

# Munroe Regional Health System, Inc.

## Board of Directors Meeting Minutes

October 29, 2018 @ 5:00 p.m.  
Rich Bianculli, Chairman

### Call to Order

Richard Bianculli called the October 29, 2018 regular meeting of the Munroe Regional Health System, Inc. Board of Directors to order with a quorum present at 5:00 pm.

### Board Members Present

Ken Marino, Rich Bianculli, Randy Klein (arrived 5:02 PM), Sam McConnell, Ram Vasudevan, Larry Strack, David Cope

### Board Members Absent

None

### Present by Phone

None

### District Attorney Present

Joe Hanratty, Charles Forman

### Others Present:

Curt Bromund, Brianna Liles, Debbie Cooper, Carlos Medina, Michelle Stone, Heather Wyman, Rebecca Tull, Ann Burnette, Aimee Cocolin

### Invocation

David Cope

### Public Comment (3 minutes)

None

### Approval of Previous Minutes – October 23, 2018 and September 24, 2018

A **Motion** was made by Sam McConnell to accept the minutes of October 23, 2018 and September 24, 2018. The **Motion** was seconded by Randy Klein. With no further discussion, the **Motion** carried unanimously.

### New Business

None

### Old Business

**MRHS Pension Termination Update** – Joe Hanratty has requested that the trustees give him permission to send a draft RFP to AON for them to review. A **Motion** was then made by David Cope to approve Joe Hanratty sending a draft RFP to AON to review. The **Motion** was seconded by Ken Marino. The **Motion** passed unanimously.

**Investment Policy (IPS)** – Joe Hanratty is again making changes to the IPS, there were questions in regard to the limits needing to mirror each more except for the Cash and Illiquid Alternatives which will stay the same. Joe stated what the new lower limits would be: Fixed Income 35%, US Equity 20%, Non-US Equity 5%, Alternatives 5%.

A **Motion** was made by David Cope to approve the new lower limits. The **Motion** was seconded by Sam McConnell. David Cope then amended the **Motion** to include 10% non-investment grade fixed income cap. The **Motion** was again seconded by Sam McConnell. The **Motion** passed unanimously. Joe Hanratty will draft the new IPS for signatures.

**Legal/Other**

**Legal Claims** – no change.

There being no further business, Rich Bianculli adjourned the meeting at 5:25 p.m.



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**Richard Bianculli, Chairman**

# MUNROE REGIONAL HEALTH SYSTEM MARION COUNTY HOSPITAL DISTRICT

## Investment Committee Meeting Minutes

October 23, 2018

Richard Bianculli, Chairman

### Call to Order

Rich Bianculli called the October 23, 2018 regular meeting of the Munroe Regional Health System and Marion County Hospital District Investment Committees to order at 2:00 p.m.

### Public Comments (3 Minutes)

None

### Trustees/Committee Members Present

Rich Bianculli, Curt Bromund, Sam McConnell, David Cope

### Committee Members Absent

Larry Strack, Randy Klein

### Present by Phone

None

### District Attorneys Present

None

### Others Present

Dolly Dockham, Caleb Adair, Matthew Foster, Debbie Cooper, Carlos Medina, Rebecca Tull, Brian Creekbaum, Tom Morr, Chris Moore, Mike Hill, Melanie Cianciotto, Wen (Tang) Nottebohm, Russ Allen

### Approval of MRHS/MCHD Previous Minutes

- Minutes of September 18, 2018

A **Motion** was made by Sam McConnell to approve the minutes of September 18, 2018 as presented. The **Motion** was seconded by David Cope. With no further discussion, the **Motion** carried unanimously.

### New Business

#### MUNROE REGIONAL HEALTH SYSTEM/MARION COUNTY HOSPITAL DISTRICT

**Renasant Asset Management (2:00-2:33PM)** –Caleb Adair and Matthew Foster from Renasant Asset Management were present and briefly discussed each investors portfolio and distribution of funds in regards to the revised investment policy. Caleb and Matt will have one on one with each investor to discuss their portfolios also. Renasant to talk to Debbie a week before the committee meetings to discuss the portfolios.

