

Michigan Health Endowment Fund
Board Meeting
January 23, 2018
Lansing Radisson
111 N Grand Ave, 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 Tim Damschroder.

Roll call

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

Board Members present:

Tim Damschroder
Lynn Alexander
Sue Jandernoa
Keith Pretty
Rob Fowler
Michael Williams
Cindy Estrada
Alexis Wiley
Henry Veenstra

Others present:

Paul Hillegonds
Terry Gardner
Julie Skubik
Duane Tarnacki (by phone)

Approval of agenda:

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

Review and approval of the minutes from the previous meetings:

Board Member Pretty moved to approve the minutes from the November 2, 2017 board meeting. Board Member Williams seconded. Motion passed nine to zero.

Public Comment:

There was no public comment.

Chairman's Report:

Chairman Damschroder introduced and thanked new board member Henry Veenstra. Mr. Veenstra was nominated by Senator Arlan Meekhof and appointed by Governor Snyder for a term that will run until

October 2020. Chairman Damschroder proposed two grantmaking committees, one that will review Nutrition and Healthy Lifestyles and Community Health Impact grant proposals, and the other that will be responsible for Healthy Aging, Behavioral Health and Special Projects and Emerging Ideas. Each committee will have a total of five members. The work of the two committees will be bridged by the same chair and vice chair for both.

CEO Report:

Mr. Hillegonds thanked the board for their leadership over the past year and willingness to continue to serve in the year ahead. Mr. Hillegonds introduced the Health Fund's newest employee, Tim Niyonsenga. Tim will be assisting with the Healthy Aging Program, in particular supporting the Health Fund and Ralph C. Wilson Jr. Foundation partnership focused on caregiving. Mr. Hillegonds reported on his presentation to the Greater Flint Health Coalition on the mission and work of the Health Fund. The coalition members expressed their support for the Health Fund's engagement in Flint to date and commitment to partnering on the community as it deals with the longer-term health impacts of lead-tainted water. Mr. Hillegonds thanked the board for their participation in the strategic planning luncheon where the implementation of the current plan was reviewed. The review included refinements to grantmaking, including planning and transition grants, capacity building technical support and adjusting the annual grantmaking cycle. Mr. Hillegonds stated that the purpose of the Health Fund is not to replace government spending reductions but to support innovative nonprofit initiatives that will result in healthier Michigan citizens, less chronic disease and reduced health care costs—at the same time informing smarter public policy.

Operations Report:

Mr. Gardner reported that the investment portfolio returned slightly over 20% in 2017. Operationally, he reported that the Health Fund was slightly under budget in 2017 because of tight staffing levels. Increasing the current staff levels to support program officers and evaluations will be considered in 2018. The Fund sponsored a successful and well attended webinar on tools and techniques that grantees could use to demonstrate cost effectiveness. This webinar was recorded and linked on the Health Fund's website. Mr. Gardner reported that over 350 concept papers and applications were received in response to the Nutrition and Healthy Lifestyle and Community Health Impact RFPs. The Medigap program is in its second year with a slight reduction of participants after they were deemed ineligible. Mr. Fowler inquired about the anticipated timeline and amounts of the subsidies. A broad discussion ensued regarding the program and Mr. Gardner agreed to provide alternatives to the board regarding operation of the subsidy for the upcoming years.

Program Presentation:

Janet Olszewski and John Slocum presented to the board a report on the status of Health Fund evaluation efforts as well as preliminary results from our 2014 grantees and the Community Foundations grants. They also provided insights into the evaluation efforts for the Health Fund's three proactive programs. This presentation is attached.

Audit Committee:

Mr. Pretty reported that the 2017 audit is in process. The on-site fieldwork has been completed by George Johnson & Company. The audit results will be presented by representatives of the audit firm at the March 2018 board meeting. He also reported that the tax return is expected to take longer this year due to the need to receive K-1's from the private equity investments before we can file our return.

Investment Committee:

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

Governance Committee:

Committee Chair Williams requested that each board member update their conflict of interest disclosures. Mr. Williams asked Mr. Gardner to describe the following spending policy that was recommended by the committee. The following motion was made by Ms. Alexander and seconded by Mr. Fowler.

WHEREAS, the Financial Accounting Standards Board Accounting Standards Codification 958-205-45 requires the annual financial statements for nonprofit organizations to include a description of the governing board's interpretations of the law underlying the organization's net asset classification of donor-restricted endowment funds;

WHEREAS, the Michigan Uniform Prudent Management of Institutional Funds, MCL 451.921, *et seq* ("UPMIFA") was adopted by the State of Michigan and became effective September 10, 2009;

WHEREAS, the Health Fund's governing board may interpret UPMIFA, absent any regulatory guidance or legal authority to the contrary, as requiring the maintenance of the historic-dollar-value of donor-restricted gifts to endowment; and

WHEREAS, historical-dollar-value is defined as the fair value of the original gift and subsequent gifts as of the gift date, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor instrument.

