



February 9, 2024

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **PERSONNEL, PENSION AND INVESTMENT COMMITTEE - COMMITTEE OF THE WHOLE** of **SALINAS VALLEY HEALTH**<sup>1</sup> will be held **MONDAY, FEBRUARY 12, 2024, AT 12:00 P.M., DOWNING RESOURCE CENTER, CEO CONFERENCE ROOM 117, SALINAS VALLEY HEALTH MEDICAL CENTER, 450 E. ROMIE LANE, SALINAS, CALIFORNIA** or via **TELECONFERENCE** (*visit [SalinasValleyHealth.com/virtualboard](https://www.SalinasValleyHealth.com/virtualboard) meeting for Access Information*).

A handwritten signature in black ink, appearing to read "Allen Radner".

Allen Radner, MD  
Interim President/Chief Executive Officer

Committee Members: Juan Cabrera, Chair; Catherine Carson, Vice Chair; Michelle Childs, Chief Human Resources Officer; Glenn Berry, MD, Medical Staff Member; Augustine Lopez, Chief Financial Officer; Allen Radner, MD, Interim President/CEO; Tony Redmond, Community Member

**PERSONNEL, PENSION AND INVESTMENTS COMMITTEE  
COMMITTEE OF THE WHOLE  
SALINAS VALLEY HEALTH<sup>1</sup>**

**MONDAY, FEBRUARY 12, 2024, 12:00 P.M.  
DOWNING RESOURCE CENTER, CEO CONFERENCE ROOM #117**

**Salinas Valley Health Medical Center  
450 E. Romie Lane, Salinas, California  
or via Teleconference  
(Visit [svmh.com/virtualboardmeeting](http://svmh.com/virtualboardmeeting) for Access Information)**

**AGENDA**

1. Call to Order / Roll Call
2. Public Comment  
This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board, which are not otherwise covered under an item on this agenda.
3. Approve Minutes of the Personnel, Pension and Investment Committee Meeting of January 15, 2024 (RADNER)
  - Motion/Second
  - Action by Committee/Roll Call Vote
4. Review Investment Performance of Salinas Valley Health Medical Center General & Board Designated Funds (LOPEZ/ CLEVELAND/DREW ZAGER OF MORGAN STANLEY)
5. Adjournment  
The next Personnel, Pension and Investment Committee Meeting is scheduled for **Monday, March 18, 2024 at 12:00 p.m.**

This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

The Committee packet is available at the Committee Meeting, at [www.SalinasValleyHealth.com](http://www.SalinasValleyHealth.com), and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Clerk during regular business hours at 831-759-3050. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

<sup>1</sup>Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

*CALL TO ORDER*  
*ROLL CALL*

*(Chair to call the meeting to order)*

*PUBLIC COMMENT*

**DRAFT SALINAS VALLEY HEALTH<sup>1</sup>**  
**PERSONNEL, PENSION AND INVESTMENT COMMITTEE**  
**COMMITTEE OF THE WHOLE**  
**MEETING MINUTES JANUARY 15, 2024**

Committee Members Present:

In-person: Vice-Chair Catherine Carson, Glenn Berry, MD, Augustine Lopez and Allen Radner, MD, Interim President/CEO;

Via Teleconference: None;

Committee members absent: Chair Juan Cabrera, Michelle Childs and Tony Redmond;

Other Board Members Present, Constituting Committee of the Whole: Rolando Cabrera, MD, and Victor Rey, Jr., (both via teleconference).

**1. CALL TO ORDER/ROLL CALL**

A quorum was present and Vice-Chair Catherine Carson called the meeting to order at 12:05 p.m. in Downing Resource Center, CEO Conference Room 117.

**2. PUBLIC COMMENT**

None

**3. APPROVAL OF MINUTES FROM THE PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING OF NOVEMBER 14, 2023**

Approve the minutes of the Personnel, Pension, and Investment Committee meeting of November 14, 2023, as presented. The information was included in the Committee packet.

**PUBLIC COMMENT:**

None

**MOTION:**

Upon motion by Committee member Radner, and second by Committee Member Lopez, the minutes of the November 14, 2023 Personnel, Pension and Investment Committee were approved as revised to reflect (1) Dr. Berry still has concerns about how the funds are performing compared to leaders in the industry, and (2) the topic will be re-agendized for further discussion.

Ayes: Vice Chair Carson, Berry, MD, Lopez, and Radner, MD.;

Noes: None;

Abstentions: None;

Absent: Chair Juan Cabrera, Childs and Redmond.

**Motion Carried**

**4. CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF:**

- A. The Findings Supporting Recruitment of Najwa Bahu-Baugh, MD,
- B. The Contract Terms for Dr. Bahu-Baugh's Recruitment Agreement, and
- C. The Contract Terms for Dr. Bahu-Baugh's Internal Medicine Professional Services Agreement

<sup>1</sup>Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

A full report was provided in the packet including Financial/Quality/Safety/Regulatory Implications.

**PUBLIC COMMENT:**

None

**BOARD DISCUSSION:** Further discussion with staff clarified Dr. Bahu-Baugh is moving to area. Her references and Healthgrades scores are very strong. She will principally be working in primary and outpatient care.

**MOTION:**

Upon motion by Committee member Dr. Berry, and seconded by Dr. Radner, the Personnel, Pension, and Investment Committee recommends the Board of Directors consider approval of Dr. Bahu-Baugh's findings supporting recruitment, contract terms for recruitment agreement, and contract terms for the Internal Medicine Professional Services Agreement.

Ayes: Vice Chair Carson, Berry, MD, Lopez, and Radner, MD.

Noes: None;

Abstentions: None;

Absent: Chair Juan Cabrera, Childs and Redmond.

**Motion Carried**

**5. HR METRICS**

Robert Anderson, Human Resources Manager presented on HR Metrics Q1FY24 (July-August-September). The 2023 headcount is 2,122 employees with 1495 FTEs. Overall turnover (benefited) was 8.6% vs. the 11.10% CHA standard. Turnover by department was reviewed. Q1FY24 benefited RN turnover was 2.5%. RN turnover by department was reviewed. Historical first-year turnover was reviewed. Top reasons for first-year turnover were reviewed. Historical new grad retention rates were reviewed. Q1FY24 retention was 100%. Historical traveler count was reviewed. Historical hours worked as FTE for staff and contract labor were reviewed. Six-month evaluation compliance rates were reviewed. Posting of job until candidate starts on the 1<sup>st</sup> day, a.k.a. "Time to Start" was reviewed.

**Board Member Discussion:** Suggestion: Include retirement data in future turnover report outs. There was no first-year turnover in Q1FY24. All 1<sup>st</sup>-year turnover was within the 90 days intro/probation period; RNs have 6 months. TJC is coming; evaluation timeliness needs to be a priority. April 1<sup>st</sup> is go-live for Workday software. ICU had a lot of retirements. ER RN turnover was partially due to incentives offered by other facilities.

**6. ADJOURNMENT**

There being no other business, the meeting was adjourned at 12:32 p.m. The next Personnel, Pension, and Investment Committee Meeting is scheduled for **Monday, February 12, 2024, at 12:00 p.m.**

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Catherine Carson, Vice-Chair, Personnel  
Pension and Investment Committee

