



**Minutes of the Open Session  
of the Investment Committee  
of the El Camino Hospital Board of Directors  
Monday, November 11, 2019  
El Camino Hospital | Conference Room A (ground floor)  
2500 Grant Road, Mountain View, CA 94040**

**Members Present**

John Conover  
Gary Kalbach, Chair  
Julia E. Miller  
Brooks Nelson  
Jack Po, MD, PhD\*\*

**Members Absent**

Nicola Boone, Vice Chair

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. <b>CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Investment Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Chair Gary Kalbach. A verbal roll call was taken. Committee member Jack Po, MD, PhD joined the meeting via teleconference at 6:00pm during agenda item 6 and Nicola Boone was absent. All other Committee members were present at roll call.	
2. <b>POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Chair Kalbach asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. <b>PUBLIC COMMUNICATION</b>	None.	
4. <b>CONSENT CALENDAR</b>	<p>Chair Kalbach asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p><b>Motion:</b> To approve the consent calendar: Minutes of the Open Session of the Investment Committee Meeting (8/12/2019); Minutes of the Open Session of the Joint Special Meeting of the Finance and Investment Committees (10/21/2019); and for information: FY20 Pacing Plan; CFO Report Out – Open Session Finance Committee Materials; Progress Against FY20 IC Goals.</p> <p><b>Movant:</b> Nelson <b>Second:</b> Conover <b>Ayes:</b> Conover, Kalbach, Miller, Nelson <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Boone, Po <b>Recused:</b> None</p>	<b>Consent calendar approved</b>
5. <b>REPORT ON BOARD ACTIONS</b>	Chair Kalbach referred to the recent Board approvals as further detailed in the packet. Cindy Murphy, Director of Governance Services, reported that the Board approved Resolution 2019-12 Authorizing Forward Starting Interest Rate Hedge at its November 6, 2019 meeting.	
6. <b>ROTATING TOPICS</b>	<p><b>Capital Markets Review and Portfolio Performance &amp; Tactical Asset Allocation Positioning and Market Outlooks</b></p> <p>Antonio DiCosola and Chris Kuhlman from Pavilion, a Mercer Practice, reported the following:</p> <p>As a follow up to the last meeting, Mr. Kuhlman reported that there is some ability to screen companies involved in the manufacture of opioids</p>	

from ECH's investment portfolio. He explained that, specific to the El Camino Surplus Cash Total Equity Composite, companies involved in the manufacture, distribution or retail sale of opioids represent ~1.5% of the \$422 million as of June 30, 2019 and the exposure is primarily in the Vanguard S&P 500 mutual fund, which securities cannot be screened. He also reported that two securities, Johnson & Johnson and CVS Health Corp, are separate account holdings that could be screened and they account for 0.4% of the Surplus Cash Total Equity Composite. He also noted that the international and emerging markets equity mutual funds have no exposure.

The Committee members discussed whether the Committee should recommend a revision to the Investment Policy that would require screening of these types of investments. Mr. Conover commented that it would be important not only to consider the percentage of ECH's portfolio invested in these types of companies, but also to consider the percentage of the company's revenue that is attributed to opioid manufacture, distribution or retail sale. Chair Kalbach commented that he would take a report to the Board in December and bring back information to the Committee at its next meeting regarding the Board's interest in screening these types of investments.

Mr. Kuhlman agreed to follow up at the next meeting about the operations (percentage of the company's revenue that is attributed to opioid, manufacture, distribution or retail sale) of Johnson and Johnson and CVS Health Corp.

Next, Mr. Kuhlman reviewed the Performance Summary for Q3 CY 2019 noting that U.S. large-cap equities and fixed income were strong performers, and explained that the drop in interest rates has been beneficial to fixed income. He also reported the main performance drivers continue to be a slowdown in global growth, dropping interest rates and geopolitical uncertainty. Moving to the Investment Scorecard Mr. DiCosola reported that the Cash Balance Plan is down 40 basis points and the Surplus Cash Fund is up 20 basis points for the quarter in relation to their respective benchmarks, but both continue to perform better than benchmark since inception. Mr. Kuhlman reviewed the Manager Asset Allocation and Performance. The Committee members discussed the volatility associated with Sands Large Cap Growth (Touchstone) and concluded that they should reassess if the tracking error is worth the return profile.

Mr. DiCosola reviewed the asset class diversification with the Committee, noting that global growth is holding a positive but falling trend with manufacturing broadly contracting and services remaining in expansion. He also noted that the US/China trade war escalation spurred a flight to quality across markets and pushed the 30-year Treasury yield to all-time lows. In response to questions from the Committee, Mr. DiCosola reported that one can't draw any conclusion about what effect impeachment of the U.S. President might have on the financial markets.

In response to Mr. Conover's question about investment in dividend paying companies, Mr. DiCosola indicated they would bring back information to support a discussion about that at the Committee's next meeting. There was also some discussion about the positive impact of the current full employment on the market.

Mr. DiCosola reported that the Direct Hedge Fund Portfolio has been a



	very positive performer in Q3 returning a positive 1.4%.	
<b>7. INVESTMENT POLICY REVIEW</b>	Iftikhar Hussain, CFO recommended no change to the Investment Policy at this time, pending the Board's discussion about investing in companies involved in the manufacture, distribution or retail sale of opioids at the December 11, 2019 meeting.	
<b>8. ADJOURN TO CLOSED SESSION</b>	<p><b>Motion:</b> To adjourn to closed session at 6:29pm.</p> <p><b>Movant:</b> Conover  <b>Second:</b> Nelson  <b>Ayes:</b> Conover, Kalbach, Miller, Nelson  <b>Noes:</b> None  <b>Abstentions:</b>  <b>Absent:</b> Boone  <b>Recused:</b> None</p> <p>Dr. Po was listening on the telephone conference but the rest of the Committee was not able to hear him and his vote, if any, was not counted.</p>	<i>Adjourned to closed session at 6:29pm</i>
<b>9. AGENDA ITEM 12: RECONVENE OPEN SESSION/ REPORT OUT</b>	<p>Open session was reconvened at 6:30pm. Agenda items 9-11 were addressed in closed session.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Investment Committee Meeting (8/12/2019) by a unanimous vote in favor of all members present (Conover, Kalbach, Miller, Nelson. Dr. Po was listening on the telephone conference but the rest of the Committee was not able to hear him and his vote, if any, was not counted).</p>	
<b>10. AGENDA ITEM 13: ADJOURNMENT</b>	<p><b>Motion:</b> To adjourn at 6:30pm.</p> <p><b>Movant:</b> Nelson  <b>Second:</b> Conover  <b>Ayes:</b> Conover, Kalbach, Miller, Nelson  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Boone  <b>Recused:</b> None</p> <p>Dr. Po was listening on the telephone conference but the rest of the Committee was not able to hear him and his vote, if any, was not counted</p>	<i>Meeting adjourned at 6:30pm</i>

Attest as to the approval of the foregoing minutes by the Investment Committee of El Camino Hospital.

  
 Gary Kalbach  
 Chair, Investment Committee

