



Michigan Health Endowment Fund Board Meeting March 28, 2017

Lansing Radisson, Michigan Rooms II & III
111 North Grand Avenue, Lansing, Michigan 48933

The mission of the Michigan Health Endowment Fund is to improve the health of Michigan residents, with special emphasis on the health and wellness of children and seniors, while reducing the cost of health care.

- 10:00 a.m. - 10:10 a.m. **Opening: Tim Damschroder**
- Call to order of board meeting
 - Roll call
 - Review of agenda, pages 1-2
 - Review of January 23, 2017 minutes, pages 3-7
 - Chairman's report
- 10:10 a.m. - 10:15 a.m. **Public Comment**
Public Comment: Five-minute limitation for a single representative of an organization; three minutes for individuals representing themselves
- 10:15 a.m. - 10:20 a.m. **CEO Report: Paul Hillegonds**
- 10:20 a.m. - 10:40 a.m. **Medigap Update: Terry Gardner**
- Blue Cross presentation
 - Resolution to approve midyear Medigap Subsidy enrollment, page 8
- 10:40 a.m. - 10:45 a.m. **Communication Report: Hayley Roberts**
- 10:45 a.m. - 11:05 a.m. **Report on Behavioral Health Convening: Becky Cienki**

- 11:05 a.m. – 11:10 a.m. **Investment Committee: Keith Pretty**
- Review of February 2017 financial statements, pages 9-14
 - Investment Committee report, page 15
- 11:10 a.m. – 11:25 a.m. **Audit Committee: Keith Pretty**
- Audit Committee report, page 16
 - Presentation of audited financial statements by representatives of George Johnson & Company
 - Resolution to accept 2016 audited financial statements, page 17
 - Status of filing 2016 tax return
- 11:25 a.m. – 12:05 p.m. **Grantmaking Committee: Sue Jandernoa**
- Consideration of Nutrition and Healthy Lifestyles Grant Program applications, page 18
 - Consideration of Community Health Impact Grant Program applications, page 19-20
- 12:05 p.m. –12:10 p.m. **Other Business: Tim Damschroder**
- 12:10 p.m. **Adjourn**

Michigan Health Endowment Fund
Board Meeting
Monday, January 23, 2017
Radisson Hotel, 111 N. Grand Avenue, Lansing, MI 48933

Meeting Minutes

Call to order

The board meeting of the Michigan Health Endowment Fund was called to order at 1:00 p.m. by Chairman Robert Fowler.

Roll call

A quorum was determined based on the presence of the following board members:

Board Members present:

Rob Fowler
Lynn Alexander
Tim Damschroder
Sue Jandernoa
Keith Pretty
James Murray
Michael Williams

Participating by phone:

Cindy Estrada
Alexis Wiley

Others present:

Paul Hillegonds
Terry Gardner
Julie Skubik
Duane Tarnacki

Approval of agenda:

Chairman Fowler asked if there were any comments regarding the agenda, which was approved without objection.

Public Comment:

There was no public comment.

Review and approval of the minutes from the previous meetings:

Board Member Pretty moved to approve the minutes from the November 2, 2016 board meeting. Board Member Alexander seconded. Motion passed nine to zero.

Board Member Appointments:

Chairman Fowler announced that Sue Jandernoa, James Murray and Michael Williams have been reappointed to serve on the board for an additional term. Chairman Fowler thanked the three for their commitment and service.

CEO Report:

Mr. Hillegonds thanked outgoing Chairman Fowler for his time, leadership and commitment as Board Chairman. Mr. Hillegonds introduced new staff member Genevieve Otis. Ms. Otis will be joining the squad in February as a Program Assistant, working primarily in the Lansing office. Mr. Hillegonds outlined his 2017 goals for the Health Fund.

Operations Report:

Mr. Gardner gave an overview of the Health Fund's annual plan and 2017 timeline and Medigap program status. He indicated that a mid-2017 Medigap eligibility adjustment would be recommended to the board in March.

Investment and Finance Committee:

Board Member Damschroder reviewed the yearend financial statements, and then asked Mr. Gardner to provide a report on the status of the Medigap subsidy reserves.

