

Michigan Health Endowment Fund
Board Meeting
Monday, April 28, 2014
James B. Henry Center for Executive Development

Meeting Minutes

Call to order

The board meeting of the Michigan Health Endowment Fund called to order at 9 a.m. by Chairman Robert Fowler.

Quorum established based on the presence of the following Board Members:

Board Members present:

Lynn Alexander
Cindy Estrada
Robert Fowler
Susan Jandernoa
James Murray
Keith Pretty
Marge Robinson
Michael Williams

Board Member Damschroder will call in as he is available.

Others present:

Geralyn Lasher
Mark Neithercut
Jeff Padden
Jennifer Smith
Duane Tarnacki

Approval of agenda

Board Member Fowler approves the agenda.

Public comment

There were no public comments.

Review and adoption of the minutes from the previous meeting

Board Member Estrada moves to approve updated minutes from the March 28, 2014, Board Meeting. Board Member Williams seconds the motion. Motion passes by a vote of eight to zero.

Staffing

Board Member Fowler suggests that the Board goes into Closed Session. Board Member Fowler states the following reasons for Closed Session:

- I. To consider the hiring, dismissal, suspension or disciplining of Board members or employees or agents of the Fund.
 - To discuss the Interim Executive Director position.
 - To discuss the relationship with Public Policy Associates.

Board Member Pretty moves to go into Closed Session. Board Member Murray seconds. Board Member Fowler asks for a roll-call vote.

Lynn Alexander – affirmative
 Cindy Estrada – affirmative
 Robert Fowler – affirmative
 Susan Jandernoa – affirmative
 James Murray – affirmative
 Keith Pretty – affirmative
 Marge Robinson – affirmative
 Michael Williams – affirmative

Timothy Damschroder – absent

Motion passes by a vote of eight to zero: eight affirmative and one absent.

The public is asked to leave the room.



CLOSED SESSION



Board Member Alexander moves to select Geralyn Lasher as the Interim Executive Director for the Michigan Health Endowment Fund. Board Member Robinson seconds. The motion passes by a vote of eight to zero.

Board Member Fowler announces the results of the Closed Session: Geralyn Lasher has been selected as the Interim Executive Director for the Michigan Health Endowment Fund for the period of three months with the option to extend. The Michigan Health Endowment Fund will continue the relationship with PPA through the end of May with the option to extend.

Report from the Chair

Board Member Fowler highlights the position descriptions, committee structure and charges, sample staffing plan, Board learning plan, and processes for health status and system reports.

Action items

I. Process for development of mission statement

Mark Neithercut outlines the Mission Builder Process which is interview-based. Mr. Neithercut is ready to begin interviews with the Board Members next week. The goal is to have a draft mission statement by May 19, and to finalize the mission statement at the June Board meeting.

II. Grantmaking options for 2014

Board agrees that they should do grantmaking in 2014. They agree that working number for grants in 2014 should be \$25 million to \$40 million. In terms of the mechanism for distributing grants, the Board decides to revisit the grantmaking process at the May 19 Board meeting.

III. Process for conducting listening sessions

The listening tour will consist of six sessions throughout the rest of the year. At least one board member should attend each of the events. The purpose is to partner with local community organizations in order to invite residents to engage with the Board Members. It is an educational opportunity for both the community and the Board Members.

Board Member Fowler tasks Ms. Lasher with coordinating the listening tour.

IV. Weekly Board informational calls

Board Member Fowler recommends that the Board hold weekly 30-minute informational calls every Thursday at 8 a.m. beginning May 1, 2014. Calls will be on a 60-day trial basis and no decisions will be made during the calls.

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Legal and technical issues

I. Appointment of non-Board members to committees

The Board is presented with the proposed resolutions of the Directors regarding appointing non-Board members to committees. The Board decides to revisit this issue at the May 19 Board meeting.

Board Member Damschroder joins meeting via teleconference.

II. Conflict of Interest Questionnaire

Board Member Robinson moves to adopt the Conflict of Interest Questionnaire. Board Member Murray seconds. Motion passes by a vote of nine to zero.

III. Policy regarding Open Meetings Rules and Procedures

The final policy is presented for informational purposes only and not for Board action.

Committee Reports

I. Investment Committee

a. Short-term strategy

Board Member Damschroder gives Investment Committee report and recommendations to the Board.

In the short-term, the Investment Committee recommends that the Board move \$90 million to Huntington bank. Board Member Damschroder moves to adopt this as a short-term strategy. Board Member Alexander seconds. Motion passes by a vote of nine to zero.

b. Long-term strategy

Mark Neithercut presents the board with his proposal for developing a long-term investment strategy. A copy of the proposal is attached to these minutes.

