

Description of the Need for a Charter To Set Up a CDS Retirement Plan Committee

What follows is a draft of a charter for setting up a retirement plan committee with oversight of school employees' retirement plan.

The charter needs board approval to inaugurate the Committee.

A retirement plan oversight committee is required by the IRS and ERISA, which share regulatory power, along with the Dept. of Labor, over 403(b) retirement plans, among others.

The Committee would act in an advisory capacity to the Finance Committee and the board of trustees. It would not be named as a fiduciary unless the board chose to empower it as one.

But, that said, the Retirement Plan Committee would assist the board's fiduciary oversight of the retirement plan, and in that role the committee would have the capacity to do the following:

- Formalize the governance of the plan, including an investment policy statement
- Review recordkeeping vendors (such as TIAA, the school's current recordkeeper/custodian), in order to assess current and future plan structure and investments, and analyze fee and revenue arrangements
- Monitor fund performance. And to help with this it would interview and hire an investment advisor to report on fund performance and benchmarking measures of various indices
- The committee would also recommend changes in fund lineups that are available to employees, including recommendation on asset allocation, diversification, risk management

As of now, Brian Kreischer, a sitting member of the Finance Committee, has generously offered to chair the committee. Brian is currently the chair of his CPA firm's own 401(k) plan's oversight committee. He is in the process of recruiting at least one other individual with professional public investment experience for the CDS Retirement Plan Committee. We have also invited one of our faculty to sit on the committee, along with myself and our controller Paul Weiss, who leads our annual retirement plan audit and has deep knowledge of the administrative and compliance aspects of the plan.

Our goal at this time is to ask the board to approve the plan's charter at its May 2020 meeting. A copy of the charter language follows.

The Children's Day School 403(b) Retirement Plan (the "Plan") is a 403(b)-retirement plan established and operated pursuant to applicable federal laws and regulations. The Plan fiduciaries (the board of trustees of Children's Day School) are charged with the overall responsibility under ERISA to manage this plan prudently on behalf of plan.

The Advisory Committee of the Plan will act in an advisory capacity to the Plan sponsor's fiduciaries (i.e., the board of trustees of Children's Day School), and in such advisory capacity will establish an investment policy statement for the purpose of providing general investment guidelines to govern the management of the fund's assets and communication policy to Plan participants. This policy is to serve primarily as a general framework within which the funds are to be managed and communicated, and is not a binding resolution on investment performance expectations or any other fiduciary decisions pertaining to the management of the Plan.

In compliance with this fiduciary obligation of the board of trustees, the Committee will do the following:

- Establish investment policy and objectives to govern the management of the Plan assets;
- Act prudently in selecting investment managers to manage any investment options offered to participants as investment selections in the Plan;
- Establish and implement investment performance objectives and measurement standards; and
- Establish communications programs to provide sufficient information to plan participants.

Investment Policy

The Advisory Committee will recommend to the Plan sponsor and fiduciaries a menu of diversified investments to which plan participants can allocate employer and employee contributions. A selection of these investments will be made based upon generally accepted rules of diversification, asset allocation and risk management. *[Add here any additional objectives you desire such as investment performance, cost or service standards (i.e. fund performance should be in the top half of peers and costs should be in the lowest quartile when compared with similar funds)].*

Fund Selection

The Advisory Committee will select a broad range of different asset categories including fixed income, and foreign and domestic equity funds recognizing different ranges of market capitalization. The asset categories selected shall be such that taken together participants have a reasonable opportunity to materially effect the potential investment returns in their accounts while at the same time controlling risk or volatility. Investments will be limited to annuities and mutual funds. *[Morningstar investment categories are often used since comparison data is readily available]*

Performance Measurement

As part of the Plan fiduciaries' general responsibilities under ERISA, the Plan will arrange to receive periodic performance evaluations of the investments in the Plan. The Advisory Committee recognizes the volatility of individual asset classes and, as a result, will recommend that diversifying across multiple asset classes will reduce short-term portfolio volatility, and increase in long-term performance.

The Advisory Committee shall receive reports from the Plan vendor(s) and other sources. The investment performance for the selected funds shall then be compared to the appropriate benchmark returns. The benchmark will be the index most closely resembling the asset class of the actual fund.

Participant Communication

The Business Office of Children's Day School will be responsible for participant communications. They will assist the Advisory Committee by providing the participants with information on basic investment principles and fund performance. Participant education will emphasize the value of diversification, and the recognition of risk tolerance and time horizon.

Advisory Committee Member(s): **TBD**