Mr. Gardner updated the board on the status of the Medigap subsidy payments, and indicated that as part of the plan presented in 2015, the operating surplus for 2016 should be reserved for the Medigap funding obligation.

The following motion was made by Mr. Pretty and seconded by Ms. Alexander.

WHEREAS, at the Fund's November 2, 2016 board meeting the board allocated to the Fund's Spendable Account the remaining amount of the Fund's Maximum Spending Allowance for 2016, and;

WHEREAS, the board would like to further designate portions of its accumulated Spendable Account as reserves toward specific future programmatic activities.

NOW, THEREFORE, BE IT:

RESOLVED, that \$17 million be reserved and designated to the Fund's Medicare Supplemental Insurance Subsidy ("Medigap") program; and

RESOLVED, such amounts designated for the abovementioned program shall be recorded as such in the Fund's books and records, and shall remain so reserved and designated until the completion of those programs or such earlier time as determined by the Board of Directors.

The motion passed by a vote of nine to zero.

Mr. Damschroder asked Mr. Gardner to describe the proposed 2017 budget revisions. Mr. Gardner outlined the changes in the budget which were principally related to the Medigap subsidy, grant support programming change, and increase in staffing.

Board Member Murray moved to approved the revised 2017 budget. Mr. Williams seconded. The motion passed nine to zero.

Governance Committee:

Committee Chair Williams requested that each board member update their conflict of interest disclosures.

Audit Committee:

Committee Chair Pretty reported that the 2016 audit is in process. The on-site fieldwork has been completed by George Johnson & Company and Tax Form 990 will be timely filed with the IRS. Mr. Pretty announced that Michael Nicholas from GJC will be attending the March board meeting to report.

Grantmaking Committee:

Committee Chair Jandernoa reported that the Grantmaking Committee met to review proposals prior to the board meeting. The Health Fund received 56 Nutrition and Healthy Lifestyle proposals and 133 Community Impact proposals for the 2017 grant cycle. Recommendations for approval of proposals will be presented to the full board at the March board meeting.

Executive and Compensation Committee:

Chairman Fowler reviewed the process for evaluation of the CEO. The board members were given the opportunity to provide input to the Executive and Compensation Committee regarding CEO performance thru a survey mechanism. Chairman Fowler reported that the board gave Mr. Hillegonds excellent reviews of his leadership and performance. Board Member Damschroder moved to compensate Mr. Hillegonds with a 3% cost of living allowance. Board Member Alexander seconded. Motion passed by a vote of nine to zero.

Election of Officers:

Chairman Fowler moved to nominate Board Member Damschroder for Board Chair. Board Member Pretty seconded. Motion passed by a vote of eight to zero. Board Member Damschroder abstained.

Board Member Damschroder moved to nominate the following officers. Member Williams seconded.

- Vice Chair- Lynn Alexander
- Treasurer -Keith Pretty
- Secretary -Sue Jandernoa

Motion passed by a vote of nine to zero.

Appointment of Board Committees:

Board Member Damschroder moved to nominate the following board members to committees.

Executive and Compensation Committee

- Tim Damschroder - Chair
- Lynn Alexander - Vice Chair
- Keith Pretty - Treasurer
- Sue Jandernoa - Secretary

Grantmaking Committee

- Sue Jandernoa-Chair
- Lynn Alexander
- Michael Williams
- Alexis Wiley
- Rob Fowler

Governance Committee

- Michael Williams-Chair
- Jim Murray
- Alexis Wiley

Investment and Audit Committees

- Keith Pretty-Chair
- Cindy Estrada
- Rob Fowler
- Jim Murray
- Jon Braeutigam (Investment Committee only)

Upon motion made, seconded and carried, the committee appointments were unanimously approved.

Adjournment

The meeting was adjourned at 2:00 pm.

