

# Lighthouse Youth Services – 2Q2018

MINUTES

AUGUST 14, 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, Debbie Fisher
THOSE ABSENT	Donna Eby, Lisa O'Brian, Amber Simpson, Paul Haffner, 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

### TARGET DATE FUND DISCUSSION

AARON TAYLOR

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 – Fee is at 0.69% of assets	
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

## STABLE VALUE FUND DISCUSSION

**AARON TAYLOR**

<b>DISCUSSION</b>	Question of what balances exists in the Stable Value Fund and who is invested. Does this warrant further investigation?	
<b>CONCLUSIONS</b>	It was discovered that the total plan balance in Stable Value is less than 2% and only 9 participants are invested. (170k in participant accounts and 20k worth of forfeitures) . No education to employees necessary.	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	Aaron Taylor	This Meeting

## FLAGGING FUNDS

**KIM E SHERWOOD**

<b>DISCUSSION</b>	Review previous and current flagging funds and their history (Chart: PowerPoint page 12)	
<u>Funds with Assets: Watch List:</u>		
<ol style="list-style-type: none"> <li>1. <i>Fidelity Advisor Short -Term Bond, (FBNIX)</i></li> <li>2. <i>MFS Equity Opportunities R4 (SRFGX)</i></li> <li>3. <i>Fidelity Advisor Stock Selector All Cap (FBRNX)/Fidelity Advisor Value (FVIFX)</i></li> <li>4. <i>Fidelity Advisor Value (FVIFX)</i></li> <li>5. <i>Lord Abbet Value Opportunities (LVOYX)</i></li> <li>6. <i>JP Morgan Small Cap R5 (JSVRX)</i></li> <li>7. <i>Fidelity Advisor Small Cap I (FSCIX)</i></li> <li>8. <i>Fidelity Advisor Diversified Intl I (FDVIX)</i></li> </ol>		
<b>CONCLUSIONS</b>	Recommending No Action on all flagging funds	
Current Flagging Funds: Recommending NO ACTION due to short time on the watch list		
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	Investment Committee	Next Meeting

**FBNIX**

## FIDELITY SHORT TERM BOND I

**KIM E SHERWOOD**

<b>DISCUSSION</b>	Been on Watch List since 4Q2017 – Three 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 1.75 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. Duration did increase from last meeting from 1.66 to 1.75		
<b>CONCLUSIONS</b>	<ul style="list-style-type: none"> <li>• It is a short-term bond fund with relatively decent yield (1.33% Source: 05/04/2018 Yahoo Finance)</li> <li>• Current yield: 1.46% (Source: 08/010/2018 Yahoo Finance)</li> <li>• <b>Yield has increased from last meeting</b></li> </ul>	
Third Quarter on Watch List – Does not meet criteria for removal		
Rising interest rates are helping performance: YTD 53% Rank in Category Rank in category did fall from 46% to 53% since last meeting		
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	NA	NA

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

<b>DISCUSSION</b>	Has found the Watch List in the past, but has not entered Removal territory.	
	<ul style="list-style-type: none"> <li>2017 was a poor showing (78% Rank in Category), and</li> <li>YTD performance as of 04/30/2018 is lagging (97% Rank in Category)</li> <li>YTD performance as of 08/10/2018 is lagging (97% Rank in Category)</li> </ul>	
	<p><b>Per Morningstar Analysis:</b> 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.</p> <ul style="list-style-type: none"> <li>Has a high turnover – 114%</li> </ul>	
<b>CONCLUSIONS</b>	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	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	NA	NA

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

<b>DISCUSSION</b>	2 <sup>nd</sup> quarter on the watch list	
	<ul style="list-style-type: none"> <li>2017 showed a lagging performance with a 66% Rank in Category, however still produced a 25.20% return YTD</li> <li>YTD (08/09/2018) is showing lagging returns with a 7.51% and 77% amongst peer group</li> </ul>	
<b>CONCLUSIONS</b>	No significant changes have happened in the portfolio or management	
	<ul style="list-style-type: none"> <li>Continue to monitor for management changes and improved investment returns</li> </ul>	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	NA	NA

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

<b>DISCUSSION</b>	2 <sup>nd</sup> quarter on the watch list	
	<ul style="list-style-type: none"> <li>2017 performed well among its peers (26%)</li> <li>YTD performance is lagging among peer (83%) which may create future flags.</li> </ul>	
	Per the Morningstar Analysis, Christopher Franz on 0228/2018 "Fidelity Advisor Value's team-managed structure doesn't stand out and hasn't added value, warranting a Morningstar Analyst Rating of Neutral."	
<b>CONCLUSIONS</b>	No change currently.	
	<ul style="list-style-type: none"> <li>Continue to monitor for manager change and performance ranking.</li> </ul>	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	NA	NA

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

<b>DISCUSSION</b>	Been on Watch List since 4Q2017 – Three Quarters on the Watch List	
	<ul style="list-style-type: none"> <li>YTD (08/09/2018) performance is 3.40% and helping to move up in the peer group to 64%</li> </ul>	
	Long term manager tenure	
<b>CONCLUSIONS</b>	Does not fit criteria for removal at this time. Continue to watch	
<b>Morningstar Analyst Note Jan 23, 2018</b>		
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.		
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	n/a	n/a

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

<b>DISCUSSION</b>	Been on watch list since 3Q2017 (4 Quarters) – Recommendation is to replace	
	<ul style="list-style-type: none"> <li>2017 performance is bringing down 1, and 5-year returns.</li> <li>Long term manager tenure (12.84 years)</li> <li>Small fund balance: \$219</li> <li>YTD (08/09/2018) is showing a peer group ranking of 29%</li> </ul>	
<b>CONCLUSIONS</b>	The small cap funds can be rather volatile and can move in and out of favor quickly. Small caps. Appear to becoming back in favor due to recent talk of trade wars and tariffs.	
	Recent performance could remove this fund from flagging in future quarters	
	<ul style="list-style-type: none"> <li>Report is suggesting replacement; however, 2017 returns are cause a drag on all yearly figures.</li> <li>The fund is return to favor and might not be on the watch list next quarter.</li> <li>With the fund showing a small balance, and the possibility the fund may come off the watch list next quarter, the suggestion would be to keep the fund in the plan based on long term manager tenure, and past returns</li> </ul>	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	n/a	n/a

**FSCIX****FIDELITY ADVISOR SMALL CAP I****KIM E SHERWOOD**

<b>DISCUSSION</b>	Recently was added to the watch list after two quarters of meeting criteria	
	The 2017 performance pull the fund off of the watch list which it was on since 2Q2017.	
	There is a manager change coming in June 2019.	
	2016 returns pushed this fund into the 98% in peer group. It rebounded in 2017 to 31%, but YTD (08/09/2018) is showing a 78% in peer group.	
<b>CONCLUSIONS</b>	Continue to monitor, however, 2016 and 2018 returns, if they continue, will cause further discussion of removal in future quarters.	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	Investment Committee	Next Meeting

**FDVIX**

**FIDELITY ADVISOR  
DIVERSIFIED INTL I**

**KIM E SHERWOOD**

<b>DISCUSSION</b>	First time on watch list	
2016, 2017, and 2018 YTD, underperforming peer group (54%, 77%, 84% respectively)		
<b>CONCLUSIONS</b>	2017, and 2018 returns (if they don't improve) might affect trailing returns and this fund may be the discussion of remove in the future	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE</b>
NO ACTION AT THIS TIME	Investment Committee	Next Meeting