

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, March 9, 2022 via Zoom. Director Yee called the meeting to order at 6:00 pm and led those in attendance of the meeting in the Pledge of Allegiance.

*CALL TO ORDER*

*PLEDGE OF ALLEGIANCE*

Roll call was taken: Directors present: Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; William Nicholson, MD;  
Absent: Michael Wallace

*ROLL CALL*

Also present: Kimberly Hartz, Chief Executive Officer; Dee Antonio, District Clerk

Guests: Chris Henry, Tina Nunez, Larry LaBossiere, Paul Kozachenko, Graham Beck, Mary Bowron, Walter Choto, Dr. Jacquelyn Chyu, Angus Cochran, Debbie Feary, Kristin Ferguson, Benjamin Gevercer, Gisela Hernandez, Gordon Howie, Dr. Shakir Hyder, Kel Kanady, John Lee, Nick Legge, Donald Pipkin, Marcus Watkins, Lisel Wells, Ed Wohlleb, and Sri Boddu.

Director Yee welcomed any members of the general public to the meeting. She noted that in order to continue to protect the health and safety of the members of the Board, District staff, and members of the public from the dangers posed by the SARS-CoV-2 virus, the Brown Act allows a local agency to continue to hold its meetings remotely as opposed to being required to meet in-person. Section 54953(e)(3) of the Government Code requires that the Board make certain findings every 30 days to continue meeting remotely. One such finding is that “state or local officials continue to impose or recommend measures to promote social distancing.” The Alameda County Health Officer continues to recommend social distancing and the wearing of masks indoors, as referenced by the Alameda County Health Care Services Public Health Department COVID-19 website at [www.covid-19.acgov.org](http://www.covid-19.acgov.org).

*OPENING REMARKS*

In accordance with District law, policies, and procedures, Director Eapen moved that the Board of Directors make the finding required by Section 54953(e)(3)(B)(ii) of the Government Code that “state or local officials continue to impose or recommend measures to promote social distancing.” Director Nicholson seconded the motion.

Roll call was taken:

Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Michael Wallace – absent  
Jacob Eapen, MD – aye  
William Nicholson, MD – aye

The motion carried and the finding is affirmed.

Director Yee noted that Public Notice for this meeting, including connection information, was posted appropriately on our website. This meeting, conducted via Zoom, will be recorded for broadcast at a later date.

There were no Oral communications.

*COMMUNICATIONS:  
ORAL*

There were no Written communications.

*COMMUNICATIONS:  
WRITTEN*

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Director Yee presented the Consent Calendar for consideration:

*CONSENT CALENDAR*

- A. Minutes of the Regular Meetings of the District Board: February 9, February 23, and February 28, 2022

In accordance with District law, policies, and procedures, Director Eapen moved that the Board of Directors approve the Consent Calendar, item A. Director Nicholson seconded the motion.

Roll call was taken:

Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Michael Wallace – absent  
Jacob Eapen, MD – aye  
William Nicholson, MD – aye

The motion carried.

Kimberly Hartz, CEO, introduced Dr. Jacquelyn Chyu, Medical Director of the Washington Prenatal Diagnostic Center, who presented The Washington Prenatal Diagnostic Center: A model for the successful collaboration of academia and community. She began a description of the strategic vision, established in 2017, to provide state-of-the-art medical services in our local community. The Mission is to bring the most advanced prenatal diagnostic care to the community while supporting the WHHS obstetric community by providing high-risk pregnancy care. Services provided include: advanced 2D and 3D fetal ultrasound, Doppler flow studies, fetal echocardiography, comprehensive genetic counseling and genetic carrier screening, invasive fetal testing, and high-risk pregnancy care. Dr. Chyu reviewed the total PDC activity since its inception, noting the slight drop in 2020 due to the pandemic with patients returning in 2021 with safety measures in place.

*PRESENTATION: THE  
WASHINGTON  
PRENATAL  
DIAGNOSTIC CENTER:  
A MODEL FOR THE  
SUCCESSFUL  
COLLABORATION OF  
ACADEMIA AND  
COMMUNITY*

Dr. Chyu noted that Academic Medical Centers tend to be “medical product leaders” while Community Hospitals tend to be “patient experience leaders.” In discussing the challenge of collaboration between the two, Dr. Chyu presented three patient cases that demonstrated the establishment of seamless communication between the systems so that optimal benefit for our patients was obtained from both academic center and community hospital. Both institutions collaborated to provide advanced resources when needed plus the continuity of care and personalized approach of care within the patient’s own community (close to home). Both institutions provided “whatever is best for the patient.”

This collaborative model is based on the premise of UCSF faculty joining the continuum of inpatient and outpatient services within the local community as opposed to “referral to higher level of care” with easy access to academic center resources when needed with an easy return to the community hospital as soon as feasible.

