



NORTH BROWARD HOSPITAL DISTRICT  
BOARD OF COMMISSIONERS  
**PENSION & INVESTMENT COMMITTEE MEETING**  
1700 NW 49<sup>th</sup> Street, Ste. 150  
Fort Lauderdale, FL  
JANUARY 23, 2018

**\*MINUTES**

**MEETING CALLED TO ORDER:** 12:45 p.m.

**COMMITTEE MEMBERS:**

- √ Chairman Rodriguez
- √ Commissioner Ure, Chairperson
- √ Commissioner Wellins

**AD-HOC/GUEST ATTENDEES:** Beverly Capasso, Interim President/CEO; Lynn Barrett, General Counsel, Gino Santorio, EVP/COO; Peter Nyamora, EVP/CHRO, Alan Goldsmith, EVP/CFO, Rosemary Guillette, Segal Marcos Advisors, Chris Lagan, Congress Assets Management Company, Jennifer Cohen, AVP Benefits & Wellness, Commissioner Klein, Commissioner Gregoire

**PUBLIC COMMENTS:** There were no public comments at this time

**APPROVAL OF MEETING MINUTES:** There were no minutes to approve at this meeting

**SHORT TERM CASH STRATEGY:** Treasury Partners, Jerry Klein

Treasury Partners gave an overview of their Company and their services while detailing how they can provide short term cash management services for our liquid assets and their fees associated.

A motion was made by Commissioner Wellins to grant the CFO, Alan Goldsmith authority to negotiate the terms of a Cash management agreement with Treasury Partners as a recommendation to the full board pending approval from Segal Advisors our third party consultants completing due diligence on Treasury Partners.

General Counsel, Lynn Barrett noted that in March of 2015 the Board approved the Statement of Investment Objectives and Policy that delegated the Investment Committee authority to retain a consultant and or investment manager for unrestricted funds.

An amendment to the motion was made by Commissioner Wellins to grant the CFO, Alan Goldsmith authority to enter into a Cash management agreement with Treasury Partners contingent on approval of due diligence done by Segal Advisors and fee arrangement being negotiated by Alan Goldsmith. Motion was seconded by Commissioner Rodriguez. Roll call was taken and the motion was carried unanimously

### **CONGRESS ASSET MANAGEMENT PROPOSAL TO ENABLE DISCRETIONARY AUTHORIZATION TO INVEST ALL ALLOCATED FUND ASSETS:** Congress Assets, Chris Lagan

Both Unrestricted Fund and Employees' Pension are performing quite well. Returns are very strong for both funds at more than 475 bps over the SPX. However, they have concerns that the current situation is not sustainable because inconsistent deployment. About 50% of portfolio is liquidating. Need to stay current with additional investments to preserve allocation and potential return. A recommendation was made at the December meeting for discretionary mandate

- Board authorizes to commit up to an amount TBD
- Benefits

#### Pros:

- Preserves low cost and flexibility
- Better position to keep both portfolios within target allocation ranges
- Far more responsive to both portfolios' needs
- Very Cost Effective
- High degree of transparency
- Better positions to keep both portfolios within target allocation ranges
- Far more responsive to both portfolios' needs

#### Cons:

- Administrative burden

### **Broward Health Private Equity Recommendations**

Board determines asset allocation annually. Congress sources potential funds. Upon satisfactory diligence review, Congress has authority to commit pre-set allocation amount without Board pre-approval. Performance and investment monitoring continues to occur quarterly at regularly scheduled board meeting.

### **Broward Health Portfolio Review**

#### Proposal

- Existing investments: Maintain flat fee of \$70,000
- Additional investments:
- 35 basis points on committed capital for the first year
- 30 basis points on market value for 2-5 years of a partnership's life
- 25 basis points on market value for years 5 – end of partnership's life

#### Rationale

- Pricing reflects assumption of additional risk on Congress Asset Management

- Invoicing on committed capital for year one recognizes substantial upfront work in sourcing and performing diligence on funds
- Step down in year 2-5 recognizes that, while less work is entailed once commitments are made, significant capital call / distribution activity occurs and needs monitoring
- Further step down in year 5 recognizes that typically distribution activity increases and partnerships begin winding down exposure
- Year 5 and on will experience lower fees and lower market value

### **Broward Health Portfolio Review**

#### Unrestricted Fund Cash Flow Activity as of December 31, 2017

- YTD the Unrestricted Fund has paid in \$6.1 million and received \$5.5 million
- Since inception the Unrestricted Fund paid in \$43 million and received \$37 million in distributions resulting in Net Invested Capital of \$6 million
- The Fund made \$52 million in commitments with \$12 million remaining to be called
- YTD the Employees' Pension has paid in \$37 million and received \$4.0 million
- Since inception the Employees' Pension paid in \$29 million and received \$28 million in distributions resulting in Net Invested Capital of \$1.0 million
- The Pension made \$35.5 million in commitments with \$8.2 million remaining to be called