## Salinas Valley Health

**Drew Zager**  
Managing Director  
Private Wealth Advisor

**January 2024**

**Joseph McCullough**  
Managing Director  
Private Wealth Advisor

**Jesus Rivera**  
PWM Analyst

**Zager Fixed Income Management  
at Morgan Stanley Private Wealth Management**

1999 Avenue of the Stars, Suite 2400, Los Angeles, CA 90067  
(310) 788-2130  
zfin@morganstanley.com

# Meeting Agenda

## 1. Portfolio Performance & Review

### A. Consolidated Board Designated, General, and Cash Reserve:

I. Jan 1 – Sep 26, 2023

II. Jan 1 – Dec 31, 2023

### B. Consolidated Board Designated and General:

I. Sep 27 – Dec 31, 2023

### C. Cash Reserve:

I. Sep 27 – Dec 31, 2023

## 2. Fixed Income Market Review

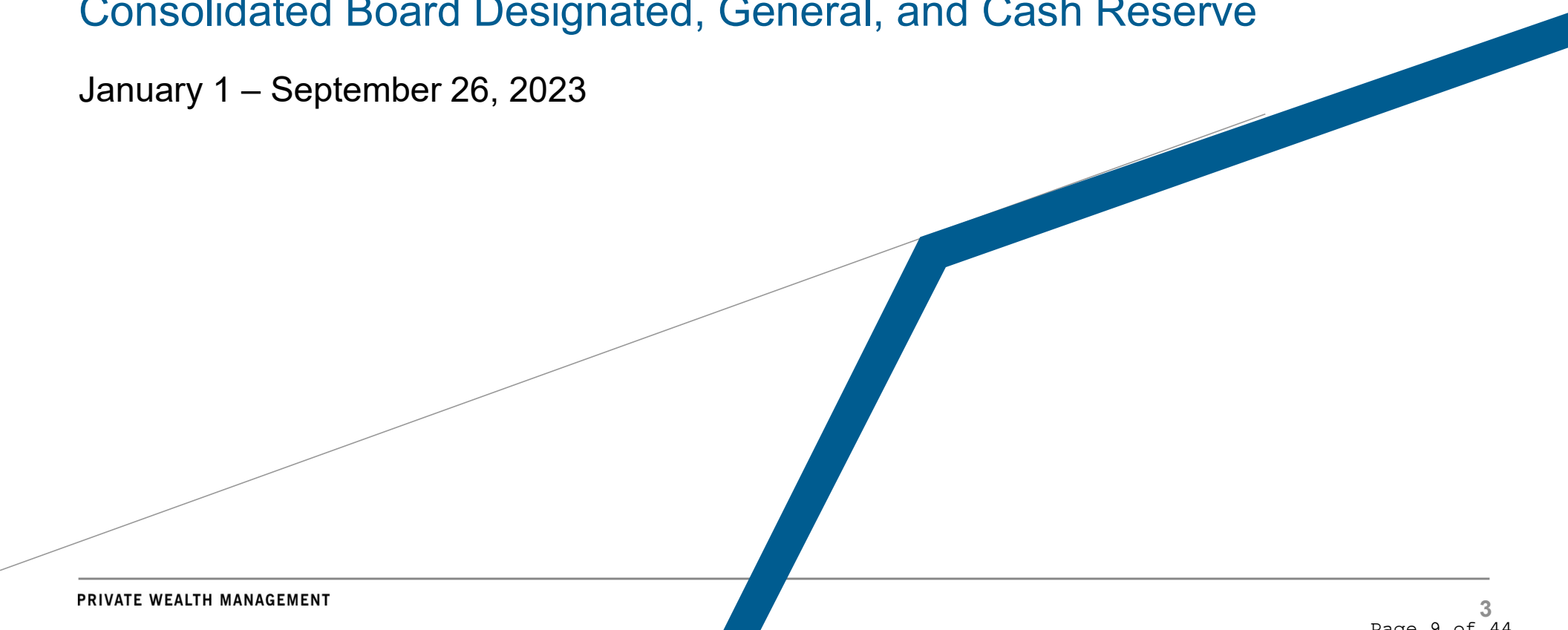
## 3. Custodian & Reporting Update



SECTION 1.A.I

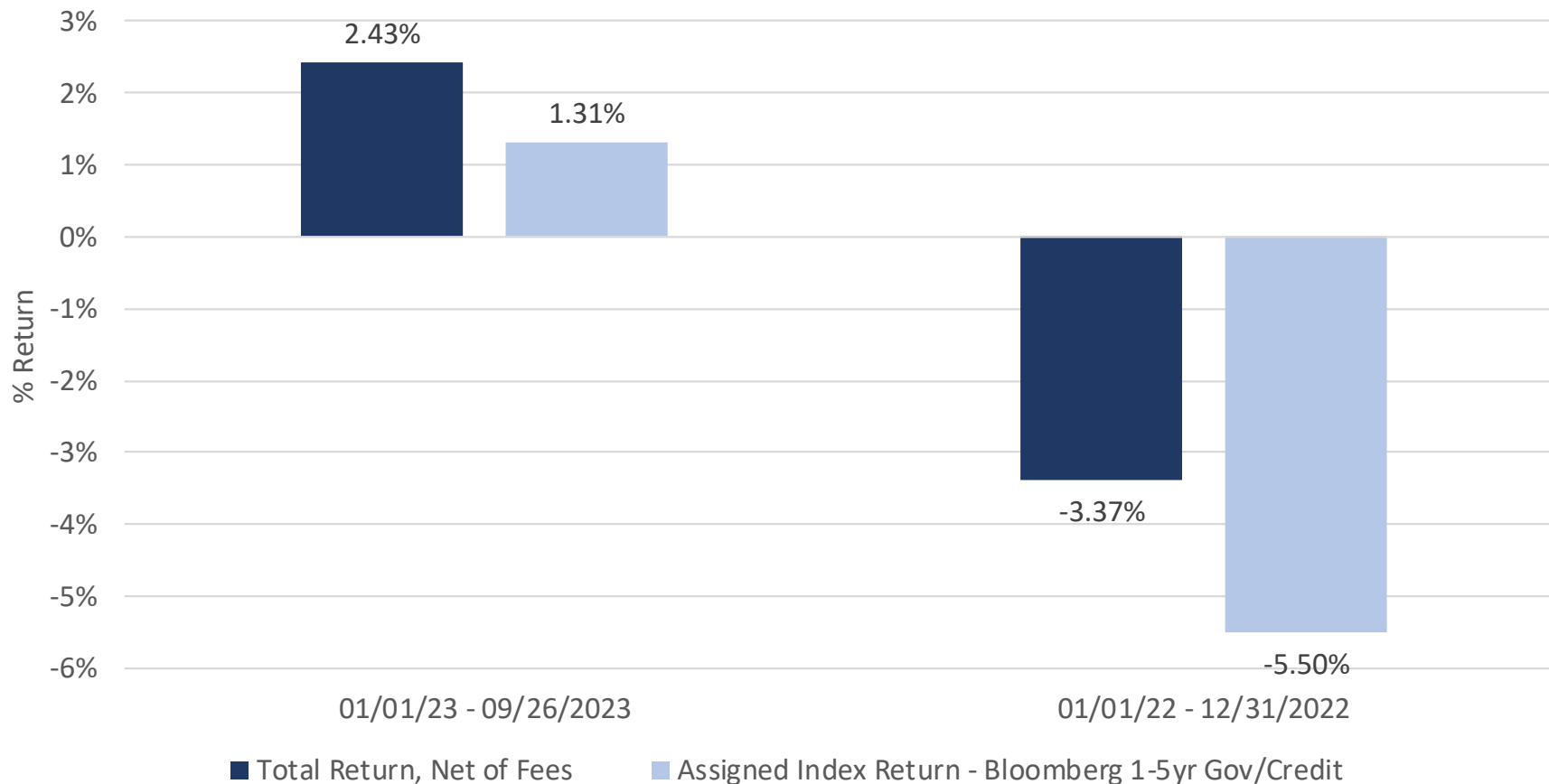
# Consolidated Board Designated, General, and Cash Reserve

January 1 – September 26, 2023



# Consolidated Board Designated, General, and Cash Reserve Performance

01/01/23 – 09/26/23



Source: Clearwater Analytics LLC

## Consolidated Board Designated, General, and Cash Reserve

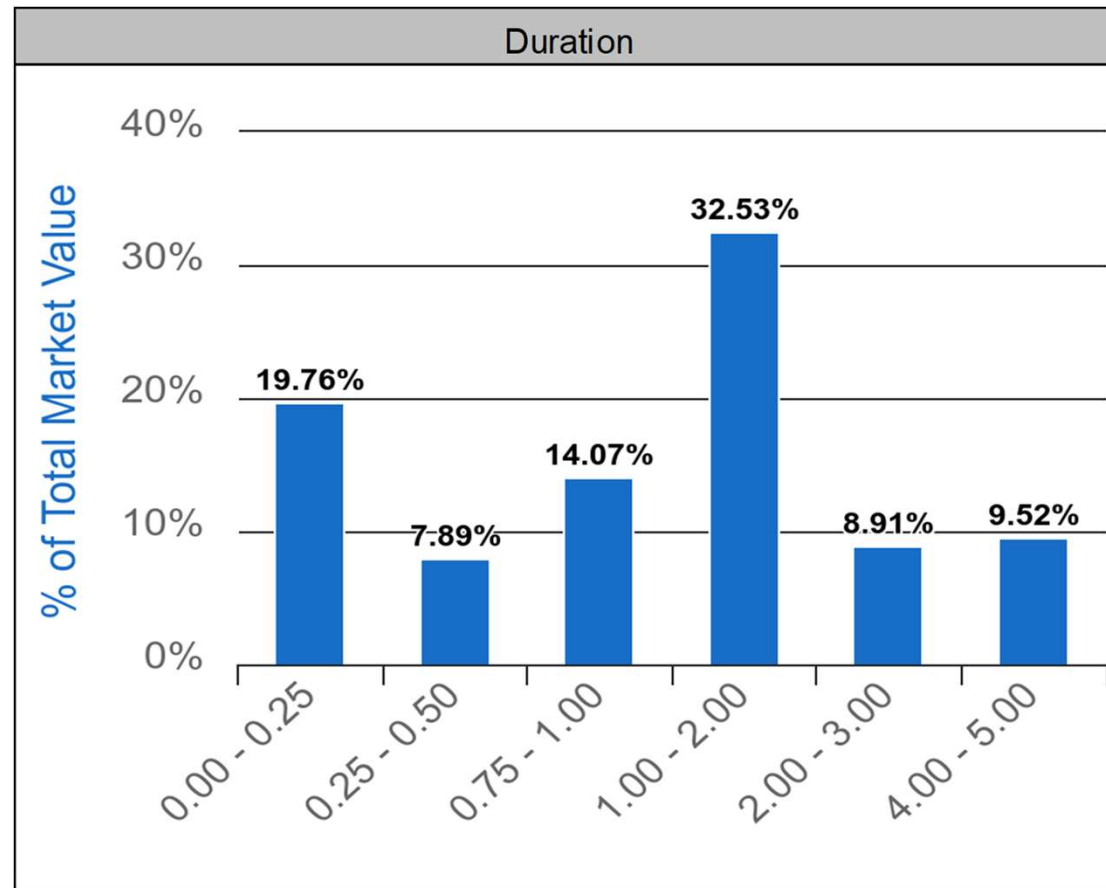
01/01/23 – 09/26/23

Portfolio Valuation Summary	
	Portfolio
Total Market Value	305,875,197
Market Value	303,900,147
Accrued Interest	1,975,050
Yield at Cost	3.6
Market Yield	5.64
Modified Duration	1.69
Coupon	2.89
Unrealized G/L	-7,592,249
Economic Income (12 mo)	11,207,365
Moody's Rating	Aa3
S&P Rating	AA-
Years to Final Maturity	1.89
Years to Effective Maturity	1.89
Eff Maturity	08/16/2025