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Chris Henry, CFO, introduced Gordon Howie, Ed Wohlleb, and Lisalee Wells, Financial Consultants who presented information on the issuance of Series 2022 General Obligation Bonds which would total approximately \$20M. Mr. Henry explained that the District residents generously approved Measure XX in November 2020 which provided authority for Washington Hospital to issue up to \$425M in General Obligation Bonds. The bonds will finance new construction needed to fulfill state-mandated seismic requirements for earthquake safety.

*PRESENTATION:  
2022 GENERAL  
OBLIGATION BONDS  
PLAN OF FINANCE*

The proposed financing would use approximately 5.0% of Measure XX approved par amount. Series 2022 would fund pre-construction costs for the build-out of undeveloped space in the Morris Hyman Critical Care Pavilion which includes the construction of eight operating rooms, Sterile Processing Department, Pharmacy, and Imaging Department. Series 2022 would also fund construction costs of the bridge connecting the hospital tower to the Pavilion and the cost of issuance.

Financing at this time would preserve \$20M in unrestricted funds that otherwise would be expended, but could be reimbursed when future bonds are issued. Historically attractive interest rates (slightly above estimates in Measure XX ballot materials) facilitate an efficient use of voter-approved funds. Straightforward issuance process can be accomplished by mid-April 2022.

While the Plan of Finance was presented to the Board at tonight's meeting, the final resolution and preliminary official statement will be presented for consideration of approval at the March 21, 2022 Board of Directors meeting.

Dr. Shakir Hyder, Chief of Staff, reported there are 573 Medical Staff members including 349 active members and 90 ambulatory members. The General Medical Staff meeting was held on March 8, 2022. Dr. Hyder talked about a new Medical Staff initiative on Utilization and Quality. He expressed appreciation for the strong collaborative relationship of the Medical Staff with the Board of Directors.

*MEDICAL STAFF  
REPORT*

Debbie Feary, Service League President, reported that the Service League contributed 1,234 hours over the past month. The annual meeting for the Service League was held February 18, 2022 and the board members were voted into office at that time. There was a huge decrease in the number of COVID-19 test kits requested by the Lab (3,075 in January versus 1,600 in February) which coincided with the end of the Omicron surge. The labeling of vaccination syringes dropped from 1,451 in January to 34 in February.

*SERVICE LEAGUE  
REPORT*

Mary Bowron, Chief of Quality and Resource Management presented the Quality Dashboard for the quarter ending December 31, 2021 comparing WHHS statistics to State and National benchmarks. We had one MRSA Bloodstream Infections this past quarter. We had zero Central Line Associated Bloodstream Infections (CLABSI), which was lower than predicted. We had one Catheter Associated Urinary Tract Infection, which was below the predicted number of infections (1.224). We had zero infections following colon surgery and zero infections

*QUALITY REPORT:  
QUALITY DASHBOARD  
QUARTER ENDING  
DECEMBER 2021*

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following abdominal hysterectomy. C-Difficile: We had one hospital-wide C. diff infection. Hand Hygiene was at 83%.

Our moderate fall with injury rate was lower than the national rate for the quarter at 0.36. Hospital Acquired Pressure Ulcer rate of 0% was lower than the national rate this past quarter.

Our 30-day readmission rate for AMI discharges was above the CMS benchmark (17.2% versus 15.8%). We had a higher percent of 30-day Medicare pneumonia readmissions compared to the CMS national benchmark (29% versus 16.7%). 30-day Medicare Heart Failure readmissions were lower (20% versus 21.9%) than the CMS benchmark. Our 30-day Medicare Chronic Obstructive Pulmonary Disease (COPD) readmission rate was higher than the CMS benchmark (20% versus 19.7%). Our 30-day Medicare CABG readmission rate was lower (4.5% versus 12.6%) than the CMS benchmark. Our 30-day Medicare Total Hip Arthroplasty (THA) and/or Total Knee Arthroplasty (TKA) was higher than the CMS benchmark (6.7% versus 4.0%).

Chris Henry, Vice President & Chief Financial Officer, presented the Finance Report for January 2022. The average daily inpatient census was 178.7 with admissions of 894 resulting in 5,539 patient days. Outpatient observation equivalent days were 271. The average length of stay was 5.51 days. The case mix index was 1.680. Deliveries were 114. Surgical cases were 406. The Outpatient visits were 6,944. Emergency visits were 5,154. Cath Lab cases were 171. Joint Replacement cases were 406. Neurosurgical cases were 30. Cardiac Surgical cases were 10. Total FTEs were 1,598.7. FTEs per adjusted occupied bed were 5.55.

*FINANCE REPORT*

Kimberly Hartz, Chief Executive Officer, presented the Hospital Operations Report for February 2022. Preliminary information for the month indicated total gross revenue at approximately \$194,541,000 against a budget of \$169,722,000. We had 130 COVID-19 discharges which represented 16% of total discharges.

