

Lighthouse Youth Services – 1Q2018

MINUTES

MAY 8, 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: Ken Feldmann, Kevin McDonnell, Bob Zepf, Paul Haffner, Debbie Fisher
THOSE ABSENT	Donna Eby, Lisa O'Brian, Dan Pfau, Cathy Goold, Judy Oakman

Agenda topics

MARKET CONDITIONS/PLAN SERVICING

AARON TAYLOR

DISCUSSION	Education meetings held for employees	
CONCLUSIONS	Coordinated between Aaron Taylor and Tianna Johnson, meetings were held at Mecum House (2 meetings on 4/10), the main office (1 meeting on 4/18) and New Beginnings (1 meeting on 4/19)	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	Aaron Taylor	This Meeting

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. Discussion around 86% of assets in target date funds (which is typical as this is the default investment. Definition of "to" and "through" target date funds explained to committee. Fidelity's are "through" funds.	
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)	
Funds with Assets: Watch List:		
<ol style="list-style-type: none"> 1. <i>Fidelity Advisor Short -Term Bond, (FBNIX)</i> 2. <i>Fidelity Advisor Freedom 2060 (FDKQX)</i> 3. <i>MFS Equity Opportunities R4 (SRFGX)</i> 4. <i>Fidelity Advisor Stock Selector All Cap (FBRNX)/Fidelity Advisor Value (FVIFX)</i> 5. <i>Lord Abbet Value Opportunities (LVOYX)</i> 6. <i>JP Morgan Small Cap R5 (JSVRX)</i> 7. <i>Fidelity Advisor Real Estate I (FHEIX)</i> 		
CONCLUSIONS	Recommending No Action on all flagging funds except for the Fidelity Advisor Real Estate	
Recommending removal of the Fidelity Advisor Real Estate fund and replacing with Principal Real Estate Securities (PIREX)		
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 – Debbie to poll the committee	Next Meeting

FBNIX

FIDELITY SHORT TERM BOND I

KIM SHERWOOD

DISCUSSION	Been on Watch List since 4Q2017 – Two quarters on the Watch List	
Fund is lagging in the 1, 3, and 5-year return categories against peers		
Because of the short maturity (Average duration of 1.69 yrs) recent rate increase may help increase yield. If we enter a rising interest rate environment, short term duration funds may hold up better than long-term duration funds.		
CONCLUSIONS	It is a short-term bond fund with relatively decent yield (1.33% Source: 05/04/2018 Yahoo Finance)	
Second Quarter on Watch List – Does not meet criteria for removal		
Rising interest rates are helping performance: YTD 46% Rank in Category		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	NA	NA

FDKQX

FIDELITY FREEDOM 2060

KIM E SHERWOOD

DISCUSSION	Has been on the action list in the past.	
Fell off of the Action list 09/30/2017, and returned to the Watch list 03/31/2018		
One flag for was not having \$100Mil in the plan. As of 04/30/2018, Morningstar reported the plan had \$102Mil. Therefore, this should help eliminate one flagging issues		
CONCLUSIONS	Does not fit criteria for removal at this time. Continue to watch	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	NA	NA

SRFGX**MFS EQUITY
OPPORTUNITES R4****KIM E SHERWOOD**

DISCUSSION	Has found the Watch List in the past, but has not entered Removal territory.	
2017 was a poor showing (78% Rank in Category), and YTD performance (as of 04/30/2018) is lagging (97% Rank in Category)		
Per Morningstar Analysis: Lead manager Matthew Krummell and MFS' quantitative team took over this fund in February 2010 after MFS removed the fund's prior subadvisor, Valley Forge Capital Advisors. Krummell and team implemented a new investment process that tries to do better in a variety of market environments by tapping research from MFS' fundamental and quantitative equity teams. The portfolio only owns stocks that MFS' multifactor models rank in the top 10% of a 6,000 stock universe and that MFS' well-regarded fundamental analyst team rates as buys. That helps the managers settle on 40 to 50 high-conviction stock ideas. The team sells stocks when their quant rankings fall out of the top 10% or the fundamental analysts downgrade them. While the fund's process is well-codified, the rules-based approach entails high portfolio turnover, which adds trading and tax costs. Moreover, nearly all assets are in share classes with above-average or high fees. Lowering expenses would better serve investors.		
CONCLUSIONS	This fund has found the Watch List in the past, but tends to recover and fall off of the list.	
Continue to monitor to see if performance rebounds and does not drag down the 3-year and the 5-year averages.		
We are recommending NO ACTION		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	NA	NA