Respectfully submitted,

Julie Skubik
Secretary of the meeting

MICHIGAN HEALTH ENDOWMENT FUND

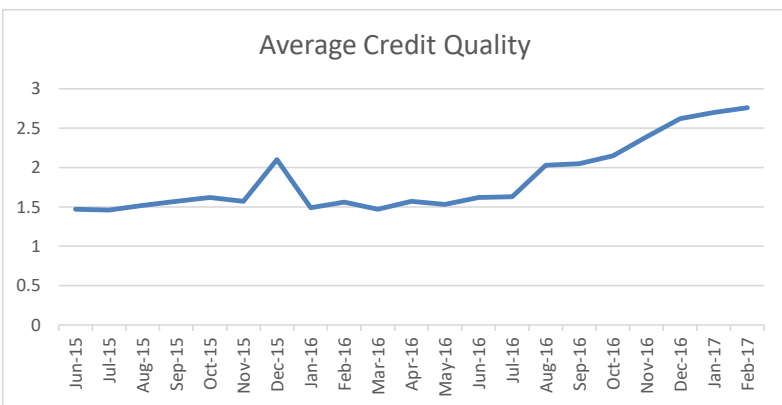
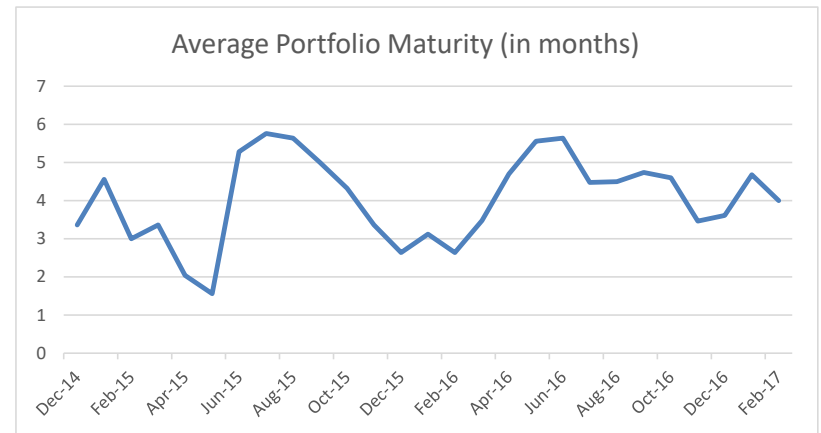
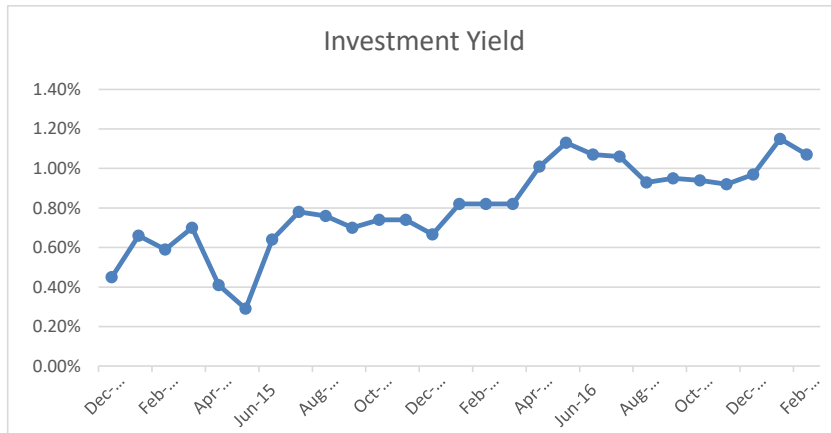
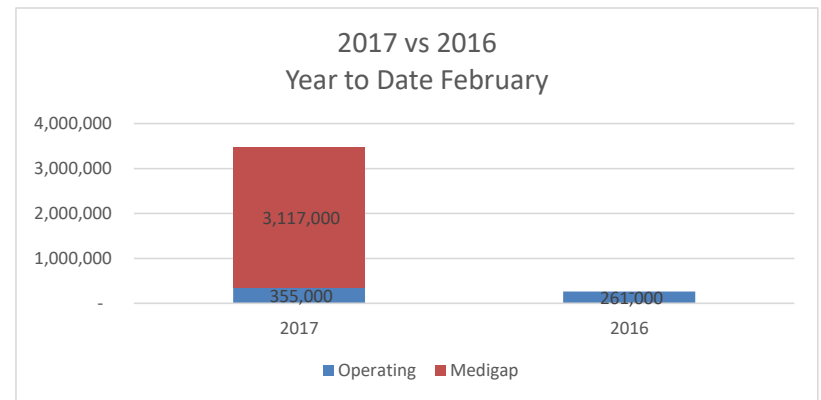
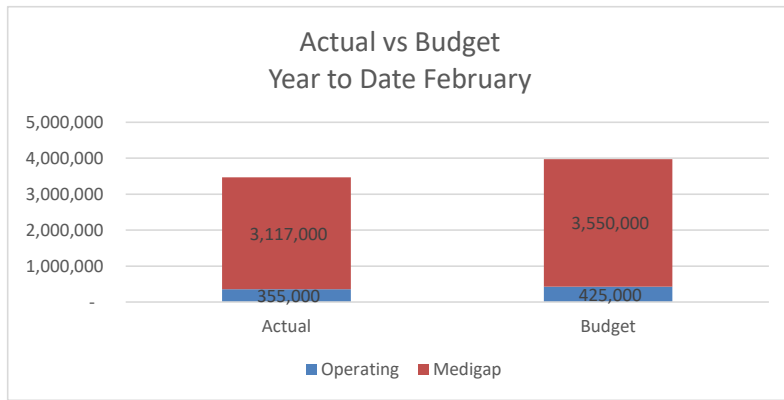
Resolution

