

Michigan Health Endowment Fund
Board Meeting
Monday, June 16, 2014
Radisson Hotel – Lansing, Michigan

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.

Roll call

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

Board Members present:

Lynn Alexander
Tim Damschroder
Cindy Estrada
Rob Fowler
Sue Jandernoa
Jim Murray
Keith Pretty
Michael Williams
Marge Robinson

Others present:

Geralyn Lasher
Mark Neithercut
Jeff Padden
Jennifer Smith
Duane Tarnacki

Approval of agenda

Chairman Fowler approves the agenda.

Learning session: Senior services in Michigan

Kari Sederburg, Director of the Michigan Office of Services to the Aging, presents to the Board on the health status of Michigan's aging population.

Public comment

- I. Marilyn Lieber, President and CEO of Michigan Fitness Foundation

Ms. Lieber highlights the importance of: measurable impact and good evaluation models; evidence based and also meaningful and innovative pilot programs; the

ability to show and point to accomplishments; and being thoughtful about sustainability.

II. Kim Sibilsky, Michigan Primary Care Association

Ms. Sibilsky defines the meaning and nature of Federally Qualified Health Centers (FQHCs). She says FQHCs are comprehensive community based centers focused on Michigan systems. Ms. Sibilsky stresses that although FQHCs serve 700,000 people, their centers can only be in federally qualified underserved communities and can only look at categorical issues. Ms. Sibilsky believes the Michigan Health Endowment Fund has the unique opportunity to invest in systems.

Review and adoption of the minutes from the previous meeting

I. Open Meeting minutes

Board Member Robinson notes that she participated in the May 19 Board Meeting via telephone. With that change, Board Member Robinson moves to approve the meeting minutes from the May 19, 2014, Board Meeting. Board Member Damschroder seconds. Motion passes by a vote of nine to zero.

Report of the Chair

- I. Chairman Fowler states that a new contract with Public Policy Associates extends the relationship through the end of July.
- II. The Board is continuing on a path and philosophy of learning and doing.
- III. The possibility of a commission study is something to consider down the road, but is currently on hold for 2014.

Executive Director report

- I. Ms. Lasher reports that weekly informational calls will continue in the short-term given positive feedback from the Board.
- II. Ms. Lasher is working to coordinate the listening tour and recommends that the Board move forward with engaging Public Sector Consultants to assist in the planning efforts.

BREAK

Committee reports

- I. Executive and Compensation Committee

Chairman Fowler reminds the Board that as a discipline, it is important that the Executive Committee does not do the work of the Full Board. Chairman Fowler presents recommendations based on volunteer assignments for committee chairs and members to be taken up for action later on during the meeting. Volunteers and subsequent recommendations are as follows:

<u>Committee</u>	<u>Recommended Chairperson</u>
Investment	Timothy Damschroder
Grantmaking	Sue Jandernoa
Audit	Keith Pretty
Governance	Michael Williams

Chairman Fowler states that each committee chair will have staff support for their committees.

Regarding the compensation of the CEO, Kittleman will discuss compensation range and benefit package, but the final recommendation will be up to the Executive and Compensation Committee and then the Full Board for the final decision.

II. Investment Committee

Board Member Damschroder reports that, based on the investment world, it would not be prudent from a cost or procedural perspective to hire a consultant to act as CIO. Instead, Board Member Damschroder recommends that the Board hire a CFO that has CIO-type experience. Board Member Damschroder and the Investment Committee will engage with Kittleman to begin the search process. The Investment Committee also recommends that they begin the process for selecting an investment consulting firm.

In the interim, the Board will hold back on pursuing any medium-term investments. To date, \$90 million has been moved to Huntington Bank and that is where it will stay until there is a CFO in place. The remaining funds from the initial deposit are with Chemical Bank.

III. President and CEO Recruitment Committee

Mr. Rick King with Kittleman and Associates reviews the Benchmark Calendar, Position Guide, and Constituent Outreach List with the Board. Regarding timing, Mr. King believes they will have a number of candidates ready for the Board to review on paper by the end of August. From there, the Board can first conduct a round of phone interviews, or skip that step and move right into in-person interviews with a smaller, select group of candidates.

As a reminder to the Board, Chairman Fowler states that the Board will act as a Committee of the Whole regarding the selection. The Board agrees that, if it decides

to conduct two rounds of interviews, a subset of Board Members may interview the first round of candidates. Final interviews will be conducted with the Full Board.

Old business

I. Mission building

Proposed Mission Statement: The mission of the Michigan Health Endowment Fund is to improve the health of Michigan residents and reduce the cost of health care with special emphasis on the health and wellness of children and seniors.

Board Member Robinson moves to adopt the Mission Statement. Board Member Pretty seconds. Motion passes by a vote of nine to zero.

II. Grantmaking plan

The Board has decided that there is a way and good reason to move forward with getting funds out in 2014. The Board suggests the Grantmaking Committee further review and discuss the mechanisms by which grantees will be selected and funds will be disbursed. Once they have a recommendation, they will bring it back to the Full Board.

Legal issues

I. Possible appointment of non-Board members to committees

Board is presented with the following resolution to allow the appointment of non-Board members to serve on committees.

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 advisory members of the Fund's committees.

NOW, THEREFORE, BE IT:

RESOLVED, that non-board members may be appointed to serve as non-voting members of the Fund's committees and any such non-board member appointed to a Fund committee will not count toward the quorum requirement for holding committee meetings; 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.

Board Member Pretty moves to have the Board adopt a policy to allow non-Board members to serve on committees in a non-voting capacity. Board Member Jandernoa seconds. Motion passes by a vote of eight to one.

