



**Minutes of the Open Session of the
Investment Committee of the
El Camino Hospital Board of Directors
Monday, February 13, 2023
El Camino Hospital, 2500 Grant Road, Mountain View, California**

Members Present

Brooks Nelson, Chair
Nicki Boone
John Conover
John Zoglin

Members Absent

Peter Fung, MD

**via teleconference

Staff/ Guest Present

Carlos Bohorquez, Chief Financial Officer
Michael Walsh, Controller
Pierre Zamorano, Managing Partner, Veloz Partners
Kevin Novak, Senior Consultant, NEPC
Sam Austin, Partner NEPC
Samreen Salehi, Executive Assistant II

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER	The open session meeting of the Investment Committee of the El Camino Hospital Board of Directors (the "Committee") was called to order at 5:30 pm by Chair Brooks Nelson. A verbal roll call was taken. All members were present at roll call and participated in person except for Peter Fung, MD was absent. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Nelson asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Nelson asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled from the consent calendar.</p> <p>Motion: To approve the consent calendar: (a) Minutes of the Open Session of the Investment Committee Meeting on (12/14/2023) (b) Minutes of the Open Session of the Special Investment Committee Meeting on (01/25/2023) and for information; (c) Article(s) of Interest, (d) FY2023 Pacing Plan (e) Progress Against FY2023 IC Goals</p> <p>Movant: Boone Second: Conover Ayes: Boone, Conover, Nelson, Zoglin Noes: None Abstentions: None Absent: Fung Recused: None</p>	Consent Calendar Approved
5. REPORT ON BOARD ACTIONS	Carlos Bohorquez, Chief Financial Officer discussed the Report on Board Actions on behalf of Dan Woods, Chief Executive Officer as further detailed in the materials.	

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<p>6. CFO REPORT OUT</p> <p>(a) YTD FY2023 Operating / Financial Results (as of 12/31/2022)</p>	<p>Carlos Bohorquez, Chief Financial Officer presented the YTD FY2023 Operational/ Financial Results (as of 12/31/2022), and highlighted the following:</p> <ul style="list-style-type: none"> • December was challenging financial month: <ul style="list-style-type: none"> ○ Total revenue of \$119.9 million was favorable to budget by \$125K. This was driven by strong patient activity across the enterprise as indicated by the following: <ul style="list-style-type: none"> ▪ ADC (Average Daily Census) is 298 which was 16.4% favorable to budget and a 12.3% increase compared to the same period last fiscal year (FY). ▪ Gross charges: \$2.82 million is 7.6% favorable to budget and a 12.4% increase compared to the same period last FY. ▪ ED Visits: 38,966 is 21.4% favorable to budget and a 16.8% increase compared to the same period last FY. ○ Despite strong operating revenue for the month, operating EBIDA was unfavorable to budget by \$2.6 million. Unfavorable performance was attributed to lower than expected commercial payor mix, higher utilization of OT/premium pay and contract labor. • For the six months of the FY2023, operating EBIDA is favorable to budget by \$1.9 million. However, this is \$16.7 million lower than the same period last year. • Liquidity is stable, but lower than target by 79 days cash on hand and 91 days cash on hand lower than the same period last year. 	
<p>7. ROTATING TOPICS: (a) Capital Markets Review and Portfolio Performance</p>	<p>Kevin Novak, Senior Consultant NEPC, and Sam Austin, Partner NEPC presented the Capital Markets Review and Portfolio Performance and highlighted the following as further detailed in the materials:</p> <p><u>Capital Markets Review</u></p> <ul style="list-style-type: none"> • Deep losses were experienced across most asset classes, from safer to riskier assets selling off. Commodities and the strength of the US Dollar were exceptions in 2022. There was no place to hide last year, in part because assets began moving in lock-step with one another. Correlations between stocks and bonds moved into positive territory in 2022 for the first time in nearly 20 years. • Higher correlations and the broad sell-off meant that "diversified" portfolios did not fare well last year. 2022 was the 3rd worst year on record for a 60% equity / 40% fixed-income portfolio. • Inflation remained a focal point for investors. Inflation trended higher around the world in 2022, but did start to turn over and modestly decline as supply chain bottlenecks eased and demand softened slightly. The reality is that inflation in the US may normalize above expectations for quite some time. 	