Investors came in at 2:36PM

**Massey Quick – Tom Morr, Chris Moore** – Summary –Portfolio was up 194 basis points for the quarter. Domestic equities had a strong third quarter supported by constructive economic data. International developed equities were positive but continued to underperform the United States which has been the trend all year. On the contrary, emerging markets were in the red again due to a variety of macroeconomic and geopolitical disruptions. 2018 has not been a good year for bond indices amid a resilient economic backdrop which has prompted the Fed to raise interest rates causing bond prices to fall and yields to climb higher. Treasury yields have moved higher as a result of strong jobs data. The 2-year treasury bond yield increased to its highest level in 10 years. The Federal Reserve increased the fed funds rate by 25bps in September to a range of 2%-2.25% and signaled one more hike in 2018. After soaring higher in 2017, emerging economies have struggled thus far in 2018. From a valuation perspective, emerging markets appear attractive. The

relative discount to the S&P 500 is at levels not seen since before the financial crisis. Since early 2018, emerging market currencies have spiraled downward as a result of rising US interest rates and a stronger US dollar. Despite a rebound at the beginning of Q4, they believe that the factors contributing to the selloff have not been fully resolved and volatility will continue for the near-term. While they remain overweight the asset class, they have been rotating towards a more defensive posture in Value and Large Cap and out of Small Caps and Growth stocks, which have been outperformers this year. International and Emerging Market equities have suffered this year on the back of political uncertainty and trade tensions, exacerbated by the stronger US Dollar. Inflation risk and further escalation of trade wars remain a concern. As the Fed continues on its steady hiking program, traditional fixed income offers limited return opportunities and they have shifted our fixed income exposure toward floating rate and idiosyncratic credit risk. Hedge funds are an alternative to fixed income exposure currently as they can offer better returns with lower correlation to rising rates and are an important component in reducing overall portfolio level risk for investors. Illiquid Alternatives are up 80 basis points. They continue to expand their roster of illiquid opportunities across traditional private equity, venture capital, middle market lending, real estate and distressed. Tom and Chris questioned the bands around the Investment Policy asset class targets. In their opinion the bands were too tight and do not allow for normal market fluctuation. Renasant stated that they will send Massey the template they used to generate the bands.

**Suntrust – Mike Hill, Melanie Cinaciotto – Summary –** For the quarter, the portfolio was up 2.88% basis points. Excess returns resulted from both asset allocation and active manager performance. The portfolio is in alignment with the current IPS. As we look forward, we expect fixed income will be challenged due to expected additional Fed rate hikes. As we discussed early in 2018, the expectation of a volatile year fueled by midterm election uncertainty is occurring but our outlook is bright headed into the end of year. Benefiting returns year to date is the tilt in the equity allocation toward growth relative to value along with an underweight to international equities and emerging markets in particular. China is facing unique problems and their markets are down and expectations are that additional selling will occur as deleveraging continues. As a recap, global stocks were mixed for September as emerging markets struggles persist. The US notched its best quarterly gain on a total-return basis in nearly five years and padded its hefty year-to-date lead over the rest of the world. US small caps were not so lucky, snapping a six-month rally. Master limited partnerships (MLPs) fell for the month, tipping negative for 2018, but posted gains for the quarter. Bond yields jumped with Fed move, scuttling most bond returns for September, though most finish up modestly for the quarter. Interest rates finally broke out of their fairly narrow range—between 2.8% and 3%—since late May. Yields rose for the month across the board with the benchmark 10-year US Treasury yield ending September at 3.06%, its highest month-end close since December 2013. Municipal bond returns slipped for the month and declined for the quarter. Similarly, non-US government bond performance continued to be hampered by the stronger US dollar, which largely held steady for the month but climbed in the third quarter. All eyes are on the Fed as it continues to normalize policy with a third quarter-point hike in 2018, with another raise likely in December.