*HOSPITAL  
OPERATIONS REPORT*

The Average Length of Stay was 6.38. The Average Daily Inpatient Census was 178.0. There were 11 discharges with lengths of stay greater than 30 days, ranging from 31 to 117. Still in house at the end of February were fifteen patients with length of stays of over 30 days and counting (highest at 280).

There were 4,985 patient days. There were 392 Surgical Cases and 216 Cath Lab cases at the Hospital. Outpatient joint cases were budgeted to begin migrating to Peninsula Surgery Center in October 2021; pending accreditation, these are now expected to begin during the first half of CY2022.

Deliveries were 88 (the lowest this fiscal year). Non-Emergency Outpatient visits were 7,047. Emergency Room visits were 3,855. Total Government Sponsored Preliminary Payor Mix was 74.6%, against the budget of 73.1%. Total FTEs per

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Adjusted Occupied Bed were 5.85. The Washington Outpatient Surgery Center had 471 cases and the clinics had approximately 16,021 visits.

There were \$145,640 in charity care applications pending or approved in February. It was noted that we went a \$1.4M matching contribution to the State for the District Municipal Public Hospital Quality Incentive Pool (DMPH-QIP). We expect to get back \$5.4M in April after Federal Matching funds are applied. We also funded \$2.8M into the Warm Springs Health Center Partnership LLC as the District's 51% share of initial working capital contribution.

Kimberly Hartz, Chief Executive Officer, introduced Benjamin Gevercer, associate attorney at Olson Remcho, LLP. Following the February 23, 2022 board meeting, staff was directed to research and prepare a parcel tax measure. The law firm of Olson Remcho was approached to advise the District regarding the preparation of the parcel tax measure. The requirements and available procedures for placing a District Parcel Tax on the Ballot were outlined in a memo to board and reviewed by Mr. Gevercer at this meeting.

*CONSIDERATION OF  
POTENTIAL PARCEL  
TAX*

As drafted the measure, if passed, would establish a parcel tax at \$98 on each parcel located within the District to be used for funding the continued operations of the District, including operation of the emergency department, the purchase and maintenance of trauma and other lifesaving medical equipment, disaster preparedness, public health emergency preparation, operating room technology, and diagnostic imaging technology. With a filing deadline of August 12, 2022, there is still time to place the measure for the upcoming November election. It is Ms. Hartz' recommendation that the Board table the parcel tax measure to allow for further study.

Director Eapen moved that the Board hold off placing the tax measure on the November ballot and further direct staff to continue to explore and study the matter as circumstances evolve and report back to the Board by the end of July. Director Nicholson seconded the motion.

Roll call was taken:

Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Michael Wallace – absent  
Jacob Eapen, MD – aye  
William Nicholson, MD – aye

The motion carried.

Consideration of Resolution No. 1238 regarding the Joint Venture with UCSF was postponed to a future meeting.

*CONSIDERATION OF  
RESOLUTION No.1238:  
AUTHORIZE THE  
CHIEF EXECUTIVE  
OFFICER TO ENTER*

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*INTO AN OPERATING AGREEMENT RELATED TO A PROPOSED JOINT VENTURE WITH UCSF FOR A JOINT CANCER CENTER*

In accordance with District Law, Policies, and Procedures, Director Eapen moved that the board approve the revisions to Asset Allocation in the District's Retirement Plan and other post-employment benefits and approval of subscription agreements. Director Nicholson seconded the motion.

*CONSIDERATION OF RESOLUTION No. 1237: APPROVAL OF REVISIONS TO ASSET ALLOCATION IN THE DISTRICT'S RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS AND APPROVAL OF SUBSCRIPTION AGREEMENTS*

Roll call was taken:

- Jeannie Yee – aye
- Bernard Stewart, DDS – aye
- Michael Wallace – absent
- Jacob Eapen, MD – aye
- William Nicholson, MD – aye


The motion carried.


- The Community vaccination clinic has moved outside Washington West to the COVID Testing Tent and is scheduling people 5 years of age and older. As of Friday, March 4<sup>th</sup>, a total of 86,069 COVID vaccine doses have been administered to community members at our vaccination clinic, including 3,331 vaccinations of children ages 5-11 years old.
- Thursday, February 17<sup>th</sup>: Advances in Joint Replacement Surgery
- Wednesday, February 23<sup>rd</sup>: COVID-19: What Families Need to Know
- Wednesday, March 2<sup>nd</sup>: Improve Your Balance with Yoga
- Scheduled for Tuesday, March 22<sup>nd</sup>: Overactive Bladder: Causes, Symptoms, and Treatment
- Scheduled for Thursday, May 5, 2022: 35<sup>th</sup> Annual Golf Tournament on the Hill Course at Castlewood Country Club in support of Surgical Services at WHHS.
- March Employee of the Month: Emebet Mussa, Certified Nurse Assistant, 6 West

*ANNOUNCEMENTS*

There being no further business, Director Yee adjourned the meeting at 8:10 pm.

