

**Minutes of the Open Session of the
 Investment Committee Meeting of the
 El Camino Hospital Board
 Monday, November 14, 2016
 El Camino Hospital, Conference Room A
 2500 Grant Road, Mountain View, California**

Members Present

John Zoglin, Nicki Boone,
 Gary Kalbach, and
 Jeffrey Davis, MD.

Members Absent

John Conover,
 and Brooks Nelson.

Members Excused

A quorum was present at the El Camino Hospital Investment Committee on the 14th day of November, 2016 meeting.

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The meeting of the Investment Committee of El Camino Hospital (the "Committee") was called to order by Committee Chair John Zoglin at 5:30 p.m. Silent roll call was taken.	<i>None</i>
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Zoglin asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	<i>None</i>
3. PUBLIC COMMUNICATION	Chair Zoglin asked if there was any public communication to present. None were noted.	<i>None</i>
4. CONSENT CALENDAR ITEMS	<p>Chair Zoglin asked if any Committee member wished to remove any items from the consent calendar for discussion.</p> <p><u>Motion:</u> To approve the consent calendar (Open Minutes of the August 8, 2016 Investment Committee Meeting).</p> <p><u>Movant:</u> Kalbach</p> <p><u>Second:</u> Davis</p> <p><u>Ayes:</u> Boone, Davis, Kalbach, and Zoglin.</p> <p><u>Abstentions:</u> None</p> <p><u>Absent:</u> Conover, and Nelson</p> <p><u>Excused:</u> None</p> <p><u>Recused:</u> None</p>	<i>The Open Minutes of the August 8, 2016 Investment Committee Meeting were approved.</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Board Report as further detailed in the packet and asked the Committee if there were any questions or concerns and discussion ensued. The Committee expressed general agreement with the new Board Report format.	<i>None</i>

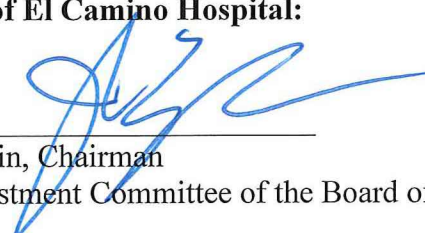
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6. EL CAMINO HOSPITAL FINANCIAL PERFORMANCE	<p>Ifthikhar Hussain, Chief Financial Officer, reviewed the Hospital's current financial performance with the Committee. Mr. Hussain detailed the inpatient volume, outpatient volume, and operating income to include:</p> <ul style="list-style-type: none"> • YTD September Inpatient discharges were 2.5% below budget. On the other hand, NICU, General Robotic Surgery, HVI, and Hips Ortho Surgery case volume showed increase ranging from 12% to 83% higher than budget. • YTD Outpatient Volume was below budget by approximately 3.0% • Operating margin for September was \$4.3M favorable to budget, \$13.5M favorable year to date. Both revenues and expenses are favorable compared to budget. The favorable Net Revenue variance is primarily due to improved rev cycle operations including reduction in denials, Blue Cross rate increase and improvement in charge capture and cash collections. Expenses are low in labor by \$1.7M due to favorable productivity and pending PRN rate increase, in addition to positive variances in supplies (+\$357K), leases and rentals costs (+\$88K), and utilities costs (+\$121K). <p>Mr. Hussain asked the Committee for feedback and a brief discussion ensued. The Committee asked what was driving these results. Mr. Hussain further highlighted improvements to include more efficient charge capture due to iCare implementation, employee engagement, and the Integrated Performance Improvement Project.</p>	
7. 2016 BONDS	<p>Chair Zoglin asked that Agenda Item #7 be pulled from the agenda.</p>	
8. INVESTMENT COMMITTEE SCORECARD AND PERFORMANCE REVIEW	<p>Antonio DiCosola, Pavilion Advisory Group, reviewed the Investment Committee Scorecard and reported the following:</p> <p>a. Scorecard: Mr. DiCosola reported that the Investment performance for the Surplus Cash portfolio was in-line with the benchmark for the quarter with a return of +2.8%, and that the portfolio has performed in-line with the benchmark since inception (Nov. 1, 2012) with a return of +4.9% annualized. The assets within the Surplus Cash account ended the quarter at \$773.8 million, significantly higher than the beginning of the quarter due to strong performance</p>	