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	<p><u>ECH Performance Update</u></p> <p>Surplus Cash Portfolio Performance:</p> <ul style="list-style-type: none"> • Portfolio assets ended 2022 at \$1.35 billion, a drop from \$1.5 billion at the beginning of the year, but \$70 million higher than the prior quarter. Asset allocation remained relatively close to policy targets. One exception was ECH's equity exposure, which underweights the equity target by ~10% and aligns with NEPC's views. <ul style="list-style-type: none"> ○ Surplus Cash returned 5.0% in Q4 and ended 2022 down ~12%. <ul style="list-style-type: none"> ▪ On an absolute basis, public equities drove the majority of the declines last year but drove ~90% of the gains in Q4. <ul style="list-style-type: none"> • Within equities, value managers (e.g. Barrow Hanley) protected capital more than growth managers (e.g. Sands). • Within fixed income, ECH managers were down in line with markets (~11%). • A relative bright spot last year was hedge funds, which generated a positive return of 50 bps and outperformed the broader hedge fund universe (which declined ~5%). ▪ On a relative basis, Surplus Cash trailed the benchmark by 20 bps in 2022. Relative results were mixed among managers, with US small caps and hedge funds outperforming. <p>Cash Balance Portfolio Performance:</p> <ul style="list-style-type: none"> • Cash Balance portfolio delivered similar results compared to Surplus Cash given the overlap in manager names. However, a large driver of the difference in return is the Cash Balance's higher allocation to equities. Pension returned 6.6% in Q4 and ended 2022 down 14.8%. <ul style="list-style-type: none"> ○ Hedge fund manager lineup in the Cash Balance is also very different vs. Surplus Cash. As a result, the Cash Balance did not experience the magnitude of benefit from these managers (Cash Balance hedge fund portfolio returned -7.1%) 	
<p>8. INVESTMENT COMMITTEE ADHOC RECRUITMENT: FINALIST INTERVIEW</p>	<p>The Investment Committee interviewed 4th Finalist: Robin Driscoll. Chair Nelson began the interview by asking Mr. Driscoll to do a 2-3 min introduction and then open for discussion and questions.</p>	
<p>9. ADHOC COMMITTEE: COMMUNITY MEMBER</p>	<p>The Investment Committee discussed the possible appointments of two Finalists to recommend for Board approval. The following results were tallied:</p>	<p><i>Recommendation of appointments of Ken Frier and</i></p>

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<p>DEBRIEF/APPOINTMENT</p>	<p><u>First Round of Voting: (Recommend for Appointment)</u></p> <p>Ken Frier Total Votes = 2 Diana Lieberman Total Votes = 1 Robin Driscoll Total Votes = 1 Jon Kissane Total Votes = 0</p> <p><u>Second Round of Voting: (Ranking)</u></p> <p>Boone: Robin Driscoll 1, Ken Frier 2 Conover: Robin Driscoll 1, Ken Frier 2 Nelson: Ken Frier 1, Robin Driscoll 2 Zoglin: Ken Frier 1, Diana Lieberman 2</p> <p>Motion: To recommend for board approval the appointments of Ken Frier and Robin Driscoll to the Investment Committee.</p> <p>Movant: Zoglin Second: Conover Ayes: Boone, Conover, Nelson, Zoglin Noes: None Abstentions: None Absent: Fung Recused: None</p>	<p><i>Robin Driscoll for Board approval.</i></p>
<p>10. FY2024 COMMITTEE PLANNING (a) Proposed FY2024 Committee Meeting Dates (b) Proposed FY2024 Committee Goals (c) Proposed FY2024 Committee Pacing Plan</p>	<p>The Committee discussed the FY2024 Proposed Meeting Dates, Proposed Pacing Plan, and Proposed Committee Goals. This agenda item is for discussion only.</p> <p>The FY2024 Committee Planning will be discussed and approved in the next Investment Committee meeting on May 8, 2023.</p> <p>Carlos Bohorquez, Chief Financial Officer stated one item to note is the Joint Investment and Finance Committee meeting is proposed to be moved to February instead of pacing this meeting in January. This allows for more time to capture the Long Range Financial/Capital Forecast as the Executive Capital Committee (ECC) is implementing a new process for the capital plan.</p>	
<p>11. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 7:04 pm.</p> <p>Movant: Zoglin Second: Boone Ayes: Boone, Conover, Nelson, Zoglin Noes: None Abstentions: None Absent: Fung Recused: None</p>	<p><i>Adjourned to closed session at 7:04 pm</i></p>
<p>12. AGENDA ITEM 16: RECONVENE OPEN SESSION/REPORT OUT</p>	<p>The open session reconvened at 7:29 pm. The Investment Committee approved the consent calendar which includes the Minutes of the Closed Session of the Investment Committee Meeting (12/14/2022) and the Minutes of the Closed Session of the Special Investment</p>	

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	Committee Meeting (01/25/2023) by a unanimous vote of all members present (Ms. Boone, Mr. Conover, Mr. Nelson Mr. Zoglin), except for Dr. Fung was absent.	
13. AGENDA ITEM 17: CLOSING COMMENTS	There were no closing comments.	
14. AGENDA ITEM 18: ADJOURNMENT	Motion: To adjourn at 7:30 pm. Movant: Zoglin Second: Boone Ayes: Boone, Conover, Nelson, Zoglin Noes: None Abstentions: None Absent: Fung Recused: None	<i>Meeting adjourned at 7:30 pm</i>

Attest as to the approval of the Foregoing minutes by the Investment Committee of the Board of Directors of El Camino Hospital:



 Samreen Salehi
 Executive Assistant II

Prepared by: Samreen Salehi, Executive Assistant II

Reviewed by: Carlos Bohorquez, Chief Financial Officer