*ADJOURNMENT*

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 Jeannie Yee  
 President

DocuSigned by:  
  
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 William Nicholson, M.D.  
 Secretary

**RESOLUTION NO. 1237**

**RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON  
TOWNSHIP HEALTH CARE DISTRICT APPROVING AMENDMENTS TO  
STATEMENTS OF INVESTMENT GUIDELINES AND AUTHORIZING  
CHIEF EXECUTIVE OFFICER TO EXECUTE SUBSCRIPTION  
AGREEMENT**

WHEREAS, the Washington Township Health Care District is a local health care district (“District”) that owns and operates a general acute care hospital and provides essential healthcare services to the population residing within the District’s political boundaries, including the cities of Fremont, Newark, Union City, parts of South Hayward and Sunol;

WHEREAS, the Board of Directors of the District (the “Board”) has previously established a Statement of Guidelines and Objectives in order to administer the Washington Township Health Care District Retirement Plan investments in a manner consistent with the District’s funding policy and applicable statutory requirements; and

WHEREAS, the Board has previously established a Statement of Guidelines and Objectives in order to administer the Washington Township Health Care District’s Other Post-Employment Benefits portfolio investments in a manner consistent with applicable statutory requirements; and

WHEREAS, the Board has determined that it is in the best interest of the District to amend the above Statements by revising Section D.2 of each Statement to revise the asset allocation; and

WHEREAS, in conjunction with the previously described amendments, the Board desires to authorize the Chief Executive Officer to enter into a Subscription Agreement to allow for the purchase of investments pursuant to the revised asset allocation.

NOW, THEREFORE, be it resolved that:

1. The Statement of Investment Guidelines of Objectives and Policies for the Retirement Plan attached to this Resolution as Exhibit 1 is hereby approved.

2. The Statement of Investment Guidelines of Objectives and Policies for the Other Post-Employment Benefits attached to this Resolution as Exhibit 2 is hereby approved.

3. The Chief Executive Officer is hereby authorized, on behalf of the District, to execute the *Subscription Agreement for 2022 Wilshire Private Credit Annual Fund Series, L.P.* attached this Resolution as Exhibit 3.

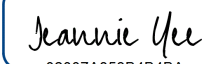
4. The Chief Executive Officer is hereby authorized to take any and all actions necessary to execute any and all instruments and do any and all things deemed by her to be necessary or desirable to carry out the intent and purposes of this Resolution.


Passed and adopted by the Board of Directors of the Washington Township Health Care District this 9<sup>th</sup> day of March 2022 by the following vote:

AYES: Directors Yee, Stewart, Eapen, Nicholson

NOES:

ABSENT: Director Wallace

DocuSigned by:  
  
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JEANNIE YEE  
President, Board of Directors  
Washington Township Health Care  
District

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WILLIAM F. NICHOLSON, MD  
Secretary, Board of Directors  
Washington Township Health Care District



## WASHINGTON TOWNSHIP HEALTH CARE DISTRICT RETIREMENT PLAN

### Statement of Investment Guidelines of Objectives and Policies

April 13, 2016;

Amended November 15, 2019;

Amended November 1, 2020

Amended March 9, 2022

#### INTRODUCTION

The following objectives and guidelines have been established by the Board of Directors in order to administer the Washington Township Health Care District Retirement Plan investments in a manner consistent with the District's funding policy and applicable statutory requirements. The Board of Directors reserve the right to amend and change these objectives and guidelines in the future as they deem prudent.

#### A. INVESTMENT OBJECTIVES

1. The overall financial objective of the Plan is to meet present and future obligations to beneficiaries, while minimizing long-term contributions to the Plan (by earning an adequate return on Plan assets), with moderate volatility in year-to-year contribution levels. In pursuit of this objective, all investment-related decisions will be made with the goal of maximizing expected benefits to the Plan and its beneficiaries.
2. The primary investment return objective of the Plan is to provide a satisfactory return on investment for the support of the above objective based upon the prudent investor standard. The specific investment objective of the Plan is to attain an average annual nominal total return (net of investment management fees) over the long term (for a period of over 30 years annualized) of 7.0%. It is recognized that the nominal return objective may be difficult to attain in every five-year period, but should be attainable over a series of five year periods.

#### B. AUTHORITIES AND RESPONSIBILITIES

1. The Board of Directors is responsible for approving the investment policy of the Washington Township Health Care System Retirement Plan. The Board may authorize the appointment of investment managers (who may also serve as named fiduciaries) and any other investment advisor(s) as may be deemed appropriate in the execution of this policy.
2. Under the direction of the Board of the District, the Chief Executive Officer or designee is responsible for the implementation of this policy.
3. The Chief Executive Officer or designee should report investment activities of the Pension Plan to the Board quarterly. This report should include, where appropriate, a maturity schedule, current yield, market value, type of investment, institution and cost. In addition, the report must include third party confirmation that investment activities are occurring within the guidelines of this Policy.

