

**Minutes of the Open Session of the
 Investment Committee Meeting of the
 El Camino Hospital Board
 Monday, May 8, 2017
 El Camino Hospital, Conference Room A
 2500 Grant Road, Mountain View, California**

Members Present

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

Members Absent
Members Excused

A quorum was present at the El Camino Hospital Investment Committee on the 8th day of May, 2017 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. <u>Motion:</u> To approve the consent calendar (Open Minutes of the March 6, 2017 Investment Committee Meeting and proposed FY18 Meeting Dates). <u>Movant:</u> Nelson <u>Second:</u> Conover <u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None</p>	<i>The Open Minutes of the March 6, 2017 Investment Committee Meeting and the proposed FY18 Meeting Dates were approved.</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet and noted the upcoming Board meeting to address the expansion of the current Board model, as well as the launch of the new strategic plan. Mr. Zoglin asked the Committee if there were any questions or concerns. None were noted.	<i>None</i>
6. EL CAMINO HOSPITAL FINANCIAL PERFORMANCE	Iftikhar Hussain, Chief Financial Officer, reviewed the Hospital's current financial performance with the Committee. Mr. Hussain detailed the inpatient volume, outpatient volume, operating income, and budget variance and monthly trends to	<i>None</i>

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	<p>include:</p> <ul style="list-style-type: none"> • March inpatient discharges exceed budget by 2.9% and 5.4% from PY; YTD discharge is lower than budget by 1.4%. With strong OP revenue, YTD adj. discharges are now ahead of budget. • Delivery, BHS and Rehab volume all lagging from budget but we see a volume increase in HVI (5%, particularly cardiac surgery cases), Spine surgeries (9%), and GYN cases (11%). • OP volume posted a strong month in March with a 10.3% higher than budget. YTD overall OP volume ahead of budget by 1.1% • Observed significant increase in OP surgery at both campuses in March (28%) as well as YTD (7.9%). • Endo cases (5.9%), Cancer Center, Infusion Center case volume also posted an all-time high volume in March which result a significant increase in gross charges. • Commercial mix improved from February from 40.4% to 41.5% as respiratory cases eased with the warm weather. YTD PM is still under budget due to higher Medicare. • Net days in AR are ahead of target and improved further in March. Total cash on hand is still at an all-time high of 418 days in March. <p>Mr. Hussain asked the Committee for feedback and a brief discussion ensued.</p> <p>Chair Zoglin asked for clarification on what was driving the Capital projection up \$30-\$35 million. Mr. Hussain noted he was currently waiting for information from Mr. King and would report back at the next Board meeting.</p>	
<p>7. INVESTMENT COMMITTEE SCORECARD AND PERFORMANCE REVIEW</p>	<p>Antonio DiCosola and Chris Kuhlman, Pavilion Advisory Group, reviewed the Investment Committee Scorecard, First Calendar Quarter Performance, and Manager Performance as further detailed in the submitted materials to include the following:</p> <p>a. Scorecard: Mr. DiCosola reported that Investment performance for both portfolios was strong this quarter with surplus cash outperforming its benchmark by 20 basis points, and cash balance outperforming its benchmark by 60 basis points. Mr. DiCosola also reported on manager performance rolling 3 year rankings vs. peers, and surplus cash composite and manager asset allocation and performance.</p> <p>b. Surplus Cash: Mr. Kuhlman noted that the Investment performance for the Surplus Cash Portfolio returned +3.3% for the quarter, outperforming its benchmark by 20 basis points (bps). For The FY 17 return was at benchmark at +6.4%. Outperformance during the quarter was driven by</p>	<p><i>The Investment Committee Scorecard and Performance Review Report were approved.</i></p>

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	<p>favorable manager results as the domestic equity, international equity, and fixed income composites outperformed their respective benchmarks. Notable outperformers included Large Cap Growth Manager Sands (+13.8%), which outperformed the Russell 1000 Growth Index by 490 bps, rebounding from a difficult fourth quarter, and International Equity manager Northern Cross (+8.7%), which outpaced the MSCI AC World ex US by 80 bps.</p> <p>c. Cash Balance Plan: The Cash Balance Plan returned +4.2% for the quarter, outperforming its benchmark by 60 basis points (bps). Over the trailing one year period, the Plan returned +9.6%, outpacing the benchmark by approximately 30 bps. Outperformance during the quarter was driven by favorable manager results as all four composites outperformed their respective benchmarks. Notable outperformers included Large Cap Growth Manager Sands (+13.8%), which outperformed the Russell 1000 Growth Index by 490 bps, rebounding from a difficult fourth quarter and Hedge Fund of Fund Pointer (+4.7%), which bested the HFRI Fund of Funds Composite Index by 240 bps. The International Equity composite outperformed the MSCI AC World ex US by 90 bps.</p> <p>d. Hedge Fund: The Hedge Fund Portfolio returned +1.3% during the first calendar quarter, underperforming the HFRI Fund of Funds Composite Index by 100 basis points. Three of the Portfolio's four strategies delivered positive absolute returns, with one of the four strategies (Relative Value) performing better than its underlying benchmark.</p> <p>Mr. DiCosola asked the Committee for feedback and a brief discussion ensued.</p> <p>Motion: To approve the Investment Committee Scorecard and Performance Review Report. Movant: Boone Second: Conover Ayes: Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. Abstentions: None Absent: None Excused: None Recused: None</p>	
8. 403b REVIEW	<p>Brian Montanez, Multnomah Group, reviewed Multnomah Group Investment Performance with the Committee. Mr. Montanez reported on the Fund scorecard, Performance review, U.S equity markets, Fixed Income, International equity markets, Unpredictability of asset class returns, T. Rowe price retirement funds, and Plan asset details fidelity as further detailed in the submitted materials.</p>	None

