LEBEL & HARRIMAN LLP
Honest Financial Advice ~ Inspired Solutions

Retirement Times

NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS AND FIDUCIARIES

Volume IX | Number X | October 2016

The Scorecard – A Former Portfolio Manager's Perspective*

Geoff Keeling, CFA, Director, Investment Research

I began my investment career in 1995 as an Equity Analyst at AIM Investments and later managed the Invesco Large Cap Growth fund for 12 years. During that time, I had exposure to and was judged by many investment scoring systems. I always had questions about their methodology and was often frustrated by their shortcomings.

"Why doesn't this scoring take risk into consideration?"
"Why are there funds with over 50 percent mid cap exposure in my peer group?"

Asset Allocation	Assets	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
			Risk Level	Style Diversity	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	SR Rank	(2pt. max)	3/31 2014	12/31 2013	9/30 2013	6/30 2013
Asset Allocation															
Moderate															
Manning & Napier Pro-Blend Extnd Term I (Default)	$575,785.00	MNBIX	1	1	1	0	0	0	1	0	2	6	7	6	9
			10.5	67.0/ 33.0	95.7	10.5/ 15.0	98.7/ 105.6	-0.37	34.0	60.0		MOD	MA	MOD	MOD

Active	Assets	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
			Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	3/31 2014	12/31 2013	9/30 2013	6/30 2013
U.S. Equity															
Large Cap Value															
MassMutual Select Large Cap Value Adm	$578,587.00	MLVLX	1	1	1	0	0	0	0	0	1	4	3	3	3
			-25.8/ 83.8	13.2	95.3	15.0/ 19.1	91.1/ 97.6	-0.81	92.0	93.5	T	LCV	LCV	LCV	LCV
MassMutual Select Large Cap Value R3	$871,235.00	MLVNX	1	1	1	0	0	0	0	0	1	4	3	3	3
			-27.6/ 84.7	13.2	95.4	15.0/ 18.5	90.0/ 99.2	-1.01	96.0	96.5	T	LCV	LCV	LCV	LCV
Invesco Comstock A		ACSTX	1	1	1	1	1	1	1	1	2	10	10	10	10
			-67.2/ 80.3	12.4	97.5	15.1/ 22.4	101.5/ 99.3	0.26	20.5	21.5		LCV	LCV	LCV	LCV
Large Cap Blend															
PIMCO StocksPLUS A	$543,677.00	PSPAX	1	1	1	1	1	1	1	1	2	10	10	10	10
			-9.2/ 88.6	6.2	97.9	15.7/ 25.6	112.9/ 102.4	1.47	4.0	1.5		LCB	LCB	LCB	LCB
Large Cap Growth															
MassMutual Select Growth Opps R5	$378,768.00	MGRSX	1	1	1	1	1	1	1	1	2	10	10	10	10
			100.0/ 80.8	18.0	92.7	15.8/ 26.2	112.6/ 97.5	1.03	2.0	1.0		LCG	LCG	LCG	LCG
MassMutual Premier Cap Apprec Adm	$121,347.00	MCALX	1	1	1	0	0	0	0	0	1	4	4	3	3
			100.0/ 83.1	2.6	97.4	15.4/ 18.3	96.5/ 115.0	-1.28	81.5	95.5	T	LCG	LCG	LCG	LCG

Data and values are not current and are for illustrative purposes only. Past performance is not indicative of future results.

As I started to learn about the Scorecard™, I was highly impressed with the methodology that Chief Investment Officer, Jeff Elvander, created. I believe it truly paints a complete picture of a manager and solves for the deficiencies that may occur in other systems. The Scorecard does what it is intended to do, which is identify skillful managers. Think about what the 10-point score tells you about a manager.

- Style confirms that a manager is acting and investing according to their stated objective.
- Risk/return metrics reveal a level of skill and if shareholders are compensated for the amount of risk taken.
- Peer group rankings measure the manager on an absolute and risk-adjusted basis compared to peers.
- Additionally, the qualitative factors are informative regarding the manager's tenure and fees.