Lynn Alexander – affirmative
Tim Damschroder – affirmative
Cindy Estrada – affirmative
Rob Fowler – affirmative
Sue Jandernoa – affirmative
Jim Murray – negative
Keith Pretty – affirmative
Marge Robinson – affirmative
Michael Williams – affirmative

II. Gift policy

Clark Hill will revise the gift policy and circulate to the board for action at the next Board meeting.

III. Spending and endowment fund policy

Mr. Duane Tarnacki presents the Board with the following Spending and Endowment Fund Resolutions:

WHEREAS, Public Act 4 of 2013 (the “Act”) restricts the portion of contributions that Michigan Health Endowment Fund (the “Fund”) may expend each year for the first 18 years of its existence;

WHEREAS, the Act requires that once the accumulated principal held by the Fund reaches \$750,000,000, the Fund must maintain that amount as an endowment fund and may not allow the principal to fall below \$750,000,000 (“Accumulated Principal Goal”);

WHEREAS, amounts received in excess of the Accumulated Principal Goal may be spent for the purposes of the Fund and for reasonable administrative costs of the Fund; and

WHEREAS, the Board of Directors desires to establish a spending and endowment fund policy with respect to the expenditure, management and investment of contributions received by the Fund for the first 18 years of its existence.

NOW, THEREFORE, BE IT:

RESOLVED, that the Fund may expend a portion of the money contributed to it in each year following the initial contribution in an amount up to the percentage specified below (“Maximum Spending Allowance”):

- (a) Years 1 through 4, 80%;
- (b) Years 5 through 8, 67%;
- (c) Years 9 through 12, 60%;
- (d) Years 13 through 18, 25%

RESOLVED, that the Board of Directors of the Fund shall annually determine a budget range for spending which shall not exceed the Maximum Spending Allowance set forth above.

RESOLVED, that the Board of Directors of the Fund shall maintain an endowment fund (the “Endowment Fund”) for purposes of meeting and complying with the Act’s Accumulated Principal Goal.

RESOLVED, that the Fund shall contribute to the Endowment Fund, at a minimum, a portion of the money contributed to it each year according to the following schedule:

- (a) Years 1 through 4, 20%;
- (b) Years 5 through 8, 33%;
- (c) Years 9 through 12, 40%;
- (d) Years 13 through 18, 75%

unless the Endowment Fund reaches \$750,000,000 prior to the end of the 18 year term.

RESOLVED, that the Board of Directors shall maintain a segregated account for the accounting control of monies in the Endowment Fund.

RESOLVED, that the Board of Directors shall have final authority and discretion as to the investment and reinvestment of the assets of the Endowment Fund, including the authority to delegate investment decisions to professional investment managers, subject to the Act’s requirement that accumulated principal be invested only in securities permitted by the laws of the State of Michigan for the investment of assets of life insurance companies.

RESOLVED, that administrative expenses pertaining to the Endowment Fund may be charged to the Endowment Fund or paid from the general assets of the Fund, at the discretion of the Board of Directors.

RESOLVED, that the Board shall annually review amounts spent for the year and in the event that the Fund has not spent the Maximum Spending Allowance, it may allocate to a “Spendable Account” all or a portion of such contributions which would be available for spending in the current year and future years, and may also allocate to

the Spendable Account all or a portion of other amounts received by the Fund, including investment income; amounts not allocated to the Spendable Account will be deemed added to the Endowment Fund.

Board Member Robinson moves to adopt. Board Member Alexander seconds. Motion passes by a vote of nine to zero.

IV. Contract with Clark Hill

Mr. Tarnacki presents the Board with the contract to extend their relationship with Clark Hill until June 30, 2015. Board Member Pretty moves to extend the contract. Board Member Robinson seconds. The motion passes by a vote of nine to zero.

Business for action

I. Position descriptions for board members and officers

Board Member Pretty moves to adopt. Board Member Williams seconds. Motion passes by a vote of nine to zero.

II. CEO position description

Board Member Robinson moves to approve. Board Member Murray seconds. Motion passes by a vote of nine to zero.

III. Listening tour contract with Public Sector Consultants

The Board is presented with Public Sector Consultants contract to coordinate a six-stop listening tour. Board Member Alexander moves to approve. Board Member Robinson seconds. Motion passes by a vote of seven to two.

Lynn Alexander – affirmative
Tim Damschroder – affirmative
Cindy Estrada – affirmative
Rob Fowler – affirmative
Sue Jandernoa – affirmative
Jim Murray – negative
Keith Pretty – affirmative
Marge Robinson – affirmative
Michael Williams – negative

IV. Learning plan

Board Member Estrada moves to adopt learning plan as a guideline. Board Member Pretty seconds. Motion passes by a vote of nine to zero.

V. Committee members and chairs

Recommended committee assignments:

Committee	Chair	Members
Investment	Timothy Damschroder	Jim Murray, Keith Pretty
Grantmaking	Sue Jandernoa	Roby Fowler, Cindy Estrada, Marge Robinson, Michael Williams
Audit	Keith Pretty	Lynn Alexander, Timothy Damschroder
Governance	Michael Williams	Jim Murray, Marge Robinson

Board Member Pretty moves to appoint the recommended chairs and members to the corresponding committees. Board Member Murray seconds. The motion passes by a vote of nine to zero.

Adjournment

Board Member Jandernoa moves to adjourn the meeting. Board Member Williams seconds. Motion passes by a vote of nine to zero. Meeting adjourns at 3:25 p.m.

Respectfully submitted,

Secretary of the meeting