### C. INVESTMENT MANAGEMENT STRUCTURE

1. The Plan will be managed by external investment managers who may also be designated as “a named fiduciary” as may be applicable. The investment managers have complete discretion to manage the assets in each particular portfolio to best achieve the Plan’s investment objectives, within the guidelines set forth in this policy statement.

### D. PORTFOLIO COMPOSITION AND ASSET ALLOCATION

1. The total Plan shall be diversified both by asset class (e.g., equities, bonds, and cash equivalents) and within each asset class (e.g., within equities by economic sector, industry, quality, size, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Plan.

The initial transition of Plan assets into investments as directed by a new Investment Manager will be spread over a 12-month period.

Where possible cash contributions will be netted with cash outflows to avoid excessive investment transactions.

2. To achieve its investment objective, the Plan shall be divided into three parts: an "Equity Class", a "Fixed Income Class" and a "Diversifier Class". The Plan’s long-term commitment to these asset classes shall be as follows:

	<u>Long-Term Target</u>	<u>Range</u>
Equity Class	55%	50-60%
Core Fixed Income Class	12%	9-20%
Diversifier Class	33%	25-38%
<i>Public Credit</i>	10%	7-20%
<i>Private Credit</i>	8%	0-15%
<i>Real Assets</i>	15%	10-20%

Over the long run, the allocation among the various classes is expected to be the single most important determinant of the Plan's investment performance.

Cash is held at the discretion of the investment managers, with the understanding that performance will be measured against equity benchmarks (for equity managers) or fixed income benchmarks (for fixed income managers). The portfolio will be periodically rebalanced through withdrawals, through the direction of new cash flow, or through transfers of assets among investment managers.

3. The **Equity Class**: The purpose of the Equity Class is to achieve a total return that, over a market cycle provides for growth in principal and current income (along with that from the Fixed Income Fund) sufficient to support current benefit payments, while in the long run preserving the purchasing power of the Plan’s assets. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk.

4. The Equity Class has a target allocation of 55% of total Plan assets at market value. Although the actual percentage of equities and equity reserves will vary with market conditions, levels shall not exceed 60% or fall below 50%. If out of compliance, the investment manager will rebalance back to within target allocation ranges within 30 days. This performance shall be measured by the Chief Executive Officer or designee.
5. The **Fixed Income Class**: The purpose of the Fixed Income Class (bonds and cash equivalents) is to provide further diversification and reduce the overall volatility of the Plan and therefore reduce the variability of contribution amounts to the Plan. This class also provides for a reduction in volatility of lower asset prices and is expected to reduce the overall volatility of the Plan, and to produce current income (to be added to dividend income from the Equity Class) in support of current benefit payments.
6. The Fixed Income Class has a target allocation of 12% of total Plan assets at market value. Although the actual percentage will fluctuate with market conditions, levels shall not exceed 20% or fall below 9%. If out of compliance, the investment manager will rebalance back to within target allocation ranges within 30 days. This performance shall be measured by the Chief Executive Officer or designee.
7. **The Diversifier Class**: The purpose of the Diversifier Class allocation (alternative strategies or asset classes) is to provide uncorrelated sources of return from traditional equity and fixed income classes. This allocation is expected to provide further diversification and reduce the overall volatility of the Plan.
8. The Diversifier Class has a target allocation of 33%, of the total Plan assets at market value. Although the actual percentage will fluctuate with market conditions, levels shall not exceed 38% or fall below 25%. If out of compliance, the investment manager will rebalance back to within target allocation ranges within 30 days. This performance shall be measured by the Chief Executive Officer or designee.
9. Additions to principal shall be allocated to investment classes according to policy.

## **E. GUIDELINES FOR THE EQUITY CLASS**

1. The investment return objective for the Equity Class is to outperform broad market benchmarks net of fees and costs, when measured over rolling three-year and five-year periods, although performance over shorter and longer periods will be considered. In addition, investment manager performance will be measured against the median return of an appropriate universe of investment managers with broadly similar investment styles.
2. The Equity Class will be broadly diversified according to country, region, economic sector, industry, number of holdings, and other investment characteristics. Multiple managers of different focuses and styles should be considered if necessary to ensure sufficient diversification of this allocation.
3. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, and turnover are left to broad investment manager discretion, subject to the usual standards of fiduciary prudence. However, in no case shall a single security or issuer exceed 10% of the market value of the Equity Class. In addition,

no single major industry shall represent more than 25% of the market value of the Equity Class.