NOW, THEREFORE, BE IT, RESOLVED, that the Board of the Health Fund does hereby designate the \$2 million grant received from the Ralph C. Wilson Jr. Foundation (the "Foundation") pursuant to the grant agreement by and between the Foundation and the Health Fund as an "Endowment Grant" to be separately accounted for in a "Ralph C. Wilson Jr. Foundation Endowment Fund" (the "Endowment Fund") designated in the Health Fund's books and records.

RESOLVED, FURTHER, that the Board interprets UPMIFA to require the preservation of the fair value of the Endowment Grant as of the gift date of the Endowment Grant absent explicit donor stipulations to the contrary, and accordingly classifies the original value of the Endowment Grant as permanently restricted net assets with all such other amounts in the Endowment Fund that is not classified as permanently restricted net assets classified as temporarily restricted net assets.

RESOLVED, FURTHER, that for years after 2018, the annual amount of income available for distributions from the Endowment Fund shall be 5% of the fair market value of the Endowment Fund, with the amount available for distribution in the present year based on a twelve quarter rolling average of the market value ending on September 30 of the prior year or such shorter period of time until the Endowment Fund has been held for twelve quarters (the "Spending Policy").

RESOLVED, FURTHER, in accordance with UPMIFA, distributions may be made from principal of the Endowment Fund when deemed appropriate by the Board, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considering, if relevant, all of the following factors:

- (a) The duration and preservation of the Endowment Fund;
- (b) The purposes of the Health Fund and the Endowment Fund;

- (c) General economic conditions;
- (d) The possible effect of inflation or deflation;
- (e) The expected total return from income and the appreciation of investments;
- (f) Other resources of the Health Fund; and
- (g) The investment policy of the Health Fund.

The motion passed eight to zero.

Next, Mr. Gardner explained the following technical policy correction that will allow non-board members to vote in committees. The following motion was made by Mr. Fowler and seconded by Ms. Estrada.

WHEREAS, in order to gain the experience and expertise of a broad class of individuals, the Board of Directors of Michigan Health Endowment Fund (the "Fund") recognizes the value of appointing non-board members to serve as members of the Fund's committees.

NOW, THEREFORE, BE IT:

RESOLVED, that non-board members may be appointed to serve as members of the Fund's committees other than the Audit Committee; and

RESOLVED, that each non-board member who is appointed to a committee will serve for a term commencing with his or her appointment and continuing until the next annual meeting of the Fund or until his or her resignation or removal by the Board.

The motion passed eight to zero.

Grantmaking Committee:

Ms. Jandernoa reported that the staff and subject matter experts are currently reviewing Nutrition and Healthy Lifestyle and Community Health Impact grant proposals. The committee will meet again in March and will present recommendations to the board at the March board meeting.

Executive and Compensation Committee:

Chairman Damschroder asked Mr. Gardner to describe the resolution to release reserve funds to cover the operating deficit for Medigap program expenses.

The following motion was made by Mr. Pretty and seconded by Mr. Williams:

WHEREAS, at the Health Fund's Board meeting held on January 23, 2017, the board designated \$17 million of its accumulated Spendable Account to be reserved and designated to the Health Fund's Medicare Supplemental Insurance Subsidy ("Medigap") program.

NOW, THEREFORE, BE IT RESOLVED that \$6,000,000 of the Medigap reserve be and it hereby is released from that restriction and made available so that the funds can be used in furtherance of the Medigap program for the 2017 calendar year.

The motion passed seven to zero.

Election of Officers:

Board Member Fowler moved to nominate the following slate of officers. Board Member Williams seconded.

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

Motion passed seven to zero.

Appointment of Board Committees:

Chairman 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 – Behavioral Health, Healthy Aging, Special Projects and Emerging Ideas

- Sue Jandernoa-Chair
- Rob Fowler – Vice Chair
- Cindy Estrada
- Lynn Alexander
- Tim Damschroder

Grantmaking Committee- Nutrition and Healthy Lifestyles, Community Health Impact

- Sue Jandernoa-Chair
- Rob Fowler- Vice Chair
- Michael Williams
- Alexis Wiley
- Henry Veenstra

Governance Committee

- Michael Williams-Chair
- Henry Veenstra
- Alexis Wiley

Investment and Audit Committees

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

The committee appointments were unanimously approved.

Adjournment

The meeting was adjourned at 2:50 p.m.

Respectfully submitted,

Julie Skubik
Secretary of the meeting