Approving Medicare Supplemental Insurance Subsidy

RESOLVED, that for the purpose of administering the Fund's Medicare supplemental insurance subsidy program for 2017, a Medigap subsidy eligibility household income means test threshold of 225% of Federal Poverty Level be and it hereby is approved for subsidies effective July 1, 2017;

Resolved, that monthly premium subsidies to qualifying Medicare supplemental insurance policy holders be adopted as follows: under 65 years of age with disabilities: \$125; ages 65 to 75: \$40; ages 75 and above: \$65, these amounts consistent with the subsidy levels implemented effective January 1, 2017, which are hereby ratified.

Michigan Health Endowment Fund
 Dashboard Metrics
 February 2017



Operating Fund Investments

Largest Position Size	3.1M	5.6%
Largest 10 Positions	\$30.5M	50.5%
Total # Positions	30	
Average Credit Rating	A- / BBB+	

Endowment Fund Investments

Total Market Value	\$ 76,869,467
Year to Date return	\$ 3,431,782
Year to Date return %	4.67%

Michigan Health Endowment Fund
Statement of Financial Position
February 28, 2017 and 2016
(unaudited)

	<u>2017</u>		<u>2016</u>	
	<u>OPERATING</u>	<u>ENDOWMENT</u>	<u>OPERATING</u>	<u>ENDOWMENT</u>
<u>ASSETS</u>				
Current assets				
Checking - Chemical Bank	\$ 224,719		\$ 1,222,204	
Huntington Investments, at FMV	60,416,274		42,290,617	\$ 58,046,168
Northern Trust Investments		\$ 76,791,209	-	
Accrued interest receivable	256,638	78,258	609,151	
Prepaid expenses	2,392,386		18,347	
Total current assets	<u>63,290,017</u>	<u>76,869,467</u>	<u>44,140,319</u>	<u>58,046,168</u>
Furniture and equipment, net of depreciation	<u>142,815</u>		<u>2,582</u>	
Other assets				
Security Deposits	844		844	
	<u>\$ 63,433,676</u>	<u>\$ 76,869,467</u>	<u>\$ 44,143,745</u>	<u>\$ 58,046,168</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable	\$ 1,600		\$ 49,693	
Other current liabilities	467,728		53,131	
Total current liabilities	<u>469,328</u>		<u>102,824</u>	
Other liabilities				
Grants payable	5,808,823		4,505,495	
Total liabilities	<u>6,278,151</u>		<u>4,608,319</u>	
Net assets				
Permanently restricted net assets		\$ 42,000,000		\$ 30,000,000
Temporarily restricted net assets		31,437,685		27,957,711
Designated net assets	40,000,000		25,000,000	
Unrestricted net assets	20,458,245		14,717,311	
Current year income (loss)	(3,302,720)	3,431,782	(181,885)	88,457
Total net assets	<u>57,155,525</u>	<u>76,869,467</u>	<u>39,535,426</u>	<u>58,046,168</u>
	<u>\$ 63,433,676</u>	<u>\$ 76,869,467</u>	<u>\$ 44,143,745</u>	<u>\$ 58,046,168</u>