4. Unless otherwise instructed, an equity managers may at their discretion hold investment reserves of either cash equivalents or bonds without limitation in terms of asset size or period of time, but with the understanding that performance will be measured against all- equity indexes as described above in paragraph E.1.

#### **F. GUIDELINES FOR THE FIXED INCOME CLASS**

1. The investment return objective of the Fixed Income Class is to outperform broad market benchmarks, net of costs and fees when measured over rolling three-year and five-year periods, although performance over shorter and longer periods will be considered.
2. Fixed Income Class managers may employ active management techniques but changes in overall portfolio duration should be moderate and incremental. The Board may want to discuss the duration guidelines with its fixed income managers to ensure that it is consistent with the managers' investment strategies.
3. To ensure sufficient diversification, multiple managers with different credit, region, strategy focuses may be utilized.
4. In general, the fixed income portfolio shall be well diversified with respect to country, type, industry, and issuer in order to minimize risk exposure. However, obligations issued or guaranteed by the U.S. Government may be held without limitation.

#### **G. GUIDELINES FOR THE DIVERSIFIER CLASS**

1. The objective of the Diversifier Class is to provide a return source not strongly correlated with either the Equity Class or the Fixed Income Class, and therefore provide benefits of reduced volatility of total fund returns.
2. The participating asset classes in the Diversifier Class may change from time to time, based on the evolving market opportunity set.
3. Public Credit Opportunities, Private Credit and Real Assets classes are included in the Diversifier Class. Due to the capital call structure, the actual exposure to Private Credit may differ from the target allocation. A pacing model is maintained annually to determine the amount of annual commitment levels. Public Credit asset class is utilized for liquidity reserve pending capital calls. In general, active management is to be utilized for this Class and broad market benchmarks are to be used for performance measurement purposes.

## **H. GUIDELINES FOR TRANSACTIONS**

1. As a general guideline that should apply to all assets managed, investment managers are held to the highest fiduciary standards and all transactions should be entered into on the basis of best execution.

## I. MONITORING OF OBJECTIVES AND RESULTS

1. All objectives and policies are in effect until modified by the Board, which will review these at least annually for their continued pertinence.
2. If at any time an investment manager believes that any aspect of the policy guidelines inhibits the investment performance of the account, it is the investment manager's responsibility to clearly communicate this view to the Chief Executive Officer or designee as soon as reasonably possible.
3. The Plan portfolios will be monitored on a continual basis for consistency in investment philosophy, return relative to objectives, and investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. Portfolios will be reviewed by the Chief Executive Officer or designee on a quarterly basis, but results will be evaluated over rolling three- to five-year periods. However, the Staff will regularly review each investment manager in order to confirm that the factors underlying the performance expectations remain in place.
4. In addition to the information required in Section B. of this Policy, each investment manager will report the following information on a quarterly basis: total return (on a time-weighted basis) gross and net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and at market, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. In addition, investment managers are required to inform the Chief Executive Officer or designee promptly of any material change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size and account minimum), major investment adjustments, or fundamental investment philosophy.
5. Funds held pending deployment will not count towards portfolio benchmark monitoring.

## J. MONITORING THE INVESTMENT MANAGER

1. Investment manager performance should be measured by how they construct the risk and return characteristics of the Plan portfolio as compared to the policy portfolio benchmark.
2. The investment return of each Asset Class (Equity, Fixed Income and Diversifier) shall be compared to their market benchmark.
3. The percentage of Class's outperforming their benchmark over time shall be monitored for consistency of outperformance.
4. The risk adjusted fund performance shall be measured against other like funds or peer group.

Approved by WTHCD Board April 13, 2016  
Amended and Adopted by Board on November 15, 2019  
Amended and Adopted by Board on October 19, 2020  
Amended and Adopted by Board on March 9, 2022

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Name & Title

**WASHINGTON TOWNSHIP HEALTH CARE DISTRICT  
OTHER POST- EMPLOYMENT BENEFITS**

**Statement of Investment Guidelines of Objectives and Policies**

May 9, 2018;  
Amended November 15, 2019;  
Amended November 1, 2020  
Amended March 9, 2022

**INTRODUCTION**

The following objectives and guidelines have been established by the Board of Directors in order to administer the Washington Township Health Care District's Other Post-Employment Benefits (OPEB) portfolio investments in a manner consistent with applicable statutory requirements. The Board of Directors reserve the right to amend and change these objectives and guidelines in the future as they deem prudent.

**A. INVESTMENT OBJECTIVES**

1. The overall financial objective of the OPEB investment portfolio is to meet present and future obligations to beneficiaries, while minimizing long-term contributions to OPEB (by earning an adequate return on OPEB assets), with moderate volatility in year-to-year contribution levels. In pursuit of this objective, all investment-related decisions will be made with the goal of maximizing expected benefits to the OPEB and its beneficiaries.
2. The primary investment return objective of the OPEB portfolio is to provide a satisfactory return on investment for the support of the above objective based upon the prudent investor standard. The specific investment objective of OPEB is to attain an average annual nominal total return (net of investment management fees) over the long term (for a period over 30 years annualized) of 7.0%. It is recognized that the nominal return objective may be difficult to attain in every five-year period, but should be attainable over a series of five year periods.