Source: Clearwater Analytics LLC

# Consolidated Board Designated, General, and Cash Reserve

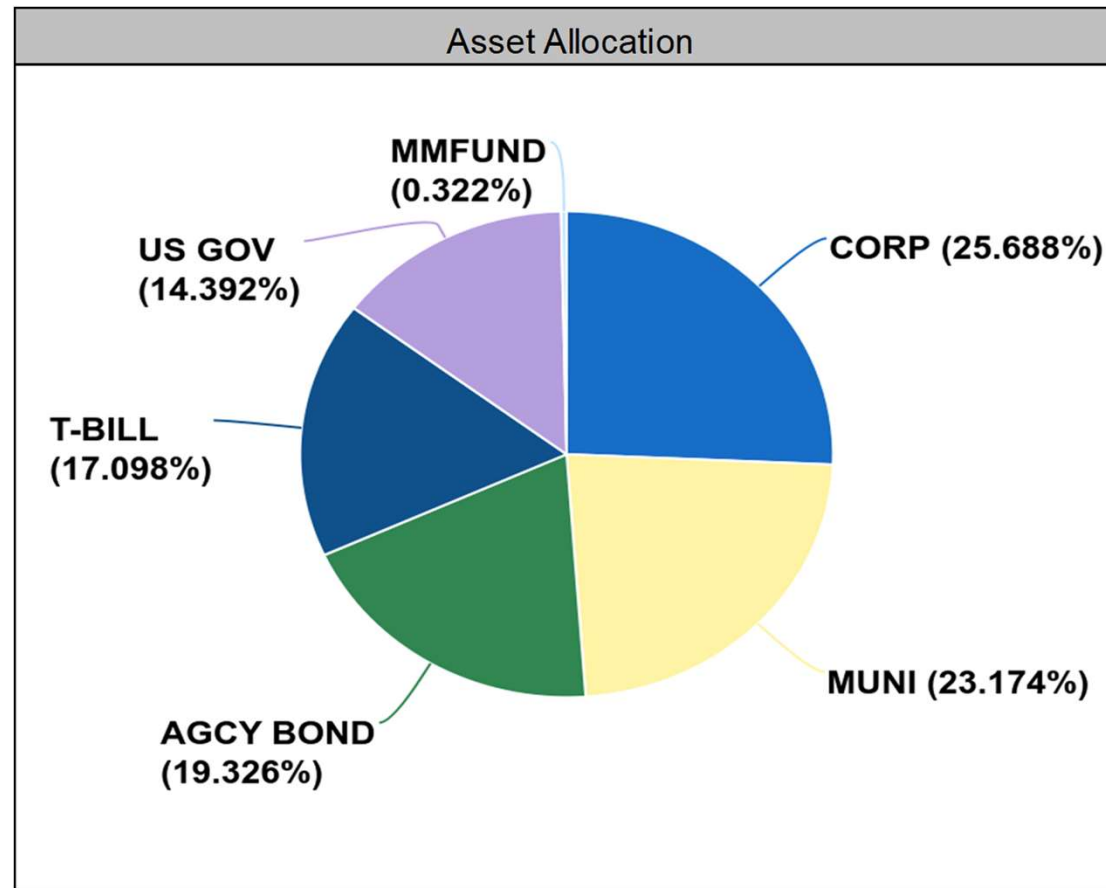
01/01/23 – 09/26/23



Source: Clearwater Analytics LLC

# Consolidated Board Designated, General, and Cash Reserve

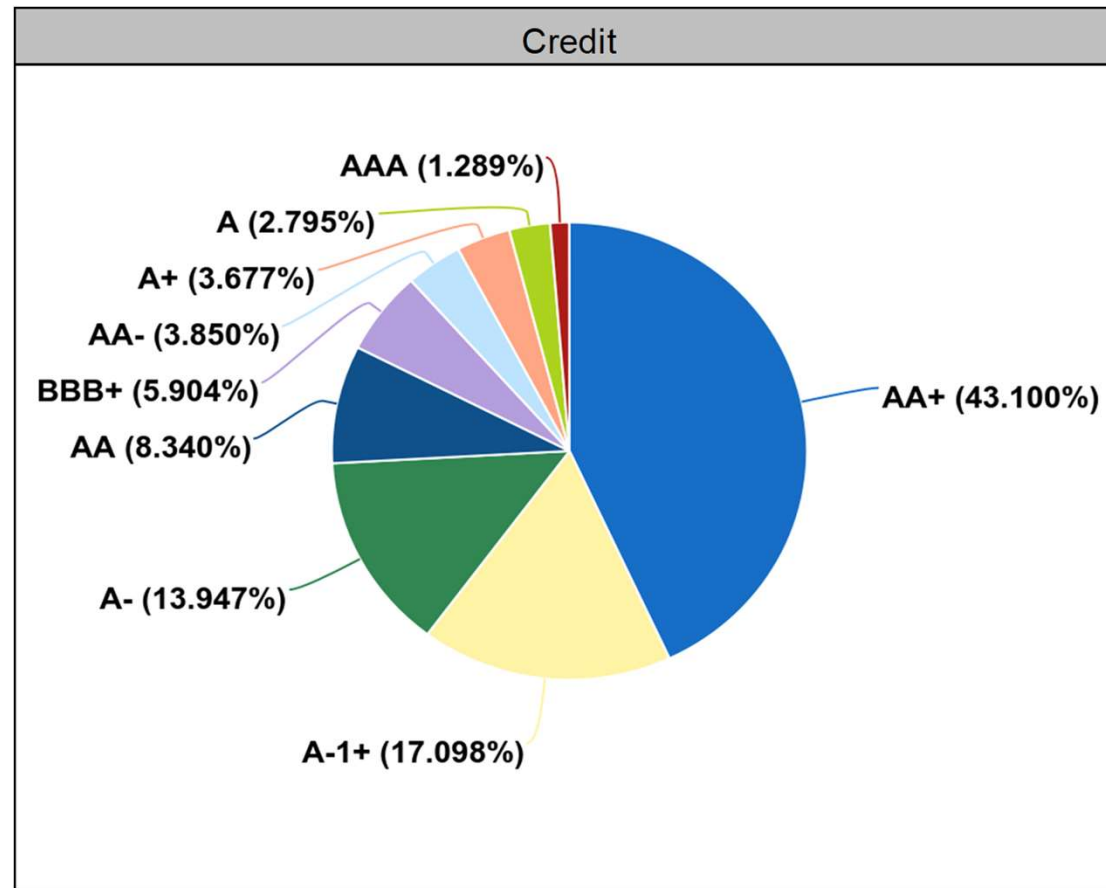
01/01/23 – 09/26/23



Source: Clearwater Analytics LLC

# Consolidated Board Designated, General, and Cash Reserve

01/01/23 – 09/26/23



Source: Clearwater Analytics LLC

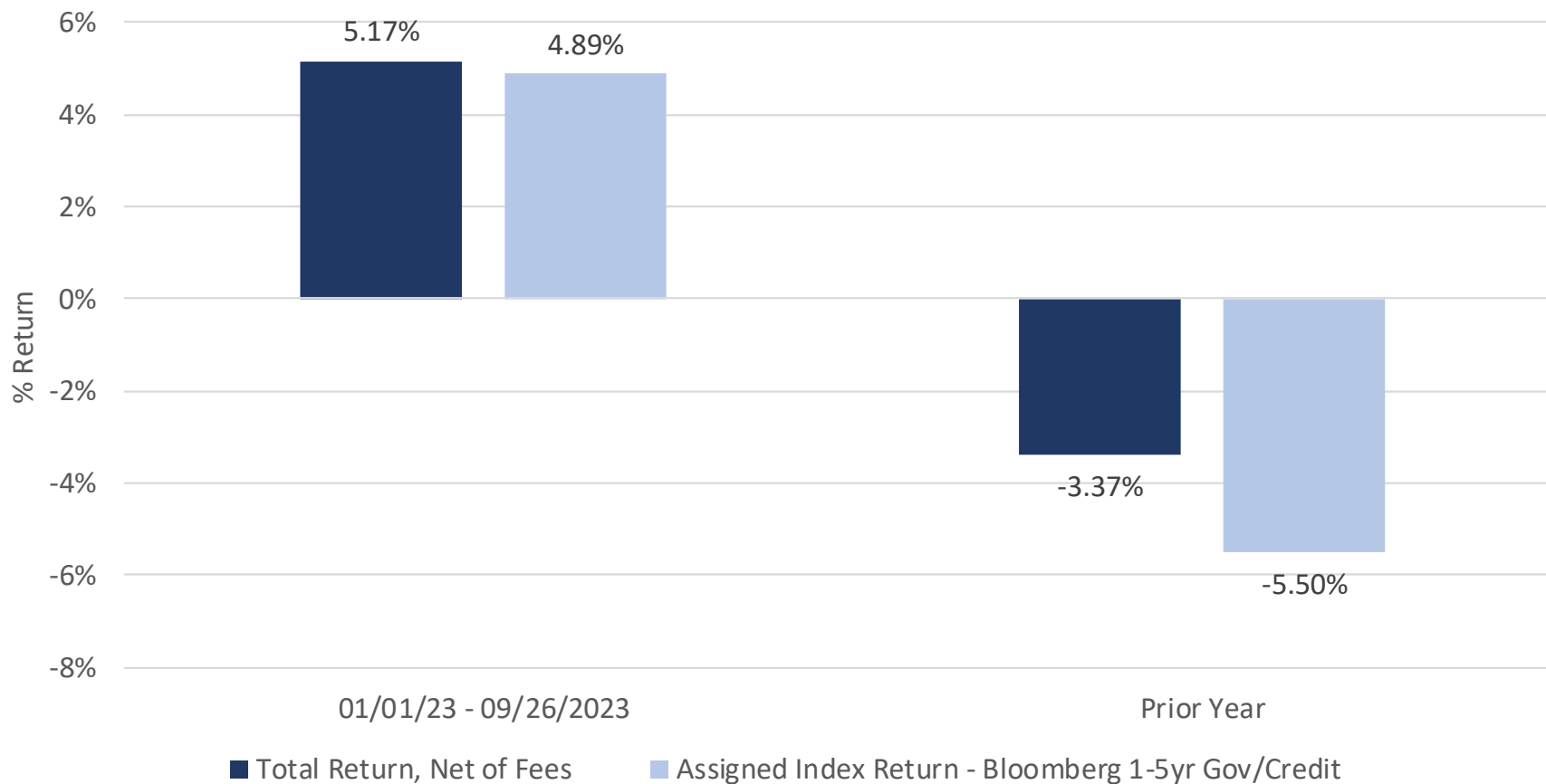
SECTION 1.A.II

# Consolidated Board Designated, General, and Cash Reserve

January 1 – December 31, 2023

# Consolidated Board Designated, General, and Cash Reserve Performance

01/01/23 – 12/31/23



Source: Clearwater Analytics LLC