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	<p>Below is a summary of the Multnomah Group comments for Q1 2017 for El Camino Hospital 403(b), 457(b) and Supplemental Executive Retirement Plans:</p> <ol style="list-style-type: none"> 1. Market Commentary: The U.S. economy advanced at a moderate pace in the fourth quarter, growing at an annualized rate of 2.1% (the most recent quarter available). This is consistent with the late stage economic recovery which began after the 2007-2008 global financial crisis. Prospects for increased infrastructure spending lower taxes, and deregulation given the new administration may provide the economy with yet another push, but the degree and timing of the economic impact remain unknown. Core CPI remained low in February but inflationary pressures are visible. The unemployment rate at 4.7% remained a bright spot and job creation is continuing at a strong pace. New orders for factory goods recently recorded its fifth consecutive monthly gain with a surge in demand for commercial aircraft. Offsetting this, consumer spending leveled off in February amid delays in the payment of income tax returns. For the second time in three months, the Fed raised interest rates by a quarter point in March. Fixed income markets were less volatile, versus the prior quarter as aggregate bonds gained 0.82% for the quarter. The yield on the 10-year Treasury declined modestly to 2.40%. The S&P 500 continued to climb rising more than 6% for the quarter, as some say it's an extension of the so-called 'Trump Bump'. Healthcare stocks staged a comeback jumping 8.37% in the first quarter after declining 2.69% in 2016. Energy and telecom stocks reported negative returns for the quarter. Large cap stocks outperformed small cap stocks reversing last year's trend. For the quarter, international equity markets outperformed domestic markets. Emerging markets reported the strongest return of all asset classes with an 11.45% return. After ending the year on a strong note, commodities lost 2.33%, becoming the worst performing asset class for the quarter. Oil prices declined modestly but remained over \$50 per barrel. Gold prices rallied. While real estate fundamentals are still strong, the cycle appears to be in the latter stages of its recovery. <ul style="list-style-type: none"> • Recommendation: As none of the investments are categorized as "Watch List" or "Recommended for Removal," no actions are recommended at this time. 2. Plan Fee Benchmarking: Annually, Multnomah Group conducts a fee benchmarking study for the administration and recordkeeping services provided to the Plan. Multnomah Group creates a Peer Range for fees for Plans of similar size and demographics. The Peer Range is an estimate of the total cost of plan services available in today's market. The range is calculated based on the average account balance of the plan and the number of participants with a plan balance. The Multnomah Group 	

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	<p>utilized a range of price sources, including existing clients' pricing, vendor responses to recent comparative searches, and discussions with vendors regarding their current pricing structures. As of December 31, 2016, the 403(b) Plan pays \$92.00 per participant which equates to 0.10% for Plan services. This fee is at the bottom of the peer range, determined by Multnomah Group, of 0.10% and 0.15% and is considered reasonable for services received.</p> <ul style="list-style-type: none"> Recommendation: As none of the investments are categorized as "Watch List" or "Recommended for Removal," no actions are recommended at this time. <p>Mr. Montanez asked the Committee for questions or feedback and discussion ensued. Committee Members requested the inclusion of 2 year period vs. 3 year reporting, fee schedule, and fee benchmarking in the next year's performance review. The report will be made in calendar Q2 to allow for the availability of fee benchmark data. The members also asked about information given to participants to guide their investment and retirement decisions. Mr. Montanez stated that Fidelity is providing these services to the participants.</p> <p><i>*Committee Members requested continued pacing of this item for this timeframe on the FY18 Pacing plan.</i></p>	
9. FY18 COMMITTEE GOALS AND PACING PLAN	<p>Iftikhar Hussain, Chief Financial Officer, submitted the proposed FY18 Goals and FY18 Pacing Plan to the Committee for approval.</p> <p>Motion: To approve the proposed FY18 Investment Committee Goals and FY18 Pacing Plan.</p> <p>Movant: Kalbach</p> <p>Second: Conover</p> <p>Ayes: Boone, Conover, Davis, Kalbach, Nelson, and Zoglin.</p> <p>Abstentions: None</p> <p>Absent: None</p> <p>Excused: None</p> <p>Recused: None</p>	<p><i>A motion to approve the FY18 Goals and FY18 Pacing Plan was approved</i></p>
10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 7:01pm.</p> <p>Movant: Kalbach</p> <p>Second: Boone</p> <p>Ayes: Boone, Conover, Davis, Kalbach, Nelson, and Zoglin.</p> <p>Abstentions: None</p> <p>Absent: None</p> <p>Excused: None</p> <p>Recused: None</p>	<p><i>A motion to adjourn to closed session at 7:01p.m. was approved.</i></p>
11. AGENDA ITEM 13 RECONVENE OPEN SESSION/ REPORT OUT	<p><i>Agenda Items 11 through 12 were conducted in closed session.</i></p> <p>Chair Zoglin reported that the Closed Minutes of the March 6th, 2016 Investment Committee were approved, and updated</p>	<p><i>None</i></p>

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	the Committee on the upcoming meetings.	
12. AGENDA ITEM 14 ADJOURNMENT	<u>Motion:</u> To adjourn the Investment Committee meeting at 7:03pm. <u>Movant:</u> Nelson <u>Second:</u> Davis <u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None	<i>A motion to adjourn to the Investment Committee meeting at 7:03 pm was approved.</i>

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



Jeff Davis, Chairman

ECH Investment Committee of the Board of Directors