**B. AUTHORITIES AND RESPONSIBILITIES**

1. The Board of Directors is responsible for approving the investment policy of the Washington Township Health Care System's OPEB portfolio. The Board may authorize the appointment of investment managers (who may also serve as named fiduciaries) and any other investment advisor(s) as may be deemed appropriate in the execution of this policy.
2. Under the direction of the Board of the District, the Chief Executive Officer or designee is responsible for the implementation of this policy.
3. The Chief Executive Officer or designee should report investment activities of the OPEB portfolio to the Board quarterly. This report should include, where appropriate, a maturity schedule, current yield, market value, type of investment, institution and cost. In addition, the report must include third party confirmation that investment activities are occurring within the guidelines of this Policy.

### C. INVESTMENT MANAGEMENT STRUCTURE

1. The OPEB portfolio will be managed by external investment managers who may also be designated as “a named fiduciary” as may be applicable. The investment managers have complete discretion to manage the assets in each particular portfolio to best achieve OPEB’s investment objectives, within the guidelines set forth in this policy statement.

### D. PORTFOLIO COMPOSITION AND ASSET ALLOCATION

1. The total OPEB portfolio shall be diversified both by asset class (e.g., equities, bonds, and cash equivalents) and within each asset class (e.g., within equities by economic sector, industry, quality, size, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total OPEB portfolio.

The initial transition of OPEB portfolio assets into investments as directed by a new Investment Manager will be spread over a 12-month period.

Where possible cash contributions will be netted with cash outflows to avoid excessive investment transactions.

2. To achieve its investment objective, the OPEB portfolio shall be divided into three parts: an "Equity Class", a "Fixed Income Class" and a "Diversifier Class". The OPEB portfolio’s long-term commitment to these asset classes shall be as follows:

	Long-Term <u>Target</u>	<u>Range</u>
Equity Class	55%	50-60%
Core Fixed Income Class	12%	9-20%
Diversifier Class	33%	25-38%
<i>Public Credit</i>	10%	7-20%
<i>Private Credit</i>	8%	0 – 15%
<i>Real Assets</i>	15%	10-25%

Over the long run, the allocation among the various classes is expected to be the single most important determinant of the OPEB portfolio's investment performance.

Cash is held at the discretion of the investment managers, with the understanding that performance will be measured against equity benchmarks (for equity managers) or fixed income benchmarks (for fixed income managers). The portfolio will be periodically rebalanced through withdrawals, through the direction of new cash flow, or through transfers of assets among investment managers.

3. The **Equity Class**: The purpose of the Equity Class is to achieve a total return that, over a market cycle provides for growth in principal and current income (along with that from the Fixed Income Fund) sufficient to support current benefit payments, while in the long run



preserving the purchasing power of the OPEB portfolio's assets. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk.

4. The Equity Class has a target allocation of 55% of total OPEB portfolio assets at market value. Although the actual percentage of equities and equity reserves will vary with market conditions, levels shall not exceed 60% or fall below 50%. If out of compliance, the investment manager will rebalance back to within target allocation ranges within 30 days. This performance shall be measured by the Chief Executive Officer or designee.
5. The **Fixed Income Class**: The purpose of the Fixed Income Class (bonds and cash equivalents) is to provide further diversification and reduce the overall volatility of the OPEB portfolio and therefore reduce the variability of contribution amounts to the OPEB portfolio. This class also provides for a reduction in volatility of lower asset prices and is expected to reduce the overall volatility of the OPEB portfolio, and to produce current income (to be added to dividend income from the Equity Class) in support of current benefit payments.
6. The Fixed Income Class has a target allocation of 12% of total OPEB portfolio assets at market value. Although the actual percentage will fluctuate with market conditions, levels shall not exceed 20% or fall below 9%. If out of compliance, the investment manager will rebalance back to within target allocation ranges within 30 days. This performance shall be measured by the Chief Executive Officer or designee.
7. **The Diversifier Class**: The purpose of the Diversifier Class allocation (alternative strategies or asset classes) is to provide uncorrelated sources of return from traditional equity and fixed income classes. This allocation is expected to provide further diversification and reduce the overall volatility of the OPEB portfolio.
8. The Diversifier Class has a target allocation of 33%, of the total OPEB portfolio assets at market value. Although the actual percentage will fluctuate with market conditions, levels shall not exceed 38% or fall below 25%. If out of compliance, the investment manager will rebalance back to within target allocation ranges within 30 days. This performance shall be measured by the Chief Executive Officer or designee.
9. Additions to principal shall be allocated to investment classes according to policy.