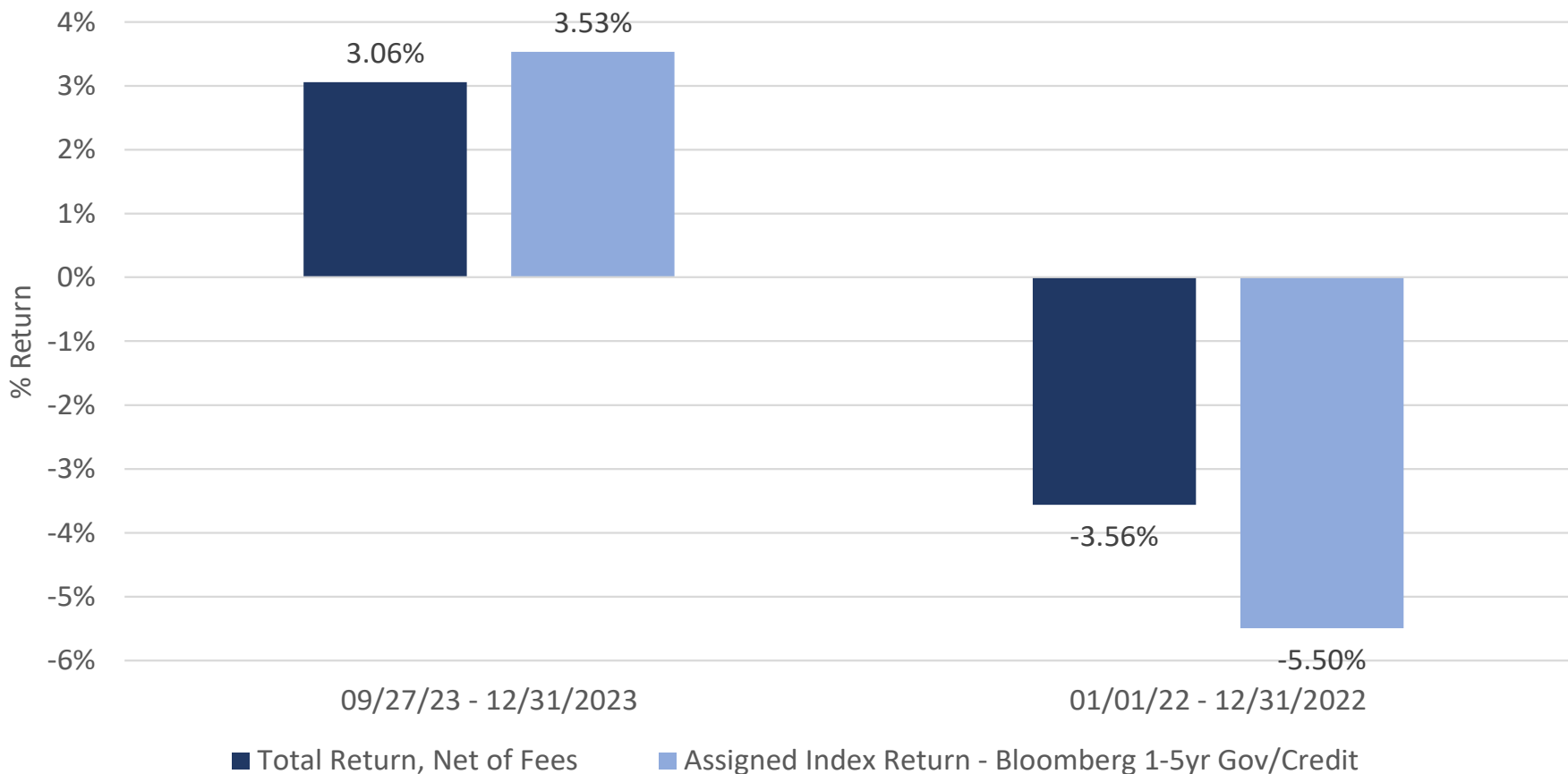
SECTION 1.B

# Consolidated Board Designated and General

September 27 – December 31, 2023

# Consolidated Board Designated and General Performance

09/27/23 – 12/31/23



Source: Clearwater Analytics LLC

## Consolidated Board Designated and General

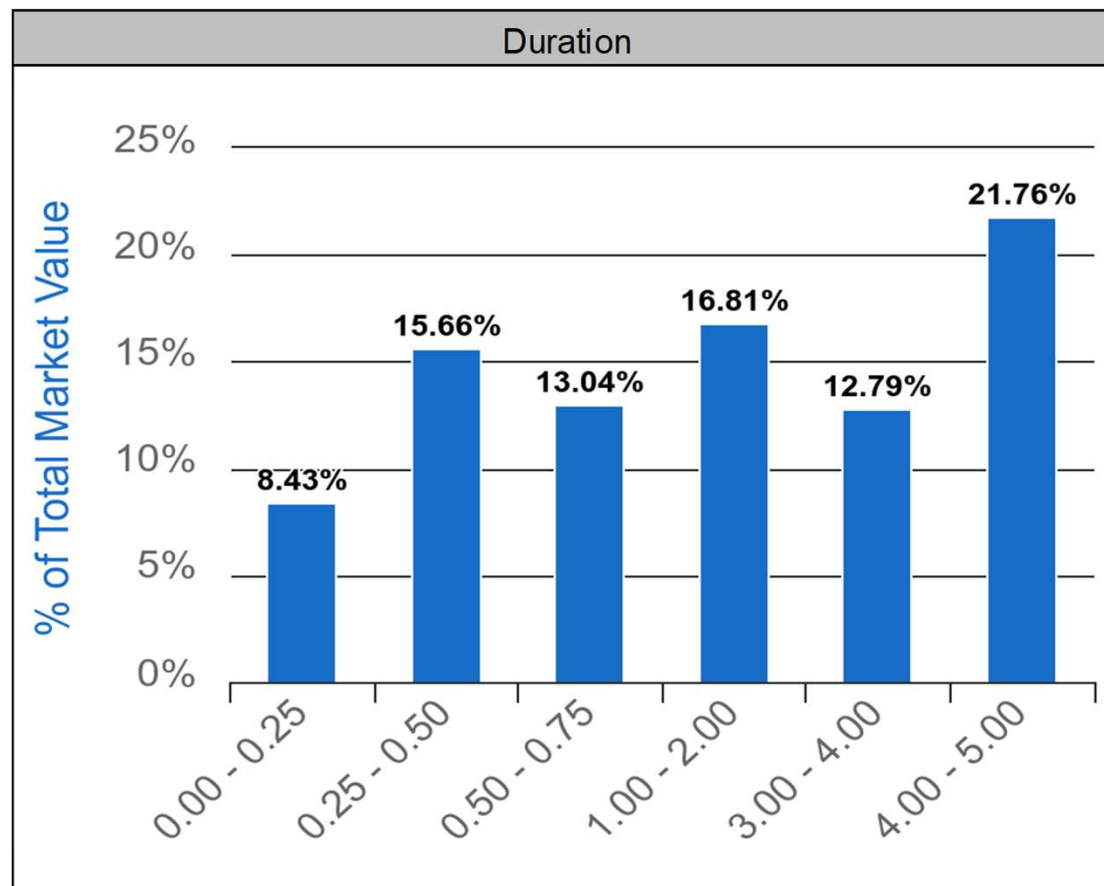
09/27/23 – 12/31/23

Portfolio Valuation Summary	
	Portfolio
Total Market Value	315,264,493
Market Value	312,139,125
Accrued Interest	3,125,368
Yield at Cost	3.85
Market Yield	4.85
Modified Duration	2.40
Coupon	3.61
Unrealized G/L	-105,794
Economic Income (12 mo)	12,016,159
Moody's Rating	Aa2
S&P Rating	AA-
Years to Final Maturity	2.73
Years to Effective Maturity	2.67
Eff Maturity	08/31/2026