Michigan Health Endowment Fund
Statement of Activities
For the two months ending February 28, 2017 and 2016
(unaudited)

	2017			2016	\$ Change
	Operating	Endowment	Total	Total	
Revenue					
Direct Public Support	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	169,737	3,431,782	3,601,519	167,912	3,433,607
Total revenue	169,737	3,431,782	3,601,519	167,912	3,433,607
Expenses					
Grants awarded	5,685		5,685	20,308	(14,623)
Medigap subsidy	2,510,256		2,510,256	-	2,510,256
Medigap servicing	606,562		606,562	-	606,562
Grant program support	19,978		19,978	47,096	(27,118)
Legal and accounting fees	27,382		27,382	40,452	(13,070)
Outside contract services	21,503		21,503	2,474	19,029
Salaries and benefits	230,770		230,770	118,638	112,132
Rent and related expenses	17,263		17,263	2,992	14,271
Insurance expense	4,906		4,906	4,540	366
Office supplies and misc	11,294		11,294	5,587	5,707
Membership and dues	11,315		11,315	9,700	1,615
Travel and meetings	5,543		5,543	9,553	(4,010)
Total expenses	3,472,457	-	3,472,457	261,340	3,211,117
Other Income (Expense)					
Transfer to Endowment	-	-	-	-	-
Change in net assets	\$ (3,302,720)	\$ 3,431,782	\$ 129,062	\$ (93,428)	\$ 222,490

Michigan Health Endowment Fund
Statement of Activities - Operating Fund - Budget vs Actual
For the two months ending February 28, 2017
(unaudited)

	Actual One Month Ending 2/28/17	Budget One Month Ending 2/28/17	\$ Over (Under) Budget	Actual Two Months Ending 2/28/17	Budget Two Months Ending 2/28/17	\$ Over (Under) Budget
Revenue						
Direct Public Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	107,414	48,333	59,081	169,737	98,333	71,404
Total revenue	<u>107,414</u>	<u>48,333</u>	<u>59,081</u>	<u>169,737</u>	<u>98,333</u>	<u>71,404</u>
Expenses						
Grants awarded	2,842	2,843	(1)	5,685	5,686	(1)
Medigap subsidy	1,507,761	1,500,000	7,761	2,510,256	3,000,000	(489,744)
Medigap servicing	348,319	275,000	73,319	606,562	550,000	56,562
Grant program support	11,908	24,000	(12,092)	19,978	48,000	(28,022)
Legal and accounting fees	10,082	6,200	3,882	27,382	36,400	(9,018)
Outside contract services	10,025	20,100	(10,075)	21,503	35,200	(13,697)
Salaries and benefits	112,059	128,392	(16,333)	230,770	250,662	(19,892)
Rent and related expenses	9,639	10,700	(1,061)	17,263	21,400	(4,137)
Insurance expense	2,453	3,000	(547)	4,906	6,000	(1,094)
Office supplies and misc	3,221	2,400	821	11,294	7,800	3,494
Membership and dues	-	11,000	(11,000)	11,315	11,000	315
Travel and meetings	3,048	1,500	1,548	5,543	3,000	2,543
Total expenses	<u>2,021,357</u>	<u>1,985,135</u>	<u>36,222</u>	<u>3,472,457</u>	<u>3,975,148</u>	<u>(502,691)</u>
Other Expense						
Transfer to Endowment	-	-	-	-	-	-
Change in net assets	<u>\$ (1,913,943)</u>	<u>\$ (1,936,802)</u>	<u>\$ 22,859</u>	<u>\$ (3,302,720)</u>	<u>\$ (3,876,815)</u>	<u>\$ 574,095</u>

Michigan Health Endowment Fund
Operating Fund Investments
February 28, 2017

Description	Industry	Credit Rating	Maturity	Yield	Market Value	Principal Cost	\$ Gain/Loss
Cash / Cash Equivalents							
FIDELITY GOVT MMKT	Money Market Fund	AAA	Daily	0.01%	\$ 4,698,114.27	\$ 4,698,114.27	\$ -
					\$ 4,698,114.27	\$ 4,698,114.27	\$ -