FBRNX**FIDELITY ADVISOR STOCK
SELECTOR ALL CAP****KIM E SHERWOOD**

DISCUSSION	First Time on Watch List	
2017 showed a lagging performance with a 66% Rank in Category, however still produced a 25.20% return		
YTD		
CONCLUSIONS	No significant changes have happened in the portfolio or management	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	NA	NA

FVIFX**FIDELITY ADVISOR VALUE I****KIM E SHERWOOD**

DISCUSSION	First Time on Watch List since 03/31/2017	
2017 performed well among it's peers (26%)		
YTD performance is lagging among peer (83%) which may create future flags.		
CONCLUSIONS	No change at this time. Continue to monitor for manager change and performance ranking.	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	NA	NA

LVOYX**LORD ABBETT VALUE OPP.****KIM E SHERWOOD**

DISCUSSION	Been on Watch List since 4Q2017 – Two Quarters on the Watch List	
	Management change may help future performance. YTD Performance put it in the 88 th percentile amongst peers	
	Long term manager tenure	
CONCLUSIONS	Does not fit criteria for removal at this time. Continue to watch	
Morningstar Analyst Note Jan 23, 2018		
Daria L. Foster, managing partner at Lord Abbett, has announced her intention to retire on March 31, 2018. Douglas B. Sieg, who currently serves as a partner at the firm and leads its client services effort, will assume the managing partner position effective April 1, 2018. Foster, a 28-year veteran of the firm, has served as its managing partner since 2007. It is unlikely that this leadership change will have a material impact on the firm's stewardship practices or investment team. Therefore, it will not affect the Positive Parent rating for the firm nor our current Morningstar Analyst Ratings for its funds.		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	n/a	n/a

JSVRX**JP MORGAN SMALL CAP R5****KIM E SHERWOOD**

DISCUSSION	Been on watch list since 3Q2017 (3 Quarters)	
	2017 performance is bringing down 1, and 5-year returns.	
	Long term manager tenure (12.84 years)	
	Small fund balance: \$481.07	
	YTD (04/30/2018) is top quartile (22%)	
CONCLUSIONS	The small cap funds can be rather volatile, and can move in and out of favor quickly.	
	Recent performance could remove this fund from flagging in future quarters	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
NO ACTION AT THIS TIME	n/a	n/a

FHEIX**FIDELITY ADVISOR REAL ESTATE****KIM E SHERWOOD**

DISCUSSION	Been on watch list since 2Q2017 – ACTION NEEDED	
	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 4 consecutive quarters	
	Good returns PRIOR to 2016	
	Recommend replacing with Principal Real Estate Securities (PIREX) for the following reasons: (per the 11/22/2017 Morningstar analysis report)	
	<ol style="list-style-type: none"> 1. Long term management team that has shown strong track record 2. Selection process uses a bottom up fundamental analysis. 3. In the 10 calendar years from 2007 through 2016, the fund beat its category five times, including three years in the top quartile and two in the top decile, and trailed it five times, including only one bottom-quartile year 4. As of November 2017, almost 80% of this fund's assets were in the R6 and Institutional shares. Their expense ratios of 0.83% and 0.88% ranked in the second-cheapest quintiles of their peer groups, earning the fund a Positive rating for Price. 5. Through October 2017, its five-, 10-, and 15-year returns all ranked in the top decile of the real estate category, with the 15-year returns ranking in the top 1%. It also ranks in the category's top decile since March 1, 2001, the inception date of the Institutional shares. 	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Remove fund and replace with Principal Real Estate Securities (PIREX)	Investment Committee	Next Meeting