

Munroe Regional Health System, Inc.

Board of Directors Meeting Minutes

July 30, 2018 @ 5:00 p.m.
Rich Bianculli, Chairman

Call to Order

Richard Bianculli called the July 30, 2018 regular meeting of the Munroe Regional Health System, Inc. Board of Directors to order with a quorum present at 5:00 p.m.

Board Members Present

Ken Marino, Rich Bianculli, Randy Klein, Sam McConnell, Larry Strack, Ram Vasudevan

Board Members Absent

David Cope

Present by Phone

None

District Attorney Present

Joe Hanratty

Others Present:

Curt Bromund, Brianna Liles, Cheri Potter, Debbie Cooper, Carlos Medina (arrived 5:02), Manette Cheshareck, Michelle Stone, Heather Wyman, Sarah Damien

Invocation

Sam McConnell gave the invocation.

Public Comment (3 minutes)

None

Approval of Previous Minutes – June 25, 2018 and July 24, 2018

MHRS Financial Reports, Budget vs. Actual Balance Sheet and Income Statements

Debbie reviewed the June 2018 financials.

A **Motion** was made by Sam McConnell to accept the minutes of June 25, 2018 and July 24, 2018. The **Motion** was seconded by KM. With no further discussion, the **Motion** carried unanimously.

A **Motion** was made by Larry Strack to accept the Financials of June 2018. The **Motion** was seconded by Ram Vasudevan. With no further discussion, the **Motion** carried unanimously.

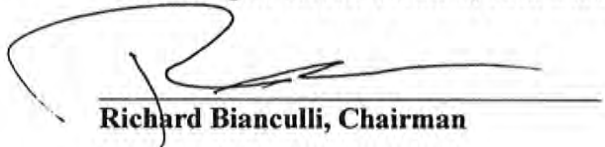
Old Business

None

Legal/Other

Legal Claims – No Change.

There being no further business, Rich Bianculli adjourned the meeting at 5:07 p.m.



Richard Bianculli, Chairman

MUNROE REGIONAL HEALTH SYSTEM MARION COUNTY HOSPITAL DISTRICT

Investment Committee Meeting Minutes

July 24, 2018

Richard Bianculli, Chairman

Call to Order

Rich Bianculli called the July 24, 2018 regular meeting of the Munroe Regional Health System and Marion County Hospital District Investment Committees to order at 12:04 p.m.

Public Comments (3 Minutes)

None

Committee Members Present

Rich Bianculli, Curt Bromund, Sam McConnell, Larry Strack, David Cope

Committee Members Absent

None

Present by Phone

None

District Attorneys Present

None

Others Present

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

Approval of MRHS/MCHD Previous Minutes

- Minutes of June 19, 2018

A **Motion** was made by Dave Cope to approve the minutes of June 19, 2018 as presented. The **Motion** was seconded by Sam McConnell. With no further discussion, the **Motion** carried unanimously.

New Business

MUNROE REGIONAL HEALTH SYSTEM/MARION COUNTY HOSPITAL DISTRICT

Investments are up ~ 3M this month so far, portfolio as of end of June is at ~ 248M. Investors and Resanant were present for the quarterly updates. Training was held on Tuesday July 23, 2018 with Berman Capital, subject was: The parallels or non-parallels from the financial crisis of 2008 to where we are in 2018 and investing in dividend stocks primer.

Meeting with Resonant 12:00 to 12:39

Resanant Asset Management –Caleb Adair and Matthew Foster from Resonant Asset Management were present. Matt Legg has left the company and his colleague, Caleb Adair, will be assuming his role as the relationship manager. They presented global account data including exposures, concentrations, equity stress testing, and asset allocations as well as position changes, market cap distribution, and equity stress testing at the individual manager level. Investors are in mostly Large Cap Stocks with Active Management at this time and that is good. Berman is 50-50 Active and Passive Management. Massey is 80-20 Active and Passive Management. SunTrust is 79-18 Active and Passive Management. Resanant would like to come back in August for the committee meeting to discuss Investment Policy changes. Some of the changes to discuss are:

1. Article 8.2 Duration of no more than 10 years in individual fixed income covered securities.

2. Strategic Asset Allocation.
3. Cash and Fixed Income asset class separations.
4. Fixed Income Securities – Cost Analysis
5. Assets added – preferred equity