Municipal Bonds							
CHIPPEWA VALLEY MICH SCHS	MI School Bonds	Aa1 / AA-	5/1/2017	0.87%	\$ 704,900.00	\$ 704,793.13	\$ 106.87
					\$ 704,900.00	\$ 704,793.13	\$ 106.87

Commercial Paper							
SALVATION ARMY	Consumer Products	A1+ / P1	3/1/2017	0.84%	\$ 2,000,000.00	\$ 1,996,453.33	\$ 3,546.67
COLA-COLA	Food & Beverage	A1+ / P1	3/6/2017	0.77%	\$ 2,999,700.00	\$ 2,989,412.50	\$ 10,287.50
VISA INC	Consumer Finance	A1 / P1	3/7/2017	0.77%	\$ 1,999,720.00	\$ 1,996,449.44	\$ 3,270.56
MICROSOFT	Software & Services	A1+ / P1	3/30/2017	0.75%	\$ 1,998,900.00	\$ 1,992,708.33	\$ 6,191.67
MONDELEZ	Food & Beverage	A2 / P2	4/4/2017	1.05%	\$ 1,997,960.00	\$ 1,994,866.67	\$ 3,093.33
FORD MOTOR	Automobiles Manufacturing	A2 / P2	4/7/2017	1.10%	\$ 1,997,720.00	\$ 1,994,377.78	\$ 3,342.22
PFIZER INC	Pharmaceuticals	A1+ / P1	4/11/2017	0.92%	\$ 1,998,500.00	\$ 1,989,317.78	\$ 9,182.22
NESTLE	Food & Beverage	A1+ / P1	4/18/2017	0.80%	\$ 1,998,080.00	\$ 1,995,955.56	\$ 2,124.44
MITSUBISHI UFJ	Banks	A1 / P1	4/21/2017	1.07%	\$ 1,997,660.00	\$ 1,994,412.22	\$ 3,247.78
BELL CANADA	Telecommunication	A2 / P2	4/27/2017	1.16%	\$ 2,096,640.00	\$ 2,094,113.00	\$ 2,527.00
PRUDENTIAL PLC	Financial Services	A1 / P1	5/8/2017	1.07%	\$ 2,995,410.00	\$ 2,968,345.83	\$ 27,064.17
EXPORT IMPORT BANK	Government Development Bank	A1+ / P1	6/1/2017	1.37%	\$ 2,992,740.00	\$ 2,982,304.17	\$ 10,435.83
ANHEUSER BUSCH INBEV	Food & Beverage	A2 / P2	6/8/2017	1.17%	\$ 1,994,640.00	\$ 1,990,315.00	\$ 4,325.00
AXA FINANCIAL	Financial Services	A1 / P1	6/23/2017	1.17%	\$ 995,910.00	\$ 994,507.50	\$ 1,402.50
SUNCORP METAWAY	Banks	A1 / P1	7/17/2017	1.30%	\$ 1,989,660.00	\$ 1,986,927.78	\$ 2,732.22
TORONTO DOMINION	Banks	A1+ / P1	8/1/2017	1.10%	\$ 1,990,680.00	\$ 1,987,350.00	\$ 3,330.00
ING	Financial Services	A1 / P1	8/2/2017	1.31%	\$ 1,989,340.00	\$ 1,984,789.44	\$ 4,550.56
GLAXO SMITHKLINE	Financial Services	A1 / P1	10/2/2017	1.35%	\$ 1,985,420.00	\$ 1,979,825.00	\$ 5,595.00
					\$ 38,018,680.00	\$ 37,912,431.33	\$ 106,248.67