Source: Clearwater Analytics LLC

# Consolidated Board Designated and General

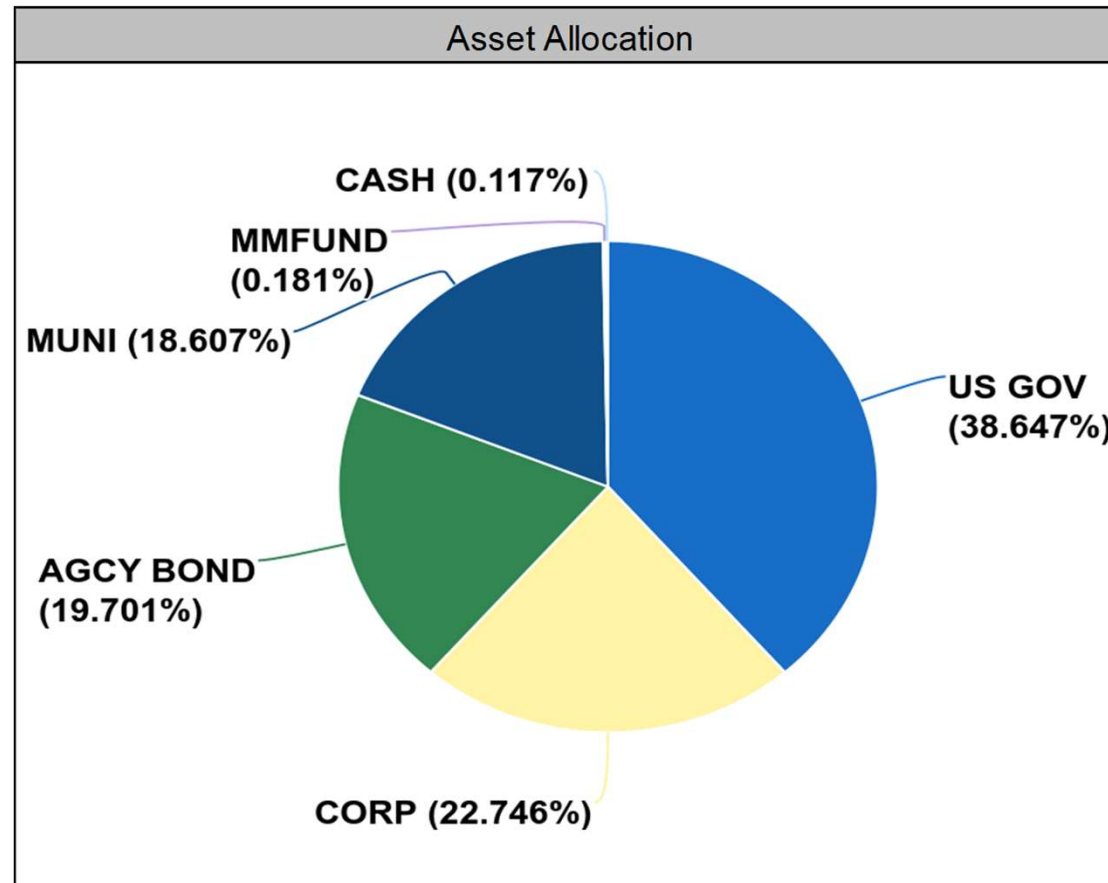
09/27/23 – 12/31/23



Source: Clearwater Analytics LLC

# Consolidated Board Designated and General

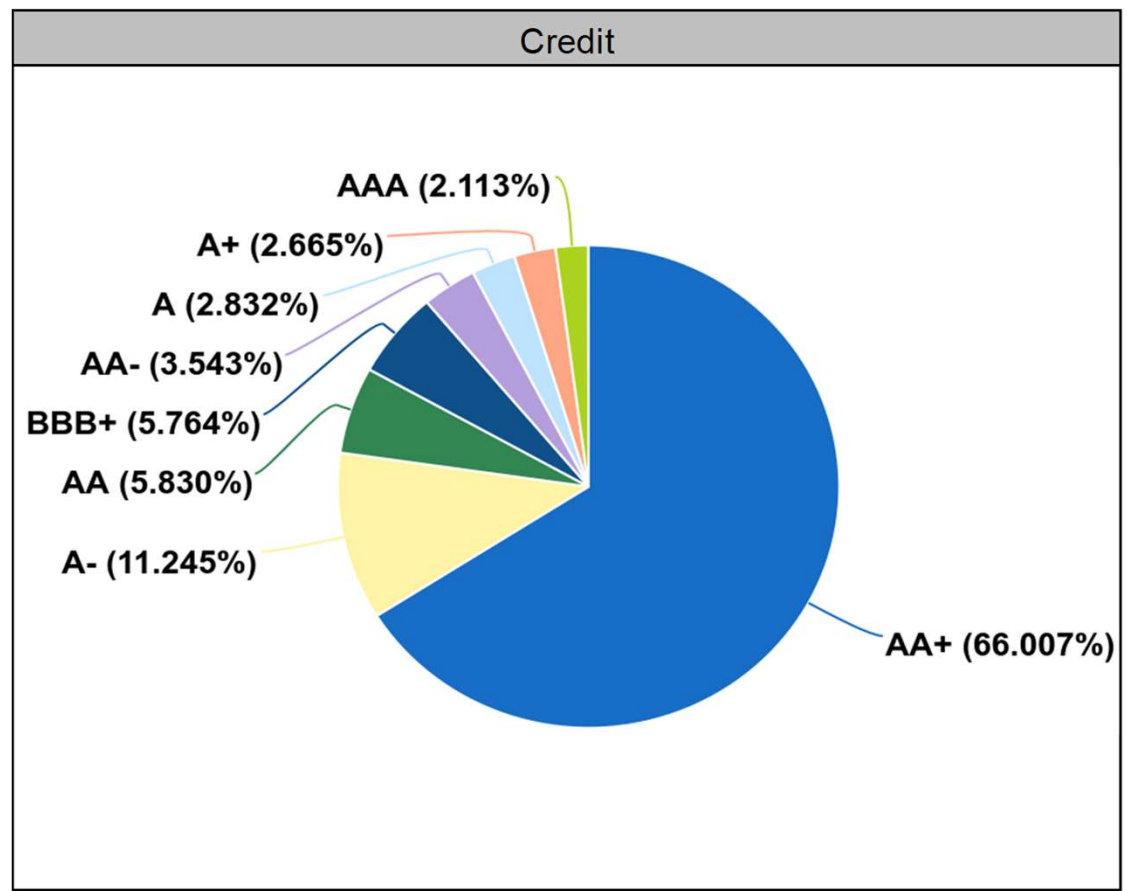
09/27/23 – 12/31/23



Source: Clearwater Analytics LLC

# Consolidated Board Designated and General

09/27/23 – 12/31/23

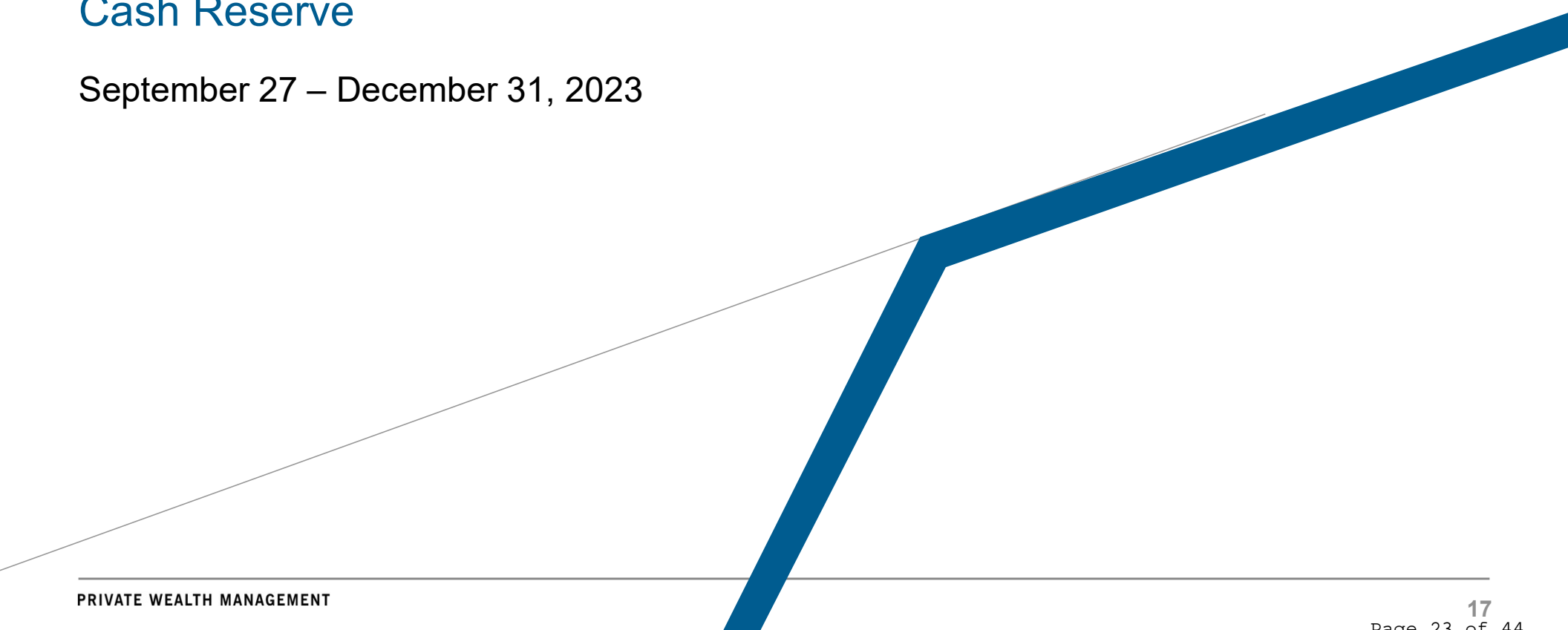


Source: Clearwater Analytics LLC

SECTION 1.C

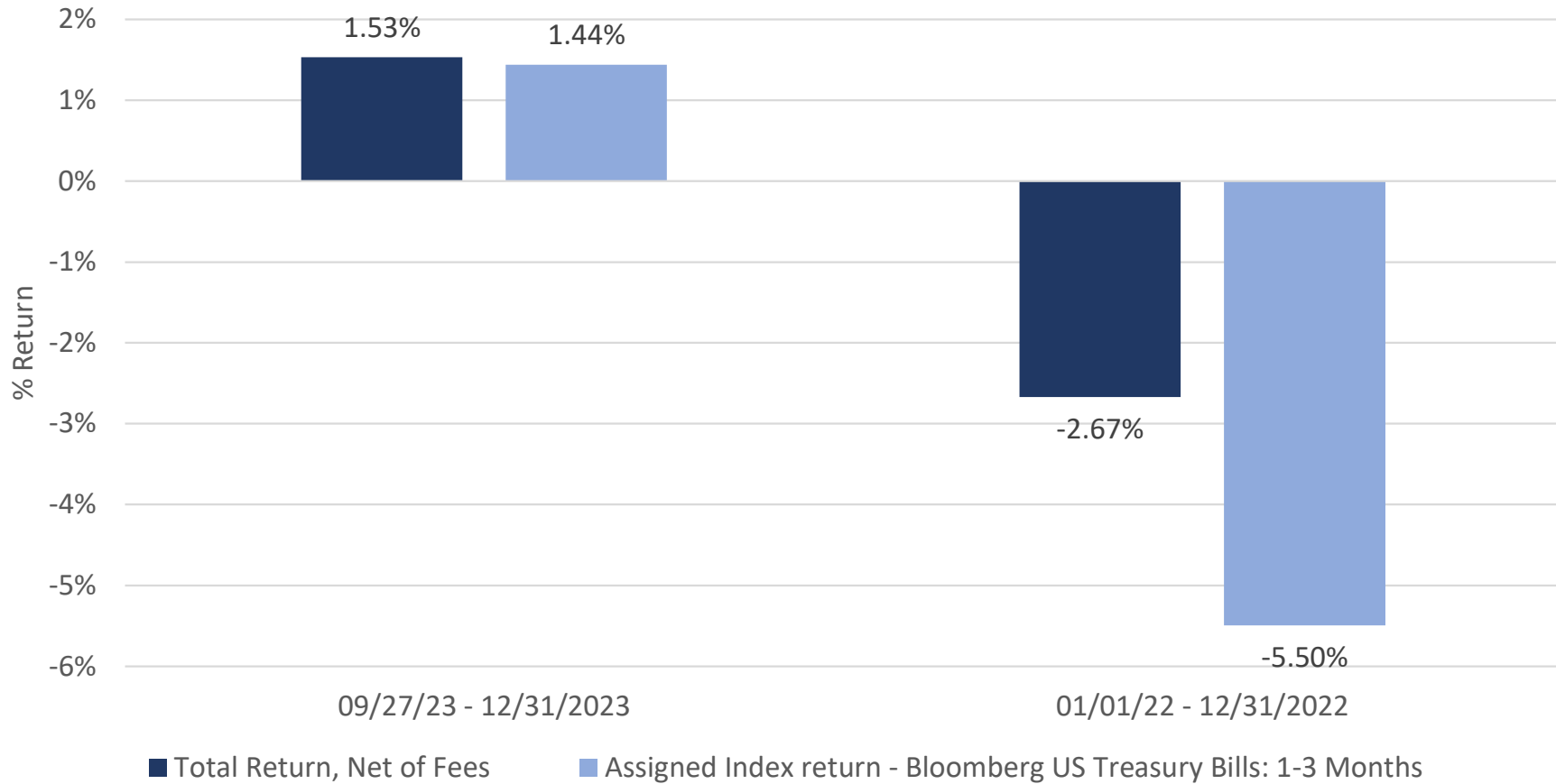
# Cash Reserve

September 27 – December 31, 2023



# Cash Reserve Performance

09/27/23 – 12/31/23



Source: Clearwater Analytics LLC



# Cash Reserve

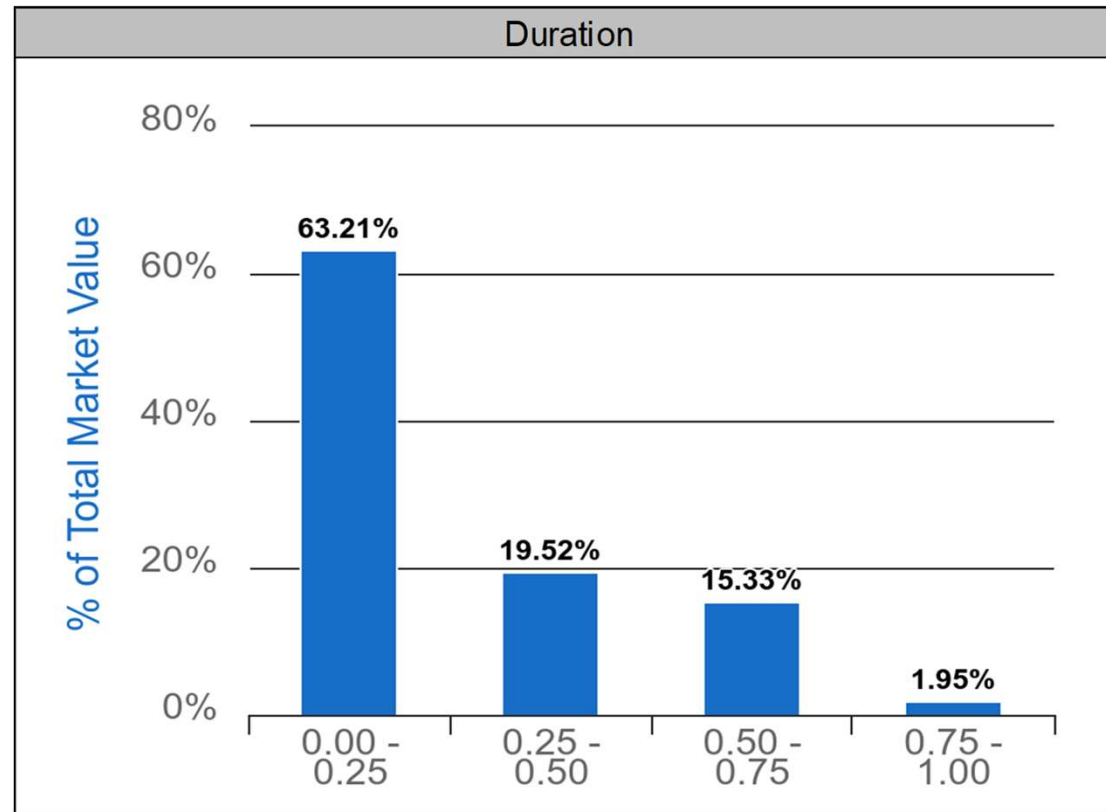
09/27/23 – 12/31/23

Portfolio Valuation Summary	
	Portfolio
Total Market Value	101,534,313
Market Value	101,282,571
Accrued Interest	251,742
Yield at Cost	5.65
Market Yield	5.11
Modified Duration	0.35
Coupon	1.61
Unrealized G/L	75,644
Economic Income (12 mo)	5,716,361
Moody's Rating	Aa2
S&P Rating	AA-
Years to Final Maturity	0.36
Years to Effective Maturity	0.36
Eff Maturity	05/09/2024

