performance is attached. Mr. Hogrefe advised they have been and remain very conservatively invested, insofar as the VEBA account is concerned. This is particularly important, given the nature of the VEBA as a pooled account with some younger participants, some participants close to retirement, and some participants who are already retired. Assets are just over \$4M, with additional investments in the illiquid annuities. Mr. Hogrefe advised that they do have some additional equity exposure, relative to last quarter, but Genex does not feel we are out of the woods yet, with American consumers really being pinched by continued interest rate increases and inflation in a manner that is likely to affect their spending choices at some point in the future. Of course, interest rate hikes do mean that short term treasury bonds provide some relatively positive earning opportunities and are currently earning approximately 4.5%. Genex is comfortable with the performance of the VEBA account, relative to the need to minimize risk of large losses to the extent possible. He noted that the VEBA account is up about .87% over the first quarter of 2023. He also stated that they continue to trim the annuity investments whenever possible. Attorney Kwiatek asked Genex to consider adding a blended benchmark based on *actual* allocation, as opposed to simply Genex's *target* allocation for the Pension Board's next quarterly meeting. Mr. Hogrefe said that would be no problem. Mr. Hogrefe concluded his presentation with some datapoints regarding the effect of the current economy, including inflation, on the American consumer, the labor market, commercial real estate, small businesses, etc. Ms. Sowatsky will distribute a copy of Mr. Hogrefe's slides to the members of the Pension Board.

The Pension Board next reviewed the Empower report forwarded by Connie Rettig regarding the operational performance of the retirement plans through March 31, 2023. The report is attached to these minutes. Ms. Rettig stated that nearly sixty-eight percent of assets are in equities, with roughly 8-9% each in bonds, brokerage, and target date, and an additional 4% invested in cash. She also noted that nearly 70% of

participants are using the “do-it-yourself” investment strategy, with nearly 14 percent of participants in the self-directed brokerage accounts and the remainder allocating assets among the slate of investments Leafhouse has provided. Combined average balance under the two plans has been continuing to increase incrementally over each successive quarter. Ms. Rettig advised that the combined 457(b) and 401(a) Plan assets were just under \$40 million as of March 31, 2023, with positive cash flow of over \$2 million, as distributions were minimal during the first quarter of 2023. Participation is approximately 77% for the 457 Plan (active participants making contributions) and 93% for the 401(a) Plan (active participants with a balance).

Trustee Stack asked Mr. Hogrefe’s opinion on the large amount of equity investments. Mr. Hogrefe advised that, for younger participants, there is currently a good buying opportunity as equity prices are somewhat depressed. He also noted that older participants may want to take some equity investments off the table. He stressed that the participants should take a long-term view and that the investment philosophy for the retirement plans is different from that used for the VEBA, which is established to fund certain welfare benefits rather than being established for retirement benefits.

Abby Sowatsky next presented the unaudited financials for the pension and VEBA funds through March 31, 2023, for the Pension Board’s informational purposes. Her report is attached to these minutes.

Attorney Kwiatek noted that the attorney report will be made during the Closed Session.

Trustee/Director Harris asked if there was any old business. There was none.

Trustee/Director Harris next noted that the Agenda for the meeting includes a Closed Session. He then made a motion to go into Closed Session pursuant to Missouri Revised Statutes Section 610.021, One, Legal Action and Advice; Three Personnel Matters; Thirteen, Personnel Records. Trustee/Director Millner seconded the motion. Upon vote, the motion was unanimously approved 5-0. Whereupon, at 2:32 p.m., a Closed Meeting was held.

Trustee/Director Harris called back to order the open session of the Pension Board Meeting at 2:55 p.m. and stated that a Closed Session was held and no votes were taken.

Trustee/Director Harris then confirmed that there were no further matters to be discussed and made a motion to adjourn the open meeting, which was seconded by Trustee Rallo. The motion was approved 5-0. Whereupon, the meeting was adjourned at 2:56 p.m.