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	<p>and an increase in cash from operations. Mr. DiCosola further reported that the Cash Balance Plan's performance was better than its benchmark for the quarter by 30 basis points with a return of +3.5%, and has outperformed its benchmark since inception. The since inception annualized return stands at +7.5%, 70 basis points ahead of its benchmark per year. The 403(b) balance has risen substantially and now stands at \$357.1 million, an increase of \$26.5 million, or 8% over the March 31, 2016 value.</p> <p>Mr. DiCosola also reviewed the Market Environment and market reaction to the U.S. election results, noting potential changes to infrastructure spending and tax policy reform. He further updated the Committee on recent developments at Pavilion.</p> <p>Chris Kuhlman, Pavilion Advisory Group, reviewed the Third Quarter Performance and Manager Performance as further detailed in the submitted materials to include the following:</p> <p>b. Surplus Cash: Mr. Kuhlman reported that the Surplus Cash portfolio returned +2.8% for the quarter, in-line with the benchmark return. Over the trailing one year period, the portfolio returned +7.1%, trailing the benchmark return by 40 basis points (bps). During the quarter, both manager results and the Plan's asset allocation positioning relative to its benchmark had a negligible impact on relative returns.</p> <ul style="list-style-type: none"> • Pavilion recommended no changes to the traditional asset manager lineup at this time. <p>c. Cash Balance Plan: The Cash Balance Plan returned +3.5% for the quarter, outperforming its benchmark by 30 basis points (bps). Over the trailing one year period, the Plan returned +8.5%, slightly trailing the benchmark by 10 bps. Outperformance during the quarter was driven by favorable manager results, as the Large Cap Equity, Market Duration Fixed Income, and Hedge Fund of Fund composites outpaced their respective benchmarks.</p> <ul style="list-style-type: none"> • Pavilion recommended no changes to the traditional asset manager lineup at this time. 	

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	<p>d. Hedge Fund: The Surplus Cash Hedge Fund Portfolio returned +1.6% during the third quarter, underperforming the HFRI Fund of Funds Composite Index by 80 basis points. The strong rebound experienced by hedge funds in the second quarter generally continued in the third quarter, with three of the four strategies delivering positive returns. The portfolio's underperformance relative to the benchmark was driven by the Relative Value and Equity segments which lagged their benchmarks by 150 and 390 basis points, respectively.</p> <ul style="list-style-type: none"> • Pavilion recommends redeeming from the following funds: Brevan Howard (Macro), Luxor (Equity), Pine River (Relative Value), and Fir Tree (Relative Value) • Pavilion recommends re-investing the proceeds in the following funds: Caxton (Macro), Atreaus (Macro), Davidson Kempner (Credit), and York (Credit). <p><i>Committee Members requested the following items of note:</i> <i>*Addition of inception dates on Fund Reporting.</i> <i>*Further discussion on the above hedge fund recommendations to be agendized for the February 13th meeting.</i></p> <p>Mr. DiCosola and Mr. Kuhlman asked the Committee for feedback and questions and a brief discussion occurred. A Committee member asked for clarification on liquidity terms of the hedge funds, specifically rolling lock-ups. Mr. DiCosola and Mr. Kuhlman addressed the process in further detail.</p>	
<p>9. ADJOURN TO CLOSED SESSION</p>	<p><u>Motion:</u> To adjourn to closed session at 6:35pm. <u>Movant:</u> Kalbach <u>Second:</u> Davis <u>Ayes:</u> Boone, Davis, Kalbach, and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> Conover, and Nelson <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>A motion to adjourn to closed session at 6:35 p.m. was approved.</i></p>
<p>10. AGENDA ITEM 12 RECONVENE OPEN SESSION/ REPORT OUT</p>	<p><i>Agenda Items 10 through 11 were conducted in closed session.</i> Chair Zoglin reported that the Closed Minutes of the August 8, 2016 Investment Committee were approved, and updated the Committee on the upcoming meetings.</p>	<p><i>None</i></p>

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11. AGENDA ITEM 13 ADJOURNMENT	<p><u>Motion:</u> To adjourn the Investment Committee meeting at 6:38 pm.</p> <p><u>Movant:</u> Boone</p> <p><u>Second:</u> Davis</p> <p><u>Ayes:</u> Boone, Davis, Kalbach, and Zoglin.</p> <p><u>Abstentions:</u> None</p> <p><u>Absent:</u> Conover, and Nelson</p> <p><u>Excused:</u> None</p> <p><u>Recused:</u> None</p>	<p><i>A motion to adjourn to the Investment Committee meeting at 6:38 pm was approved.</i></p>

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



John Zoglin, Chairman
ECH Investment Committee of the Board of Directors