Source: Clearwater Analytics LLC

# Cash Reserve

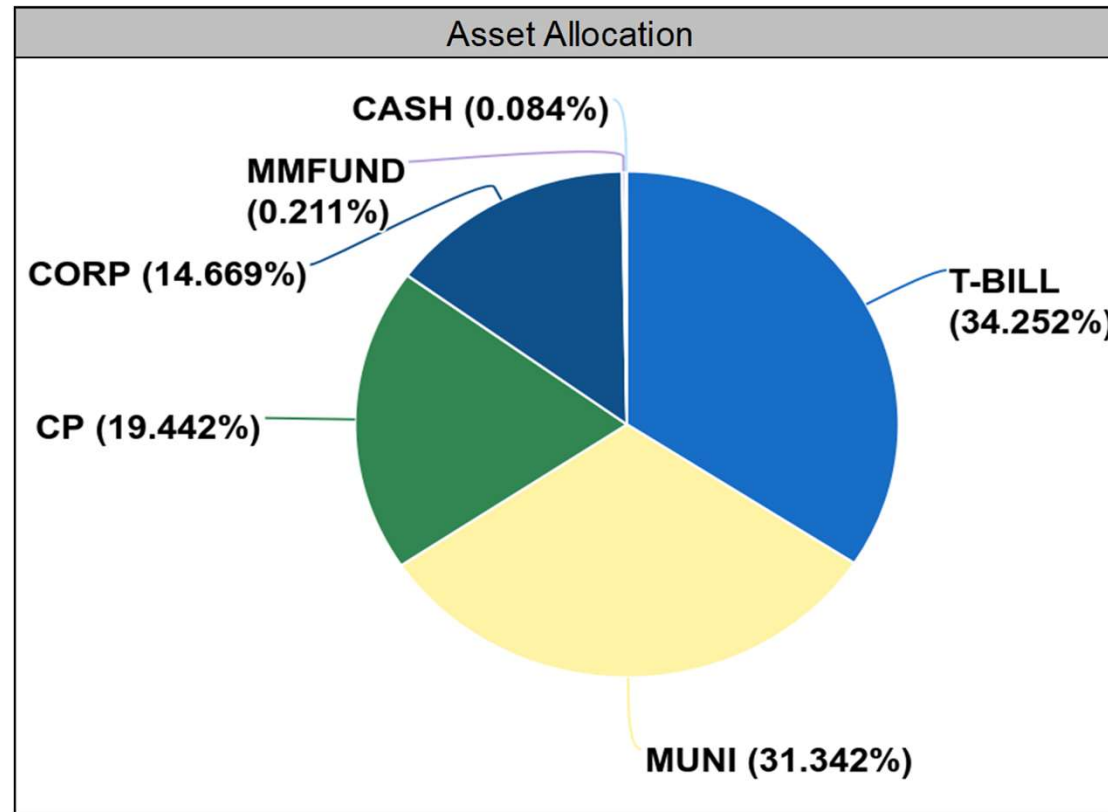
09/27/23 – 12/31/23



Source: Clearwater Analytics LLC

# Cash Reserve

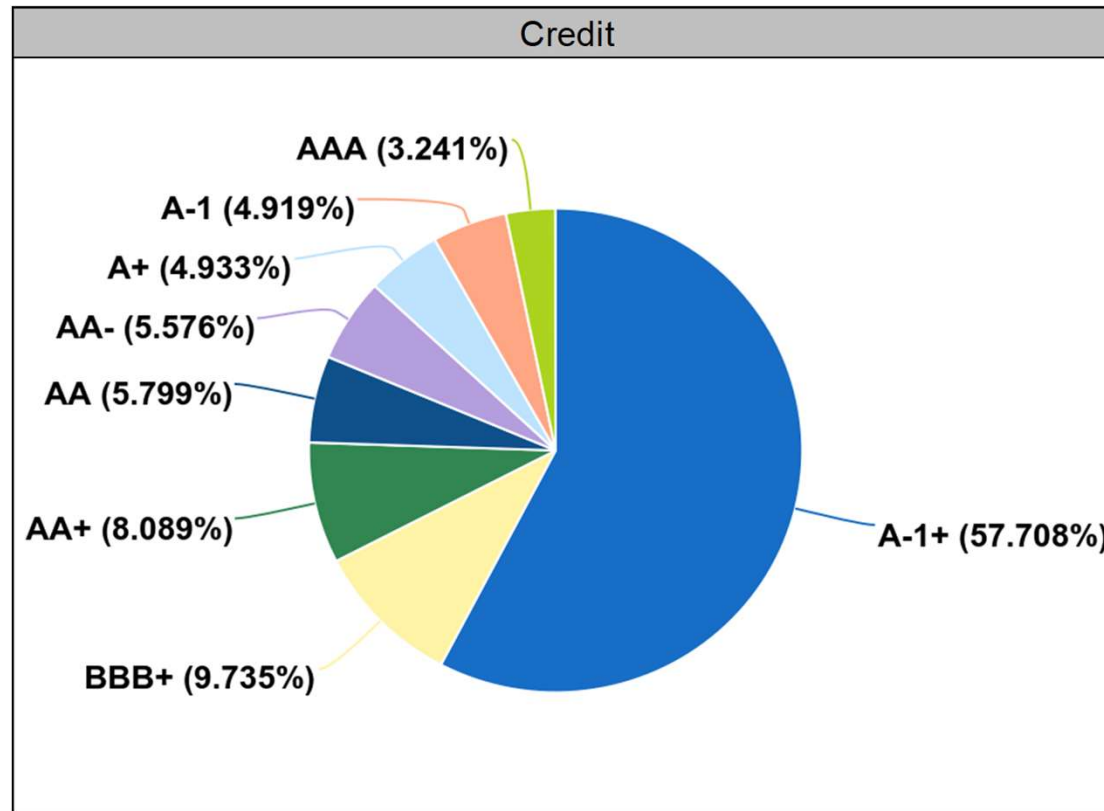
09/27/23 – 12/31/23



Source: Clearwater Analytics LLC

# Cash Reserve

09/27/23 – 12/31/23



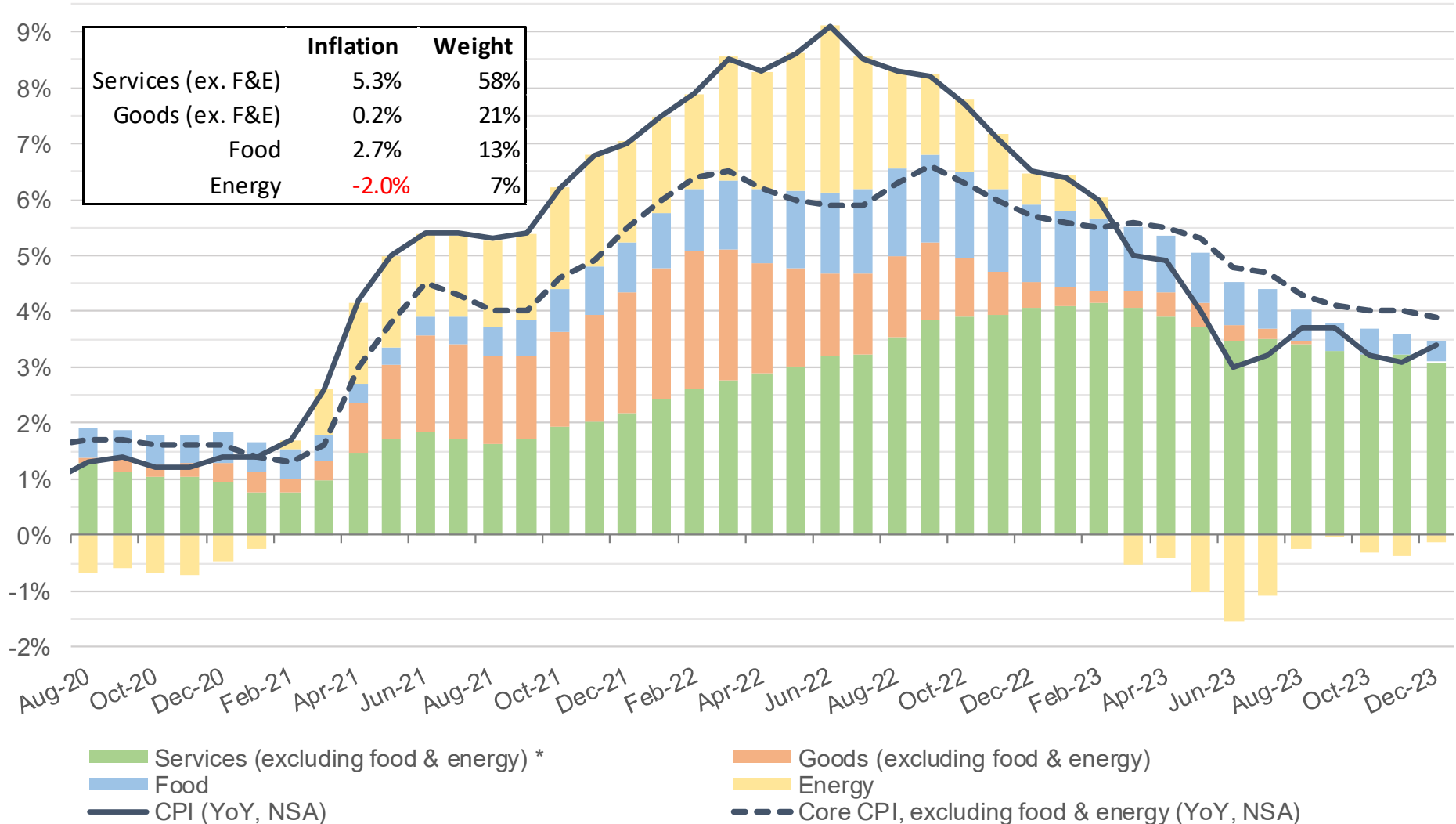
SECTION 2

# Fixed Income Market Review



# Consumer Price Index - Components

August 31, 2020 – December 31, 2023

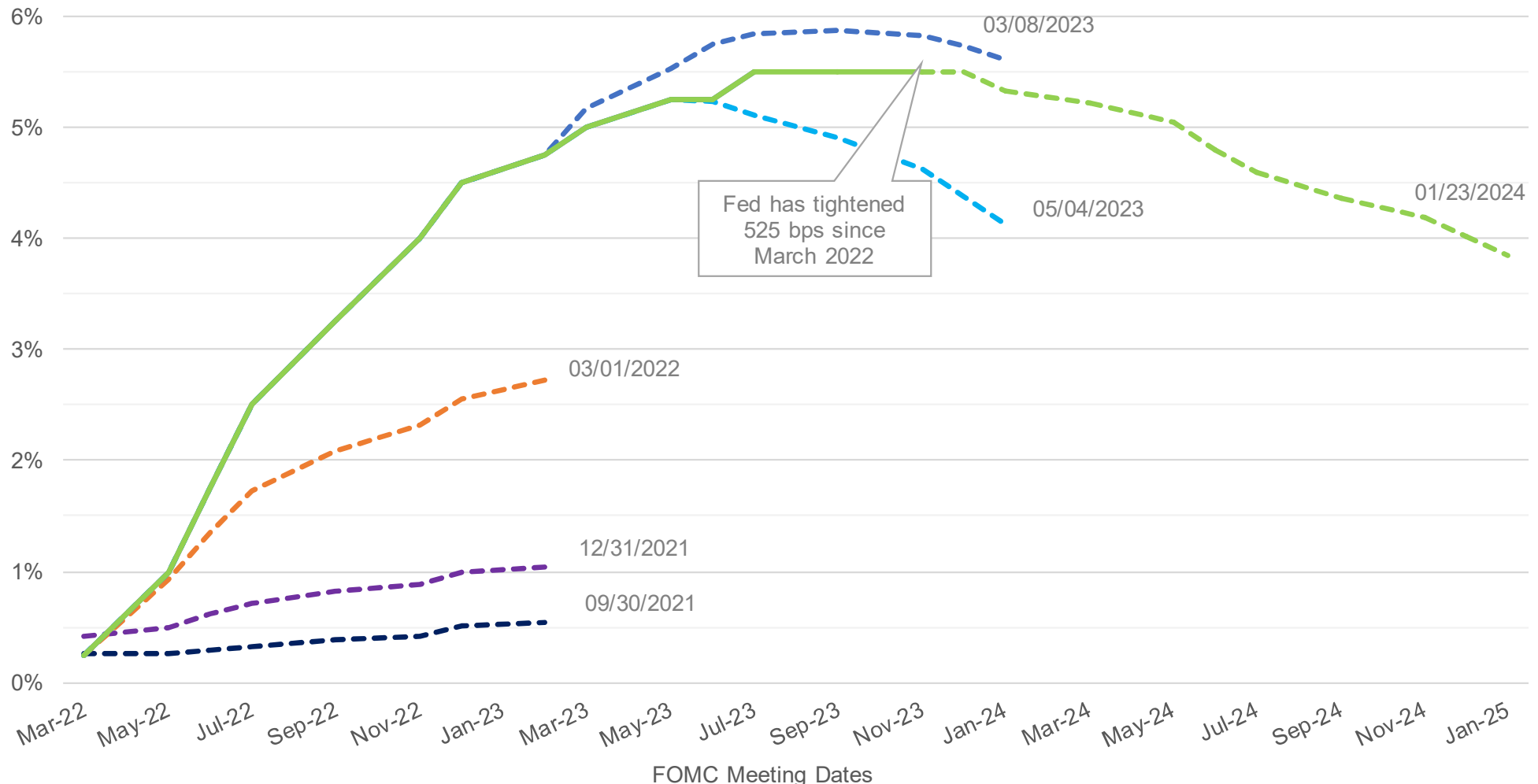


The consumer price index (CPI) peaked at a forty year high of 9.1% in June 2022 as price increases broadened and became more entrenched. CPI has since come down, driven by declines in energy and some goods. Core CPI remains elevated and may be tougher to bring down in the short-term. Note energy experienced deflation of 5% YoY

Source: Bloomberg L.P., As of 01/23/24

# Fed Funds Futures

September 30, 2021 – January 23, 2024



Market expectations for Fed rate hikes, of 25 basis points each, have increased dramatically since the end of 2021

In May of 2023, Fed funds futures priced in Fed rate cuts beginning in July of that year. However, despite this prediction, there have been no Fed rate cut this year through December 2023. The market is expecting rate cuts in 2024, and into 2025.