**Berman Capital –Wen (Tang) Nottebohm, Russ Allen – Summary –** For the quarter, the portfolio was up 1.88 basis points. The yield curve has been flat. While the economy can take additional interest rate hikes in 2019, bond prices will likely come under even more pressure as investors are overly optimistic about inflation. Two things have accounted for U.S. stocks outperforming international: a stronger dollar and the powerful rally in U.S. technology firms. Near-term these trends are intact, but they don't recommend abandoning international investments. U.S. economic growth clearly picked up in the most recent quarter, with real GDP growth coming in at nearly 4% annualized. The large tax cut for consumers and businesses bolstered confidence and spurred a surge in both consumer spending and business investment. Additionally, growth was temporarily boosted by orders for exports surging ahead of potential tariffs on U.S. goods. Overseas economies have been less robust than the U.S., with developed countries performing much better than emerging markets. The present conflict in Italy is affecting the market. The single largest issue in the global economy is the Trump administration's aggressive use of tariff threats in its efforts to reorder global trade. In the second week of October, stocks dropped sharply, finally reacting to rising bond yields and the Fed's signaling of a continued rate hike campaign. They believe inflation is not out of control, and wages have not turned sharply higher. The Fed is most likely angling for a long-term equilibrium range of between 2.75% and 3.00% by the middle of 2019, then to wait and see. In private markets, while deals are being done at high valuations, the environment remains strong for corporate cash flow, and debt service payment coverage is strong. There is a lot of variability in the quality of investment managers in this space, and they favor sticking with well-established managers with strong credit research teams. Alternatives assets have done the best for this year. In regard to China dispute – they believe there is a high likelihood that something will get worked out, all depends on Trump administration. Russ had a couple questions about the new IPS, with such tight IPS ranges, how long do they have to bring the portfolio in line if there's a violation? What is the allowable % of non-investment grade fixed

income? A global equity benchmark has 55% domestic equities and 45% international equities. What is the rationale for targeting a 75% domestic and 25% international allocation?

Investors had some questions about the changes that were made to the investment policy, Debbie will review the policy questions and give a summary to Rich.

Investors left at 3:43 PM  
Short break taken at 3:44 PM  
Reconvened at 3:45 PM

**Old Business**

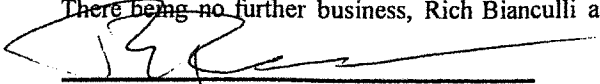
None

**Legal/Other**

None

**Adjournment**

There being no further business, Rich Bianculli adjourned the meeting 3:45 PM



**Rich Bianculli, Chairman**

**Munroe Regional Health System  
Marion County Hospital District**

**Operations Committee Meeting Minutes  
October 23, 2018  
Sam McConnell, Chairman**

**Call to Order**

Sam McConnell called the October 23, 2018 regular meeting of the Munroe Regional Health System and Marion County Hospital District Operations Committees to order at 3:46 p.m.

**Public Comment (3 Minutes)**

None

**Committee Members Present**

Rich Bianculli, Curt Bromund, Sam McConnell, David Cope

**Committee Members Absent**

Larry Strack, Randy Klein

**Present by Phone**

None

**District Attorneys Present**

None

**Others Present**

Dolly Dockham, Debbie Cooper, Carlos Medina

**New Business**

**Approval of Previous Minutes**

- Minutes of September 18, 2018

A **Motion** was made by Sam McConnell to approve the minutes of September 18, 2018 as presented by general consensus. The **Motion** passed unanimously.

**Financials**

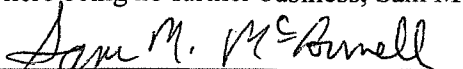
**Budget vs Actual, Balance Sheets, Cash Flow and Income Statements for Munroe Regional Health System and Marion County Hospital District** –September Financials will be presented at the September board meeting for approval.

**Legal/Other**

None

**Adjournment**

There being no further business, Sam McConnell adjourned the meeting at 3:47 p.m.



**Sam McConnell, Chairman**