The board agrees to use Mr. Neithercut's proposal as a guideline to help establish a long-term investment infrastructure.

Duane Tarnacki recommends that the Board include the Investment Committee meeting minutes in the Full Board meeting minutes.

*Appendix A – April 25, 2014, Investment Committee Meeting Minutes

Board Member Damschroder departs meeting

Board Member Murray departs meeting

II. Executive Director Recruitment Committee

Board Member Alexander and Board Member Pretty have conducted phone interviews with potential search firms. Of those interviewed, they chose three to present to the Full Board:

- a. DHR International, represented by Cyd Kinney
- b. Harvey Hohausser & Associates, represented by William Weatherston
- c. Kittleman & Associates, LLC, represented by Richard King

Each presenter gives a 15-minute presentation.

Board Member Fowler moves to go into Closed Session to review the presentations and potentially act on a recommendation to engage one of the executive search firms. Board Member Pretty seconds.

Board Member Fowler calls for a roll-call vote.

Lynn Alexander – affirmative
Cindy Estrada – affirmative
Robert Fowler – affirmative
Susan Jandernoa – affirmative
Keith Pretty – affirmative
Marge Robinson – affirmative
Michael Williams – affirmative

Timothy Damschroder – absent
James Murray – absent

Motion passes by a vote of seven to zero: seven affirmative and two absent.

The public is asked to leave the room.

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CLOSED SESSION
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Executive Director Recruitment Committee (*continued*)

Board Member Alexander moves to hire the services of Kittleman & Associates, LLC. Board Member Williams seconds. Motion passes by a vote of seven to zero.

Next steps

The next Board meeting is on Monday, May 19.

Adjournment

Board Member Robinson moves to adjourn the meeting. Board Member Jandernoa seconds. Motion passes by a vote of seven to zero.

Meeting adjourns at 1:05 p.m.

Appendix A
April 25, 2014, Investment Committee Meeting Minutes

Michigan Health Endowment Fund
Investment Committee Meeting
April 25, 2014
Conference Call

Committee Meeting Minutes

Call to order

Investment Committee Meeting is called to order at 3 p.m.

Committee Members Present:

Board Member Damschroder

Board Member Pretty

Board Member Murray

Others Present:

Geralyn Lasher

Mark Neithercut

Jennifer Smith

Long-term investments

Mark Neithercut presents the committee with a long-term investment proposal. Board Member Pretty provides feedback on the policy document. The long-term option proposed by Mr. Neithercut outlines a careful step-by-step process throughout which the Board seeks expertise at every juncture.

Mr. Neithercut further advises the committee that because there will be a development period, it may be six to nine months before the long-term investment infrastructure is fully in place. To reach full implementation, Mr. Neithercut suggests that the Board hire a Chief Investment Officer (CIO) or a Chief Financial Officer (CFO) with an extensive background in managing investment portfolios.

Board Member Damschroder, Board Member Pretty, and Board Member Murray agree to make the following recommendation to the Full Board on Monday, April 28, 2014:

The Board should adopt the long-term investment process set forth by Mark Neithercut as a guideline to help establish a long-term investment infrastructure.

Short-term investments

Board Member Damschroder gives the committee a summary of three short-term investment options.

Before discussing the proposals, Board Member Damschroder notes that there is the option to leave funds as cash.

I. Chemical Bank

The proposal set forth by Chemical Bank is the most conservative. It outlines a layered certificates of deposit (CDs) approach. The strategy would be to put some funds into CDs, and the Board would decide how much money in total to invest. Returns with this approach would range from not much more than .1% to .16%, so relatively low returns.

II. Huntington

The Huntington proposal is slightly less conservative and recommends investing in high-rated corporate bonds. The average yield is about .53%, with the option to sell at any time. Fee for buying in is .002%, and they will waive the first fee for buyout.

III. Comerica

Of the three proposals, Comerica's is the least conservative. The primary recommendation is the Dividend Income Strategy. The Dividend Income Strategy is averaging returns of 2.8%. The fee range depends on the amount investment, but as an example, the fee for investing \$20 million is .43% annually.

Comerica also proposes an alternative recommendation involving a laddered maturity short-duration fixed income strategy.

The committee notes the prudence of both diversifying and protecting funds. Pursuant to these goals, the committee agrees to make the following recommendation to the Full Board on Monday, April 28, 2014:

The Board should move \$90 million to Huntington to invest in high-rated corporate bonds and corporate ventures, and leave the remaining at Chemical Bank. The Investment Committee will consult the Full Board regarding how much of the total funds they will invest with Huntington.

Adjournment

With unanimous agreement on this recommendation, the Investment Committee of the Michigan Health Endowment Fund adjourns at 3:40 p.m.