I analyzed the various methodologies used to rank different types of investments including target date funds (TDFs). I discovered not only is the Scorecard Methodology for scoring TDFs vastly superior, but other systems are flawed

366 US Route One
Falmouth, ME 04105
lebelharriman.com

P: 888-879-5181
F: 207-773-3814

The opinions expressed in this commentary are those of the author. This is for general information only and is not intended to provide specific investment advice or recommendations for any individual. It is suggested that you consult your financial professional, attorney or tax advisor with regard to your individual situation. Comments concerning the past performance are not intended to be forward looking and should not be viewed as an indication of future results.

at their cores.* For example, many other systems group TDFs by "vintage." In other words, they compare all funds that happen to have the same target retirement date to one another with no regard to their asset allocation or risk level.

This means that funds with 50 percent equities exposure are compared to funds with 20 percent equities exposure. This is like comparing apples and oranges and is misguided and can lead to plan sponsors BUYING HIGH and SELLING LOW.

In some systems, TDFs with aggressive glidepaths (a higher equity allocation) will score better in bull markets and TDFs with conservative glidepaths (lower equity allocations) will score better in bear markets. The Scorecard on the other hand, creates custom peer groups and benchmarks based on risk level to ensure we are comparing apples to apples in our TDF scoring. TDFs are the most important investment in the retirement landscape at this time since the majority of participant contributions are flowing there. In my opinion, it is disheartening that the rest of the industry is using a flawed scoring approach with this vital investment type.

Over the last couple of years, I have found it instrumental in identifying skillful managers for the plan sponsors with which I work. Through qualitative research, I have routinely found investments that score well on the Scorecard with consistent performance, long-tenured, cohesive management teams and well-defined processes that are strictly adhered to and have disciplined risk controls in place. The use of median peer group ranks and information ratio in the Scorecard reward consistency. My goal is to find consistent performers with a repeatable process that derives alpha primarily through security selection. I have found that the Scorecard reliably leads me to these types of managers.

In my experience, the Scorecard has proven to be an indispensable tool. Besides the ability to discover skillful managers, the fact that the Scorecard System is cohesive with the investment policy statement provides an objective institutional process and iron-clad fiduciary protection. The Scorecard is also effective with plan sponsors regardless of their level of investment sophistication. The simple 10-point scoring system is easy for committee members to understand and the underlying institutional analytics engage even the most sophisticated committee members with investment or finance backgrounds.

My admiration for the Scorecard has only strengthened as I have used the tool in practice. I believe it is by far the most comprehensive, institutional-quality scoring system in the marketplace.

~ Geoff Keeling, CFA, Director of Investment Research

About the Author Geoff Keeling, CFA, Director of Investment Research

Based in Aliso Viejo, CA, Geoff is director of investment research. He utilizes his deep asset management experience to help provide best-in-class investment due diligence consulting to plan sponsor clients. Geoff plays an integral role on the Investment Committee, where all quantitative and qualitative aspects of the investment due diligence process are vetted and discussed when providing manager recommendations. He has over 15 years of investment experience. Geoff was previously a managing director and senior portfolio manager with Invesco in Houston. He was a lead manager on the Invesco Large Cap Growth Fund since its inception and managed over $3 billion in client assets. During his time at Invesco, Geoff was featured in Investor's Business Daily and appeared on CNBC. He began his investment career in 1995 as an equity analyst for AIM Investments. He graduated from the University of Texas at Austin with a Bachelor of Business Administration in finance.

Waiver of 60-Day Rollover Requirement

The Internal Revenue Service (IRS) allows distributions to be excluded from income if they are rolled over to an eligible retirement plan or Individual Retirement Account (IRA) within 60 days. Revenue Procedure 2016-47 offers additional guidance, as well as a self-certification process that details how a taxpayer could accomplish a rollover that does not meet the 60-day requirement under certain circumstances.

Conditions for Written Self-Certification

Before a taxpayer may self-certify that the 60-day waiver has been met, the following conditions must be satisfied:

- No prior IRS denial
- Rollover must be made as soon as practicable. This requirement is deemed to be satisfied if made within 30 days after one of the reasons below no longer prevents the taxpayer from making the rollover.
- 60-day deadline missed due to one or more of these 11 approved reasons:
    - Receiving or distributing financial institution error
    - Misplaced and never cashed check
    - Taxpayer mistakenly believed money was already invested in eligible retirement plan
    - Taxpayer's principal residence was severely damaged
    - Taxpayer's family member died
    - Taxpayer or family member was seriously ill
    - Taxpayer was incarcerated
    - Foreign country imposed restrictions
    - Postal error
    - Distribution due to a levy under §6331 and the proceeds of levy have been returned to the taxpayer
    - Party making the distribution delayed providing required information despite the taxpayer's reasonable efforts to obtain the information

IRA Requirement

Currently, IRA trustees report rollover contributions received for that year on a Form 5498, *IRA Contribution Information*. The IRS intends to update Form 5498 instructions to require that IRA trustees also report rollovers that are accepted after the 60-day deadline. More guidance is expected once instructions are released.