Investors arrived at 12:40

Massey Quick – Tom Morr, Chris Moore – Summary – Massey was best performer of all three investors this quarter. Global equities finished the quarter positive after a volatile 3 months due to the United States, which finished up +3.43% per the S&P 500 TR Index. International equities were down, especially emerging markets which fell sharply due to a strengthening dollar and trade war tensions that caused weakness in many developing countries across Asia. Fixed Income markets were also volatile during Q2 on the back of geopolitical and macroeconomic concerns, alternatives were up 2%. Hedge funds were generally mixed across the board during the quarter but have shown an ability to preserve capital and dampen volatility on a year-to-date basis. Value continues to be out-of-favor thus far in 2018. Investors have not rebalanced into value sectors which historically do not perform as well in rising interest rate environments. However, small cap stocks outperformed large cap stocks during the quarter. Trade war fears with China caused market participants to shift capital into companies whose revenues are domestically focused. The Federal Reserve raised the fed funds rate during their June meeting by 25bps to between 1.75% and 2%. This equated to the seventh rate hike since 2015 when they began lifting short-term rates from 0, further, the FOMC members expect another 2 hikes in 2018.

Suntrust – Mike Hill (left at 1:15) – Summary – US stocks roll for a third month, closing out a solid first half of the year; the rest of the world remained shaky, with an improved outlook, US stocks rose for June and the second quarter, while the US dollar snapped a five-quarter losing streak. Interest rates remained calm and holding at ~3% in June despite Fed rate hike; the quarter ended relatively flat. After a wild ride for yields during May, rates remained fairly unchanged during June. The benchmark 10-year US Treasury yield finished June at 2.86%, up very modestly from May, while yields for shorter maturities rose a little more. The US economy gathered more momentum, while inflation ratcheted up due to higher crude oil prices. The Federal Reserve responded with another rate hike in June, the second quarter-point move of 2018, and prepped markets for one or two more this year. Trade tensions are also complicating the global growth outlook and stirring uncertainties in global markets. Commodities gave back most of the gains achieved in April and May, ending the second quarter up slightly despite a sharp increase in crude oil prices. Growth outperformed value and large cap did well. SunTrust alternative exposure was down slightly, -0.20% for the quarter and positive 0.39% year to date. Private equity returns through March have generated a return of 20.59%. The fixed income allocation has a duration of approximately 7. Overall, active manager performance was strong.

Berman Capital –Wen (Tang) Nottebohm, Justin Berman, Russ Allen – Summary – The market has been more volatile this year, but the fundamentals remain largely unchanged. Emerging markets have been very poor performers in recent months. Portfolio is over weight in international and alternatives are slightly under weight until funds are fully called. Despite ending on a weak note, the S&P 500 Index rose 2.9% in the second quarter. During the quarter, geopolitical risks held back gains. Yet the biggest issue during the quarter was the threat to the global trade regime as the Trump administration continued its attempts to force change on allies and competitors alike. Perhaps ironically, U.S. markets generally outperformed international markets as flight to safety inflows benefitted the U.S. U.S. stocks also enjoyed a tailwind from the confidence boost the tax reform and continued job gains provided. On a local currency basis, most international developed markets performed similarly to the U.S. However, the dollar's unusually strong run meant that international markets were negative for U.S. investors. EM was clearly the worst equity market, falling over -4% in local currencies and down -8.7% in dollar terms. Emerging markets were generally hurt by Fed interest rate tightening, the strong dollar and continued credit shrinkage in China, despite this last factor being largely by design. Trade war fears disproportionately hit emerging markets as those countries tend to depend more on trade than larger economies with a higher percentage of growth from domestic activities and could hurt internationally more.

Investors left at 1:30

Short break taken at 1:30 PM

Reconvened at 1:35PM

Old Business

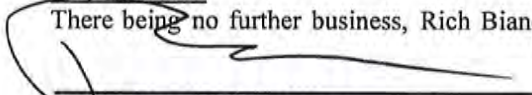
None

Legal/Other

None

Adjournment

There being no further business, Rich Bianculli adjourned the meeting 1:40 p.m.



Rich Bianculli, Chairman

Munroe Regional Health System Marion County Hospital District

Operations Committee Meeting Minutes July 24, 2018 Sam McConnell, Chairman

Call to Order

Sam McConnell called the July 24, 2018 regular meeting of the Munroe Regional Health System and Marion County Hospital District Operations Committees to order at 2:26 p.m.