Source: Bloomberg L.P., As of 01/23/24

Fed Fund Futures are updated as real time data

# Treasury Real Yields

December 1, 2018 – January 23, 2024



Real yields have moved higher and are now attractive relative to where they have been over the last decade and a half. A key consideration, however, is that higher inflation for longer could materially alter real yields over time.

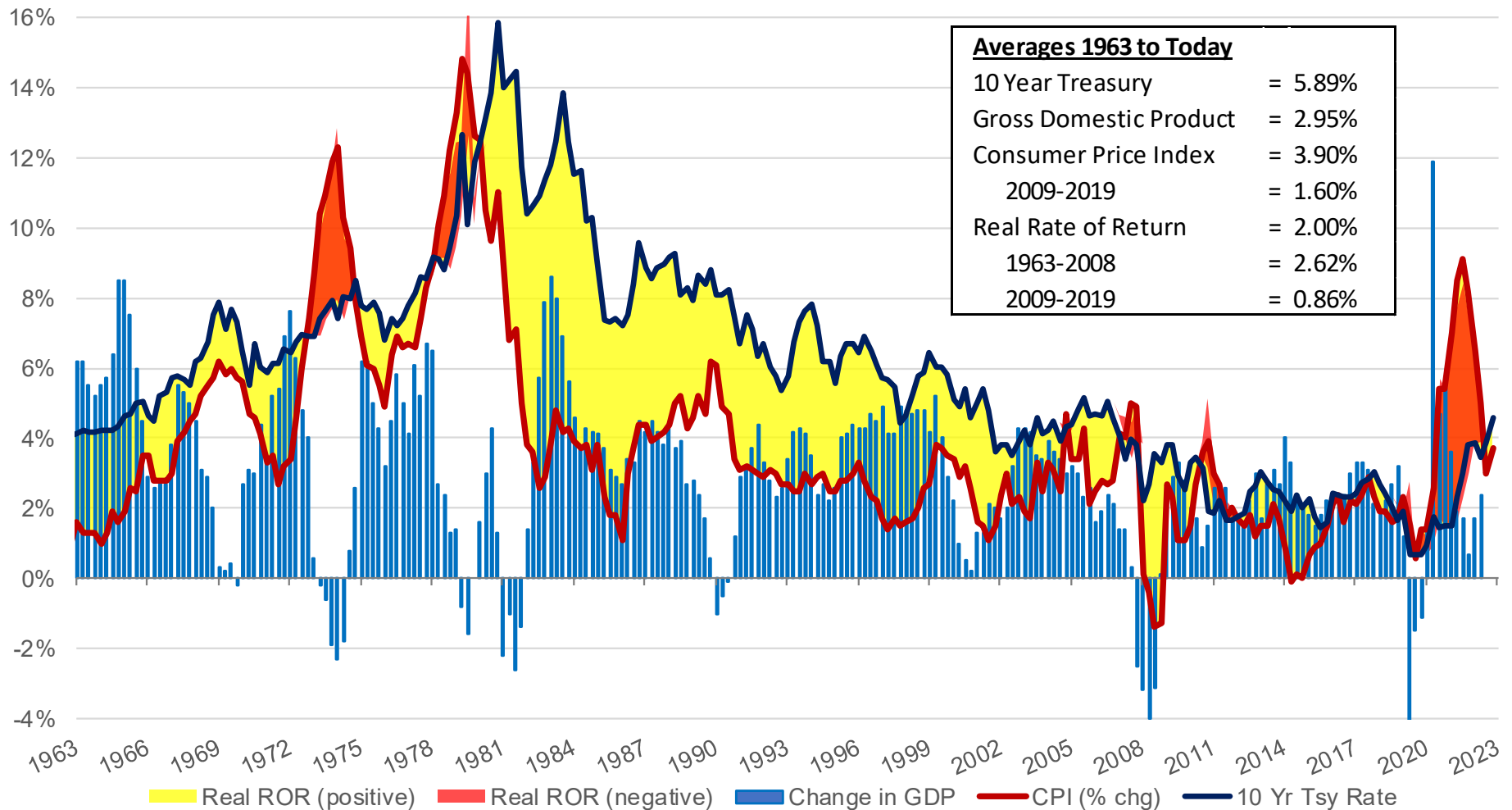
Source: Bloomberg L.P., As of 01/23/24

Treasury yield curves are updated as real time data



# Real Rate of Return

December 31, 1963 – December 31, 2023



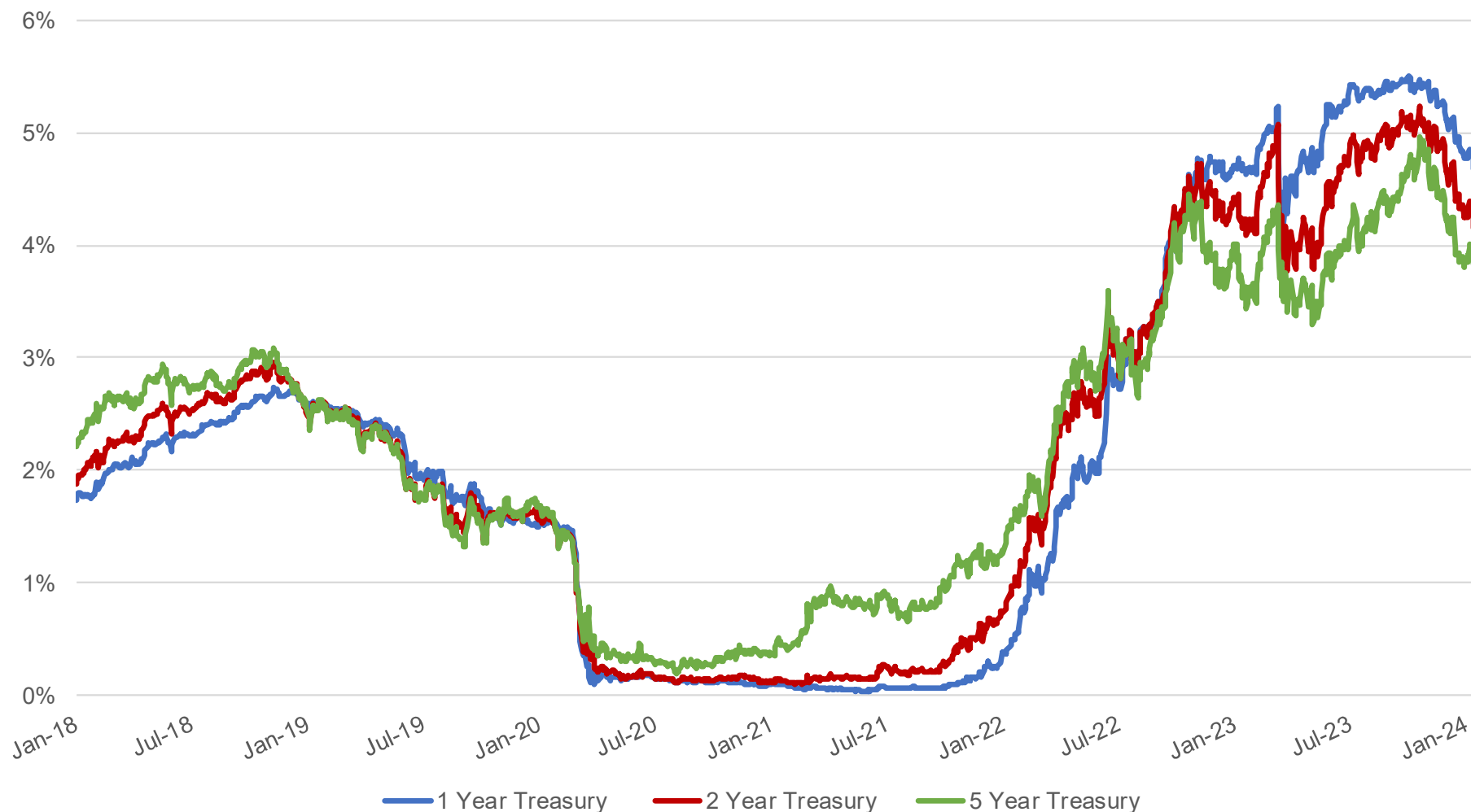
Real Rate of Return is at highest levels since 2008, at around 2%

Note: The Real Rate of Return is calculated by subtracting the Consumer Price Index % change from the 10 Year Treasury Rate %.