Next Steps

The Revenue Procedure includes a model self-certification for taxpayers to use. Effective August 24, 2016, the plan administrator or IRA trustee may rely on the taxpayer's self-certification in determining whether the 60-day waiver has been satisfied until or unless the IRS states otherwise as a result of an audit; or, the IRA trustee or plan administrator has actual knowledge to the contrary.

Principal℠

This article was written by Principal Financial Group and originally published in their September 2016 Compliance Newsletter.

What to Expect When Transitioning Providers

The thought of moving from one service provider to another may be intimidating and overwhelming. It doesn't have to be. If you work with an experienced conversion team, the process should be seamless.

If a plan sponsor is unhappy with its current provider's services and technology, it may very likely want to switch providers. Furthermore, if the plan sponsor feels it or its participants are not receiving sufficient value for the fees being charged, it may explore the idea of moving to a different provider.

To ensure the transition from the incumbent provider to the new provider happens smoothly, and with as little disruption to you and your staff, it is important to keep the following in mind:

- Conversions are typically a 90-day process.
- You will most likely be working with a conversion team of members from your advisor's firm, your provider or both.
- Creating and adhering to a conversion timeline is crucial.
- Constant communication is key. Be sure to set aside time in your schedule for a multitude of both regularly scheduled as well as impromptu phone calls and emails.
- Gather important plan documents that will be requested of you – signed Plan Document, Summary Plan Description (SPD), most current 5500, Adoption Agreement and all amendments.
- Your payroll department will play an important role in the conversion. Be sure to keep them in the loop throughout the process.

The conversion process encompasses a relatively brief time in the life of your retirement plan. Look forward to the enhancements a new provider brings to you and your participants.

COMMUNICATION CORNER: Company Veterans Win at Retirement

This month's memo shows participants that the longer they stay with their employer and contribute to their retirement plan, the more they will potentially save.

Please feel free to call or email Nate Moody, if you have questions or need assistance.

The target date is the approximate date when investors plan on withdrawing their money. Generally, the asset allocation of each fund will change on an annual basis with the asset allocation becoming more conservative was the fund nears target retirement date. The principal value of the funds is not guaranteed at any time including at and after the target date.

All investing is subject to risk, including the possible loss of the money you invest.

The RPAG Scorecard System is a ranking of funds in approximately 30 asset classes to identify skillful managers utilizing quantitative and qualitative factors. Scores range from 1 to 10.

The opinions expressed in this commentary are those of the author. This is for general information only and is not intended to provide specific investment advice or recommendations for any individual. It is suggested that you consult your financial professional, attorney, or tax advisor with regard to your individual situation. Comments concerning the past performance are not intended to be forward looking and should not be viewed as an indication of future results.

You should consider your options before rolling over retirement savings. Consider the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment.

Mutual funds are sold by prospectus only. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund. The fund prospectus provides this and other important information. Please contact your representative or the Company to obtain a prospectus. Please read the prospectus carefully before investing or sending money.

To remove yourself from this list, or to add a colleague, please email us at nmoody@lebelharriman.com or call (207) 773-5390.

A Proud Member of RPAG

Securities offered through ValMark Securities, Inc. Member FINRA, SIPC. Investment Advisory Services Offered Through ValMark Advisers, Inc. A SEC Registered Investment Advisor 130 Springside Drive Suite 300 Akron, Oh 44333-2431 Telephone: 800-765-5201

Lebel & Harriman, LLP is a separate entity from ValMark Securities, Inc. and ValMark Advisers, Inc.
Retirement Plan Advisory Group (RPAG) is a separate entity from ValMark Securities, Inc. and ValMark Advisers, Inc. 2012
ACR#211766 10/16