#### Employees' Pension Cash Flow Activity as of December 31, 2017

- YTD the Employees' Pension has paid in \$3.7 million and received \$4.0 million
- Since inception the Employees' Pension paid in \$29 million and received \$28 million in distributions resulting in Net Invested Capital of \$1.0 million
- The Pension made \$35.5 million in commitments with \$8.2 million remaining to be called

### **Broward Health Private Equity Allocation Review**

#### Unrestricted Funds

- The Unrestricted Fund Assets totaled \$481 million as of 9/30/2017
- Private Equity represents 5.8% of market value, below target of 7.5% and near the lower bound of the acceptable range
- Private Equity represents 5.8% of market value, below target of 7.5% and near the lower bound of the acceptable range
- The effect of another \$20 million in new commitments is shown on the dotted blue line
  - Recommend \$15 - \$20 million in commitments for 2018. That would result in a peak allocation of 6.5% in 2020
  - Assess allocation in mid-year, will likely require additional \$10 million in 2018 to reach 7.5% target

### **Broward Health Private Equity Recommendations**

#### Unrestricted Fund Recommend \$20 million in commitments for 2018

- Blend buyout, secondary, and specialty funds
- Result in a peak allocation of 6.5% in 2020
  - Assess allocation in mid-year, will likely require additional \$15 - \$20 million in 2018 to reach 7.5% target

## **Employee Pension Fund: Recommend \$15 million in commitments for 2018**

- Blend buyout, secondary, and specialty funds
- Results in a peak allocation of 5.5% in 2020
  - Assess allocation in mid-year, will likely require additional \$15 million in 2018 to reach 7.5% target

### **MOTION**

A motion was made by Commissioner Wellins to give Congress Asset Management full discretion. Motion was seconded by Commissioner Rodriguez.

**Roll call was made and the motion was carried unanimously.**

1. **MANAGEMENT RECOMMENDATION TO AMEND BENEFIT ELIGIBILITY RULES FOR FORMER BROWARD HEALTH EMPLOYEES TO ENHANCE TOTAL COMPENSATION PACKAGES:** Associate Vice President, Benefits and Wellness, Jennifer Cohen

Ms. Cohen provided the following updates:

- Roles and Responsibilities
- Investment Objectives
- Plan Investment Policies
- Performance Measurement
- Portfolio Investment Policies
- Communication and Reporting Requirements
- Proxy Voting Procedures
- Conflict of Interest Policy
- Prohibited Acts
- Internal Controls
- Manager Specific Guidelines

2. **PENSION UPDATES, BROWARD HEALTH CASH BALANCE PENSION PLAN:** Associate Vice President, Benefits and Wellness, Jennifer Cohen

Ms. Cohen also discussed the retiree program. If a retiree is rehired they are considered a new employee in regards to benefits.

### **MOTION**

A Motion was made by Commissioner Wellins to request that the Board provide approval for the Committee to have oversight of the 403b and 457b retirement plans.

**Roll call was made and the motion was carried unanimously.**

3. **ASSET ALLOCATION REPORT/RECOMMENDATION FROM SEGAL ADVISORS**: Segal Marcos Advisors, Rosemary Guillette

Segal Marcos provided the following updates:

- Multi-Asset Class Solutions Education
- High Yield Fixed Income Search Emerging Markets Equity Search

4. **DECEMBER PERFORMANCE UPDATE OF THE UNRESTRICTED/PENSION FUND**: Segal Marcos Advisors, Rosemary Guillette

Segal Marcos provided the following updates:

- North Broward Hospital District Pension Fund and Unrestricted Fund
- Asset Allocation Comparison as of December 31, 2017

#### **MOTION**

A Motion was made by Commissioner Wellins to request that the Board provide approval for the Committee to have oversight of the 403b and 457b retirement plans.

**Roll call was made and the motion was carried unanimously.**

#### **MOTION**

Commissioner Rodriguez motioned to adjourn. Motion was seconded by Commissioner Ure.

**Roll call was called and the motion was carried unanimously.**

**MEETING ADJOURNED AT:** 2:36 p.m.

**AUTHENTICATIONS OF MINUTES:** Joanna Iwankowski, Senior Executive Secretary

**\*AUDIO TAPES PROVIDED UPON REQUEST**