#### **E. GUIDELINES FOR THE EQUITY CLASS**

1. The investment return objective for the Equity Class is to outperform broad market benchmarks net of fees and costs, when measured over rolling three-year and five-year periods, although performance over shorter and longer periods will be considered. In addition, investment manager performance will be measured against the median return of an appropriate universe of investment managers with broadly similar investment styles.
2. The Equity Class will be broadly diversified according to country, region, economic sector, industry, number of holdings, and other investment characteristics. Multiple managers of different focuses and styles should be considered if necessary to ensure sufficient diversification of this allocation.
3. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, and turnover are left to broad investment manager

discretion, subject to the usual standards of fiduciary prudence. However, in no case shall a single security or issuer exceed 10% of the market value of the Equity Class. In addition, no single major industry shall represent more than 25% of the market value of the Equity Class.

4. Unless otherwise instructed, equity managers may at their discretion hold investment reserves of either cash equivalents or bonds without limitation in terms of asset size or period of time, but with the understanding that performance will be measured against all-equity indexes as described above in paragraph E.1.

## **F. GUIDELINES FOR THE FIXED INCOME CLASS**

1. The investment return objective of the Fixed Income Class is to outperform broad market benchmarks, net of costs and fees when measured over rolling three-year and five-year periods, although performance over shorter and longer periods will be considered.
2. Fixed Income Class managers may employ active management techniques but changes in overall portfolio duration should be moderate and incremental. The Board may want to discuss the duration guidelines with its fixed income managers to ensure that it is consistent with the managers' investment strategies.
3. To ensure sufficient diversification, multiple managers with different credit, region, strategy focuses may be utilized.
4. In general, the fixed income portfolio shall be well diversified with respect to country, type, industry, and issuer in order to minimize risk exposure. However, obligations issued or guaranteed by the U.S. Government may be held without limitation.

## **G. GUIDELINES FOR THE DIVERSIFIER CLASS**

1. The objective of the Diversifier Class is to provide a return source not strongly correlated with either the Equity Class or the Fixed Income Class, and therefore provide benefits of reduced volatility of total fund returns.
2. The participating asset classes in the Diversifier Class may change from time to time, based on the evolving market opportunity set.
3. Public Credit Opportunities, Private Credit and Real Assets classes are included in the Diversifier Class. Due to the capital call structure, the actual exposure to Private Credit may differ from the target allocation. A pacing model is maintained annually to determine the amount of annual commitment levels. Public Credit asset class is utilized for liquidity reserve pending capital calls. In general, active management is to be utilized for this Class and broad market benchmarks are to be used for performance measurement purposes.

## **H. GUIDELINES FOR TRANSACTIONS**

1. As a general guideline that should apply to all assets managed, investment managers are held to the highest fiduciary standards and all transactions should be entered into on the basis of best execution.

## **I. MONITORING OF OBJECTIVES AND RESULTS**

1. All objectives and policies are in effect until modified by the Board, which will review these at least annually for their continued pertinence.
2. If at any time an investment manager believes that any aspect of the policy guidelines inhibits the investment performance of the account, it is the investment manager's responsibility to clearly communicate this view to the Chief Executive Officer or designee as soon as reasonably possible.
3. The OPEB portfolio will be monitored on a continual basis for consistency in investment philosophy, return relative to objectives, and investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. Portfolios will be reviewed by the Chief Executive Officer or designee on a quarterly basis, but results will be evaluated over rolling three- to five-year periods. However, the Staff will regularly review each investment manager in order to confirm that the factors underlying the performance expectations remain in place.
4. In addition to the information required in Section B. of this Policy, each investment manager will report the following information on a quarterly basis: total return (on a time-weighted basis) gross and net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and at market, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. In addition, investment managers are required to inform the Chief Executive Officer or designee promptly of any material change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size and account minimum), major investment adjustments, or fundamental investment philosophy.
5. Funds held pending deployment will not count towards portfolio benchmark monitoring.

## **J. MONITORING THE INVESTMENT MANAGER**

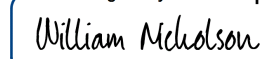
1. Investment manager performance should be measured by how they construct the risk and return characteristics of the OPEB portfolio as compared to the policy portfolio benchmark.
2. The investment return of each Asset Class (Equity, Fixed Income and Diversifier) shall be compared to their market benchmark.
3. The percentage of Class's outperforming their benchmark over time shall be monitored for consistency of outperformance.
4. The risk adjusted fund performance shall be measured against other like funds or peer group.

May 9, 2018

Amended and Adopted by Board November 15, 2019

Amended and Adopted by Board October 19, 2020

Amended and Adopted by Board March 9, 2022

A blue ink handwritten signature that reads "William McHolson". The signature is written in a cursive style and is contained within a blue rounded rectangular box.

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Name & Title