Corporate Bonds							
CIGNA CORPORATION	Managed Care	Baa1 / A	3/15/2017	1.13%	\$ 3,004,290.00	\$ 3,004,920.81	\$ (630.81)
AT&T INC NOTE	Telecommunication	Baa1 / BBB+	3/15/2017	1.18%	\$ 3,081,447.60	\$ 3,081,451.02	\$ (3.42)
FIDELITY NATIONAL FINANCIAL	Consumer Finance	Baa3 / BBB	5/15/2017	1.60%	\$ 3,055,514.34	\$ 3,056,910.90	\$ (1,396.56)
WHIRLPOOL	Home Improvement	Baa1 / BBB	11/1/2017	1.34%	\$ 2,504,200.00	\$ 2,505,110.07	\$ (910.07)
JOHNSON CTLS	Auto Parts Manufacturing	Baa2 / BBB+	11/2/2017	1.68%	\$ 1,996,120.00	\$ 1,991,110.08	\$ 5,009.92
CATERPILLAR	Machinery Manufacturing	A3 / A	11/6/2017	1.25%	\$ 1,999,000.00	\$ 2,000,000.00	\$ (1,000.00)
AMAZON	Consumer Discretionary	Baa1 / AA-	11/29/2017	1.02%			
CINTAS	Apparel & Textile Products	A2 / BBB+	12/1/2017	1.24%			
AMERICAN ELECTRIC POWER	Utilities	Baa1 / BBB+	12/15/2017	1.30%			
					\$ 15,640,571.94	\$ 15,639,502.88	\$ 1,069.06

Asset-backed Securities							
5SR MTG TR 2004-10F SER 2004-10F CL 1A-	Residential MBS	A / A+	1.30	3.50%	\$ 267,455.99	\$ 271,329.72	\$ (3,873.73)
FEDL HOME LN MTG CRP SER 3943 CL LA	Residential MBS	AAA	3.40	1.70%	\$ 1,086,551.42	\$ 1,108,602.34	\$ (22,050.92)
					\$ 1,354,007.41	\$ 1,379,932.06	\$ (25,924.65)

Total **\$ 60,416,273.62** **\$ 60,334,773.67** **\$ 81,499.95**

The Michigan Health Endowment Fund
Endowment Fund Flash Report
February 28, 2017
(unaudited)

<u>Asset Description</u>	<u>Country</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized G/L</u> <u>Total</u>	<u>% of</u> <u>Total</u>
VANGUARD INSTL TOTAL INDEX	United States	32,000,784	28,100,548	3,900,236	41.6%
BROOKFIELD INVT FDS GLOBAL LISTED REAL ESTATE FD	United States	3,509,709	3,565,138	(55,429)	4.6%
VANGUARD DEVELOPED MARKETS INDEX INSTL	International Region	20,843,701	19,616,943	1,226,758	27.1%
LAZARD FDS INC GLOBAL LISTED INFRASTRUCTURE	International Region	3,901,296	3,649,020	252,275	5.1%
GLOBAL EMERGING MARKETS FUND - STEWART	Emerging Markets Region	3,175,601	2,996,186	179,415	4.1%
MFO VAN ECK EMERGING MARKETS-I	Emerging Markets Region	2,752,928	2,539,876	213,052	3.6%
LONGFELLOW	Fixed Income	10,681,151	10,923,601	(242,449)	13.9%
CASH	Fixed Income	4,297	4,297	-	0.0%
		<u>76,869,467</u>	<u>71,395,609</u>	<u>5,473,858</u>	<u>1</u>

MICHIGAN HEALTH
ENDOWMENT FUND

TO: Health Fund Board of Directors
FROM: Keith Pretty, Treasurer
DATE: March 13, 2017
RE: Investment Committee Report

The Investment Committee will meet on March 28, 2017 immediately prior to the board meeting to review the investment report from Northern Trust, the Health Fund's investment advisor. A verbal report of this meeting will be presented at the board meeting.

Additionally, I continue to meet monthly with the Health Fund's CFO to review financial statements, budget status, and current operational matters. There are no unusual matters to report.

MICHIGAN HEALTH
ENDOWMENT FUND

TO: Health Fund Board Members
FROM: Keith Pretty
DATE: March 13, 2017
RE: Audit Committee Report

The Audit Committee met on February 28, 2017 with representatives of the Fund's auditors, George Johnson & Company, to review the results of the 2016 audit and timing of the Health Fund's tax return.

There were no unusual items to report, and the auditors plan to formally present the audited financial statements and the results of their work to the board at the March 28, 2017 board meeting. The tax return is expected to be timely filed shortly thereafter.

MICHIGAN HEALTH ENDOWMENT FUND

**RESOLUTION
TO ACCEPT 2016 AUDITED FINANCIAL STATEMENTS**

RESOLVED, that the 2016 audited financial statements of Michigan Health Endowment Fund, as presented to the board by George Johnson and Company, be, and they hereby are, accepted.