Source: Bloomberg L.P., As of 01/25/24

# Treasury Yield Curve

January 1, 2018 – January 23, 2024



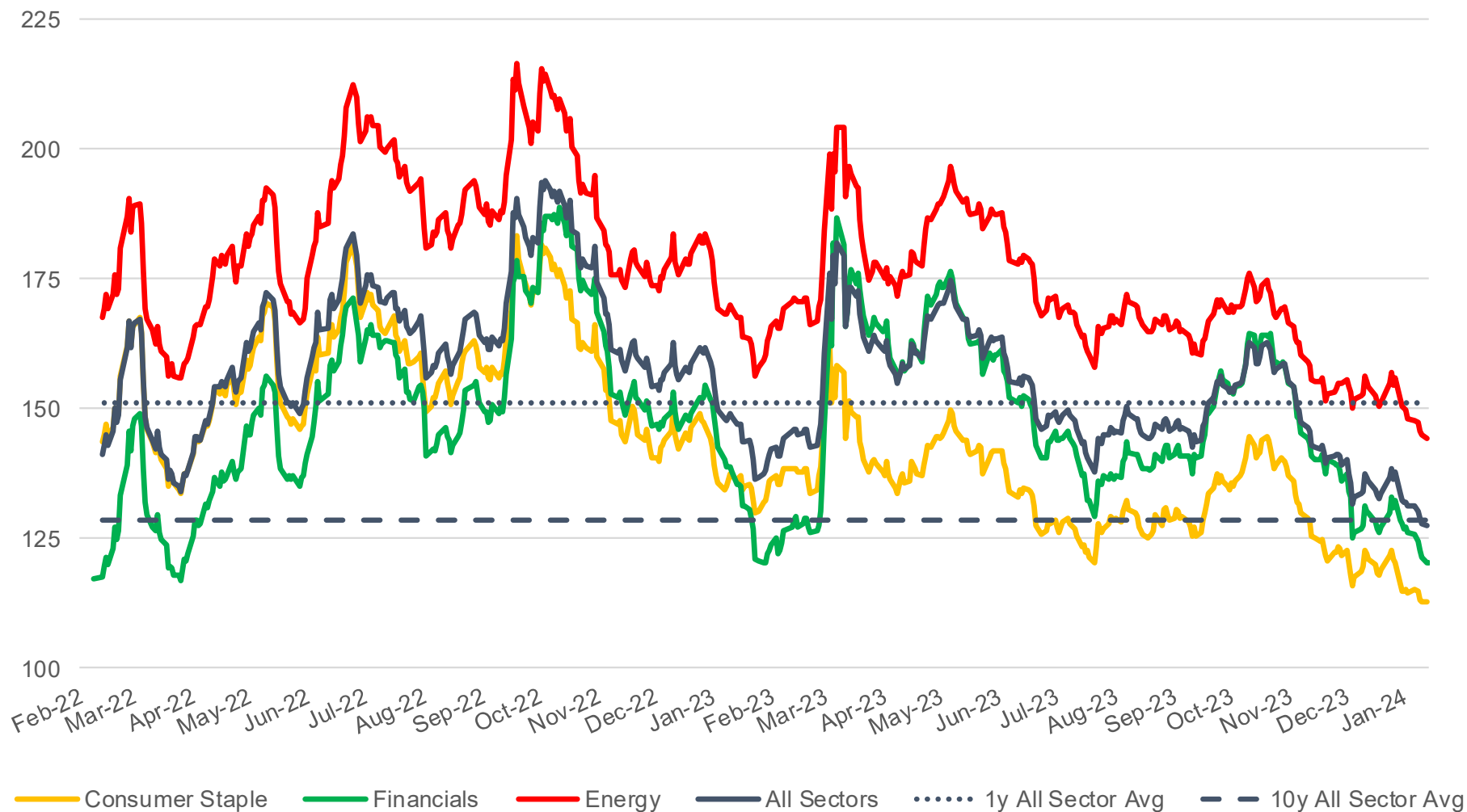
Benchmark Treasury yields have risen dramatically since the beginning of the year and have gone from historic lows to having now surpassed pre-pandemic levels and yields reached levels not seen since 2007-08. This rise in rates has been driven by high inflation and expectations that the Fed will have to continue to raise its policy rate to cool economic activity and bring prices down.

Source: Bloomberg L.P., As of 01/23/24

Treasury yield curves are updated as real time data

# U.S Investment Grade Option Adjusted Spreads

February 1, 2022 – January 23, 2024



Corporate IG spreads have risen with yields and sectors have moved in unison thus far.

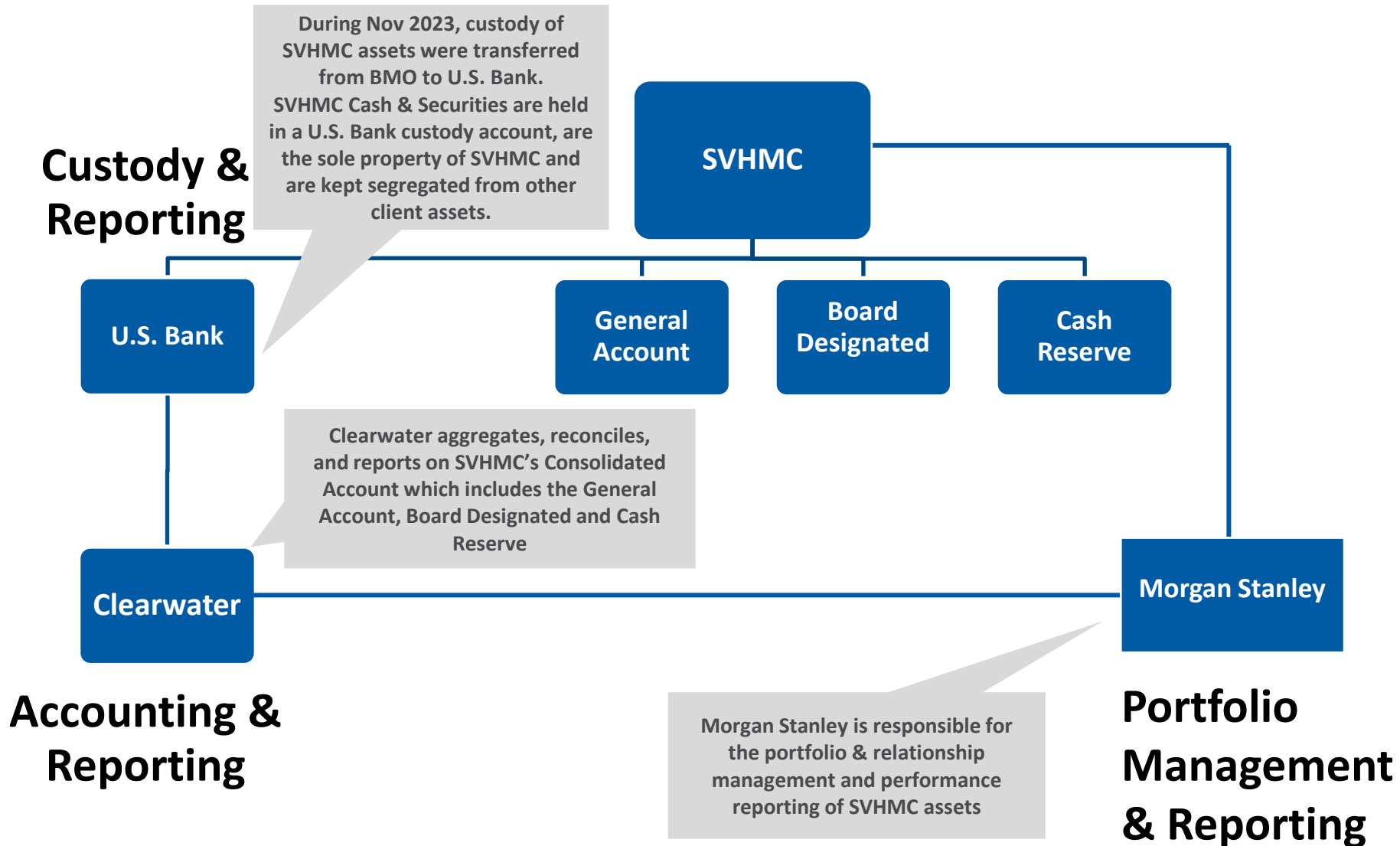
Source: Bloomberg L.P., As of 01/23/24

Investment grade option adjusted spreads are updated as real time data

SECTION 3

# Custodian & Reporting Update

# SVHMC Reporting and Custody Framework



## Roles and Responsibilities

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### U.S. Bank



#### Custody (Transferred from BMO in November 2023)

- Provides secure custody of assets, account level accounting and reporting
- Includes Trade Settlements, Securities Pricing, Income, Fair Value Reporting (ASC 820) and Audit Support

### Clearwater



#### Accounting

- Provides timely book-of-record accounting and efficient month-end close process
- Verification of Holdings, Market Values & Accrued Interest

### Morgan Stanley



#### Portfolio Management & Reporting Oversight

- Portfolio Management provided by Zager Fixed Income Management
- Performance Reporting & Relationship Management provided by Graystone Consulting
- Provides oversight and validation of reporting and custody statements

\*For reconciliation purposes please reference Clearwater statements

\*\*Accrued interest provided by U.S. Bank is for informational purposes only and not verified for accuracy

## Important Information

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The information and data were obtained from sources deemed reliable. Their accuracy or completeness is not guaranteed and subject to change with current market conditions. There is no guarantee that the figures presented will be attainable in the future.

The strategies and/or investments discussed in this material may not be appropriate for all investors. Morgan Stanley Wealth Management recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives.

Diversification does not guarantee a profit or protect against a loss.

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer’s credit rating, or creditworthiness, causes a bond’s price to decline. Finally, bonds can be subject to prepayment risk. When interest rates fall, an issuer may choose to borrow money at a lower interest rate, while paying off its previously issued bonds. As a consequence, underlying bonds will lose the interest payments from the investment and will be forced to reinvest in a market where prevailing interest rates are lower than when the initial investment was made.

NOTE: High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

Interest in municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one’s state of residence and, local tax-exemption typically applies if securities are issued within one’s city of residence.

Preferred securities can be called prior to maturity, which may reduce yield if purchased at a premium. Preferred securities may be subject to other call features or corporate restrictions that may have an effect similar to a call. Prices may fluctuate reflecting market interest rates and the issuer’s credit status.

International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

## Important Information

ICE BofAML US Corporate Index (C0A0) tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$250 million. An investment cannot be made directly in a market index.

ICE BofAML US High Yield Index (H0A0) tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$250 million. An investment cannot be made directly in a market index.

ICE BofA US Municipal Securities Index (U0A0) tracks the performance of US dollar denominated investment grade tax-exempt debt publicly issued by US states and territories, and their political subdivisions, in the US domestic market. Qualifying securities must have at least one year remaining term to final maturity, at least 18 months to final maturity at the time of issuance, a fixed coupon schedule and an investment grade rating (based on an average of Moody's, S&P and Fitch). Minimum size requirements vary based on the initial term to final maturity at time of issuance. An investment cannot be made directly in a market index.

ICE BofA US Treasury Index (G0Q0) tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. An investment cannot be made directly in a market index.

ICE BofA Fixed Rate Preferred Securities Index (P0P1) tracks the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and must have an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings). In addition, qualifying securities must be issued as public securities or through a 144a filing, must be issued in \$25, \$50, or \$100 par/ liquidation preference increments, must have a fixed coupon or dividend schedule and must have a minimum amount outstanding of \$100 million. An investment cannot be made directly in a market index.

Barclays U.S. Aggregate Corporate Index represents the total return measure of the corporates portion of the Barclays U.S. Aggregate Index. An investor cannot invest directly in a market index. The SIFMA Municipal Swap index is a 7-day high-grade market index comprised of tax-exempt VRDOs reset rates that are reported to the Municipal Securities Rule Making Board's (MSRB's) SHORT reporting system. The index is calculated on an actual/actual basis and is published every Wednesday by 4 p.m. Eastern Time. The bonds going into the index are selected from all eligible bonds reporting data through the SHORT system that meet the index criteria as set forth by SIFMA. The index is calculated by Bloomberg as the calculation agent for SIFMA. An investor cannot invest directly in a market index.

The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD -denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The US Corporate Index is a component of the US Credit and US Aggregate Indices, and provided the necessary inclusion rules are met, US Corporate Index securities also contribute to the multi-currency Global Aggregate Index. An investment cannot be made directly in a market index.

The KBW Bank Index is designed to track the performance of the leading banks and thrifts that are publicly-traded in the U.S. The Index includes 24 banking stocks representing the large U.S. national money centers, regional banks and thrift institutions. An investment cannot be made directly in a market index.



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