Public Comment (3 Minutes)

None

Committee Members Present

Rich Bianculli, Curt Bromund, Sam McConnell, Larry Strack, David Cope

Committee Members Absent

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 June 19, 2018

A **Motion** was made by David Cope to approve the minutes of June 19, 2018 as presented. The **Motion** was seconded by Larry Strack. The **Motion** passed.

Financials

Budget vs Actual, Balance Sheets, Cash Flow and Income Statements for Munroe Regional Health System and Marion County Hospital District – All the Financials were accepted by general consensus from the committee as presented and will be presented at the July board meeting for approval.

2018-2019 Strategic Plan/Budget Workshop - was held on July 18, 2018 at College of Central Florida to start planning for the MRHS/MCHD 2018-2019 Chronic Disease/Grants Budget, AMP & FANS Projects Budgets and Strategic Plan.

Continued discussions were held today concerning the Corpus and the amount that the District should spend above the corpus, the inflation adjusted corpus is at ~ \$236M and our current investments including the TimberRidge loan are \$260M. The trustees have agreed that the investments need to be 10% above the inflation

adjusted corpus in order to protect the corpus. If the District spends ~ 3% a year of the \$236M which is ~\$7M a year that can go towards pension, grants, projects and maintaining the district office. In the 2019 fiscal year we will need to fund the Pension plan approximately \$3.5M in order to mitigate the PBGC penalty and then in the 2020 fiscal year the pension funding is projected to be an additional 1.5M.

David Cope's spending suggestion was to consider a longer timeline of 5 years for expenditures. The items on his list were pension liability (5M total = 1M/yr), Central Florida College (1M/yr), grants (1.5 M/yr), AMP&FANS (1.5M/yr), and internal operational overhead (.5M/yr) = a grand total of 5.5 million, leaving at least 1.5M for us to commit to other projects.

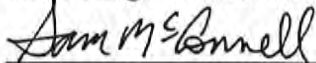
AMP/FANS Projects DRAFT Budgets - after some discussion today it was decided there are still some questions about the projects budgets so a presentation/meeting was suggested for August 8th at noon, which is already a scheduled monthly workshop meeting.

Legal/Other

None

Adjournment

There being no further business, Sam McConnell adjourned the meeting at 4:15 p.m.



Sam McConnell, Chairman

Munroe Regional Health System Marion County Hospital District

Pension Sub-Committee Meeting Minutes July 24, 2018 Sam McConnell, Chairman

Call to Order

Sam McConnell called the July 24, 2018 Pension Sub-Committee meeting of the Munroe Regional Health System and Marion County Hospital District Operations Committees to order at 1:41 p.m.

Public Comment (3 Minutes)

None

Committee Members Present

Rich Bianculli, Curt Bromund, Sam McConnell, Larry Strack, David Cope

Others Present - Caleb Adair (left at 1:19), Matthew Foster (left at 1:19), Carlos Medina, Brian Creekbaum (left at 1:19), Debbie Cooper, Dolly Dockham, Gary Faber (phone), Phil Surge (phone)

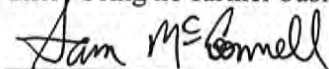
Aon Hewitt (phone) – Gary Faber, Phil Surge - Gary/Phil gave a briefing on pension investments/risk study results. Because the plan is scheduled to close in late 2019 it is recommended not to fund the pension plan now even though the plan is underfunded approximately \$5M. If the plan closing takes longer than the anticipated timeframe we may need to fund the plan before the PBGC payment is due in order to mitigate the variable premiums. AON will keep an eye on the 10/1/18 funding valuation to see if it makes sense to contribute anything to the plan in advance of the final true-up in order to avoid PBGC variable premiums. The committee requested a recommendation for investing the pension funds for 12-15 months since the plan is scheduled to close next year. After some discussion the committee determined to continue with the current investment strategy.

Pension Plan September 2017 Audited Financials – Debbie presented the Pension Audited Financials for board approval.

A **Motion** was made by Sam McConnell to recommend forwarding of the Pension Plan Audited Financials of September 2017 as presented to the July board for approval. There were no questions or discussion and the committee accepted the Pension Audited Financials by general consensus.

Adjournment

There being no further business, Sam McConnell adjourned the meeting at 2:26 p.m.



Sam McConnell, Chairman