

Lighthouse Youth Services

MINUTES

FEBRUARY 13, 2018

12:00

CONFERENCE CALL

MEETING CALLED BY	Lighthouse Youth Services HR Committee
TYPE OF MEETING	Conference Call
FACILITATOR	Aaron Taylor, Kim Sherwood, Debbie Fisher
NOTE TAKER	Kim Sherwood & Aaron Taylor
TIMEKEEPER	Debbie Fisher
ATTENDEES	Via Phone: Donna Eby, Ken Feldmann, Bob Zepf, Debbie Fisher
THOSE ABSENT	Kevin McDonnell, Lisa O'Brian, Dan Pfau, Paul Haffner, Cathy Goold, Judy Oakman

Agenda topics

MARKET CONDITIONS

KIM SHERWOOD

DISCUSSION	Recent volatility. Per First Trust piece, average correction of S&P500 since 1980 has been approximately 14% (Powerpoint page 10)	
CONCLUSIONS	Stay the course and continue to invest. LFG has numerous illustration reinforcing this concept and can supply Lighthouse with promotional pieces if a participant needs information and reassurance	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
No action to be taken	n/a	n/a

ENVESTNET REPORTING

KIM SHERWOOD

DISCUSSION	High percentage allocated to target date funds (Plan's default investment option) Source: Envestnet Report	
Comment was made regarding target dates funds with a past target year and their allocation.		
CONCLUSIONS	Further discussion on past target date funds and their allocation will be done in the next investment committee meeting.	
Education for participants might be in order to explain allocation of these target date funds.		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Research allocation of target date funds	Aaron Taylor / Kyle Redmond	Next Meeting

FEE ANALYSIS

AARON TAYLOR

DISCUSSION	Current investment fee analysis – remains at 0.70%	
CONCLUSIONS	No further action now, but will continue to monitor and benchmark against 401(k) plans of similar size	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Obtain benchmarking statistics for plan and advisor fees	Aaron Taylor	Next Meeting

FLAGGING FUNDS

KIM SHERWOOD

DISCUSSION	Review previous and current flagging funds and their history (Chart: PowerPoint page 13)	
<u>Funds with Assets: Watch List:</u>		
(1) Fidelity Advisor Short -Term Bond,		

(2) <i>Lord Abbett Value Opportunities I</i> , (3) <i>JP Morgan Small Cap Value R5</i> , (4) <i>Nuveen NWQ Small-Cap Value I</i> , (5) <i>Fidelity Advisor Real Estate I</i>		
Funds without Assets: Action List		
(1) Allianz NFG Dividend Value Inst - Flagging for 4 quarters (2) Thornburg Core Growth R5 – Flagging for 4 quarters (3) Fidelity Advisor Leverage Company Stock I – Flagging for 4 quarters (4) Nuveen NWQ Small-Cap R3 – Flagging for 2 quarters (5) MFS Equity Opportunities R2 – Flagging for 2 quarters		
CONCLUSIONS	Those funds flagging for 4 consecutive quarters should be removed and/or replaced based on process	
Fund duplication has occurred in the plan. Recommending removal of flagging, duplicated funds containing no assets: (1) MFS Equity Opportunities R2 (2) Nuveen NWQ Small-Cap R3		
Current Flagging Funds: Recommending NO ACTION due to short time on the watch list		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Removal of flagging and duplicated funds	Investment Committee	Next Meeting

FIDELITY SHORT TERM BOND I

KIM SHERWOOD

DISCUSSION	First time on watch list	
Fund is lagging in the 1, 3, and 5-year return categories against peers		
CONCLUSIONS	It is a short-term bond fund with relatively decent yield (1.23% Source: Yahoo Finance)	
First time on watch list		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	n/a	n/a

LORD ABBETT VALUE OPP.

KIM E SHERWOOD

DISCUSSION	First time on watch list	
2017 performance is bringing down 1, 3, and 5-year returns		
Long term manager tenure		
CONCLUSIONS	Since this is the first time on the watch list, and 2017 returns fell into the 91 st percentile against peer versus previous years near top third percentile, we are recommending no action.	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	n/a	n/a

JP MORGAN SMALL CAP R5

KIM E SHERWOOD

DISCUSSION	Been on watch list since 3Q2017	
2017 performance is bringing down 1, and 5-year returns.		
Long term manager tenure (12.84 years)		
Small fund balance: \$481.07		
CONCLUSIONS	The small cap funds can be rather volatile, and can move in and out of favor quickly.	
Based on the above, we are recommending NO ACTION.		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	n/a	n/a

NUVEEN SMALL CAP VALUE

KIM E SHERWOOD

DISCUSSION	Been on watch list since 3Q2017	
2017 performance is bringing down 3, and 5-year returns		
Long term manager tenure		
CONCLUSIONS	2017 returns fell into the 56 st percentile against peer versus previous years near top third percentile, we are recommending no action.	
Only slightly out of the 1-year flagging criteria of 50% above its peers		
We are recommending NO ACTION		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	n/a	n/a

FIDELITY ADVISOR REAL ESTATE

KIM E SHERWOOD

DISCUSSION	Been on watch list since 2Q2017	
This is a sector fund and is over weighted in storage facilities (Source: Morningstar)		
2016 & 2017 returns have brought down 1, 3, and 5-year returns.		
CONCLUSIONS	Has been on the watch list for 3 consecutive quarters	
Good returns PRIOR to 2016		
Continue to monitor and if present on the watch list for a fourth consecutive quarter, recommendation would be for removal.		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Monitor for 1 more quarter. If present on watch list for 1Q2018 – Remove	Investment Committee	Next Meeting

FUND ADDITIONS

KIM E SHERWOOD

DISCUSSION	American Funds Balanced	
Good long-term returns (exception: 2015)		
Morningstar 5-star fund		
Good addition to fund line up as a more equally weighted asset allocation fund		
CONCLUSIONS	Recommendation would be to add this fund in the plan	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Approve Fund Addition	Investment Committee	Next Meeting

FUND ADDITIONS

KIM E SHERWOOD

DISCUSSION	Loomis Sayles Core Plus Bond Fund	
Previous recommendation was Metropolitan West Total Return Bond Fund: Recent returns have pushed % ranking against peers below the 50% benchmark for flagging criteria.		
Good long-term track record. YTD rank in category is 7.		
Bond fund with longer durations might help with increasing choices in fixed income		
CONCLUSIONS	Recommendation would be to add this fund in the plan	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Approve Fund Addition	Investment Committee	Next Meeting

Historic watch list results (rolling 4 quarters):

FUND NAME	Q1 2017	Q2 2017	Q3 2017	Q4 2017
FA Freedom 2060	X	X		
MFS Equity Opportunities R4	X	X		
FA Value Fund I	X			
FA Small Cap I		X	X	
FA Real Estate I		X	X	X
JPMorgan Small Cap Value R5			X	X
Nuveen NWQ Small Cap Value I			X	X
FA Short Term Bond				X
Lord Abbett Opportunities I				X
AllianzGL NFJ Dividend Value Instl*	X	X	X	X
MFS Equity Opportunities R2*			X	X
Thornburg Core Growth R5*	X	X	X	X
Fidelity Advisor Leveraged Co Stkl*	X	X	X	X
Nuveen NWQ Small Cap Value R3*			X	X