

POLICIES AND PROCEDURE MANUAL

Chapter:	Finance		
Section:	Investment		
Policy: <input checked="" type="checkbox"/> Procedure: <input type="checkbox"/> Page: 1 of 3	Review Cycle: Biennial Author: Chief Financial Officer	Adopted Date: 02.04.2014 Review Date: 05.13.2025	Related Policies: Financial Management

Purpose:

To provide investment parameters for Mid-State Health Network's (MSHN) Chief Financial Officer (CFO) and banking institutions performing investment transaction. The primary objectives, in priority order, of MSHN investment activities shall be:

1. Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.
2. Diversification – The investments shall be diversified by security type and institution with the objective that potential losses on individual securities not exceed the income generated from the remainder of the portfolio.
3. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
4. Return on Investment – The investment portfolio shall be designed with the objective of obtaining a reasonable market rate of return throughout budgetary and economic cycles, taking into consideration the investment risk, legal constraints and the cash flow characteristics of the portfolio.

Policy:

It is the policy of MSHN to invest its funds in a manner that provides the highest investment return, with maximum security, while meeting the daily cash flow needs of the entity and in compliance with all regulatory requirements governing the investment of public funds.

Prudence: The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Conflicts of Interest: Officers, employees and agents, including but not limited to, investment managers, involved in the investment process shall refrain from personal business activity that conflicts with the proper execution of the investment program, or impairs their ability to make impartial investment decisions. They shall disclose any material financial interests that could be related to the performance of MSHN's investment portfolio. They shall also comply with all applicable Federal and State laws governing ethics and conflict of interest.

Delegation of Authority: The responsibility for the investment policy is hereby delegated to the Chief Executive Officer (CEO) and the CFO who shall establish a written procedure and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by MSHN. The CFO is delegated as the Investment Officer.

Authorized Investments: The Investment Officer is limited to investments authorized by Act 20 PA of 1943, as amended, and may invest in the following:

1. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2) of Act 20 PA of 1943, as amended.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments listed in subdivision (a) of Act 20 PA of 1943, as amended.
5. Bankers' acceptances of United States banks.
6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the investment company act of 1940, title one of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
8. Obligations described in subdivisions listed above if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141. to 129.150.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by MSHN shall be on a cash (or delivery vs. payment) basis. Securities may be held by a designated third-party custodian and evidenced by safekeeping receipts as determined by the Investment Officer. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

1. Audited financial statements
2. Proof of National Association of Securities Dealers (NASD) certification
3. Proof of state registration
4. Completed broker/dealer questions
5. Certification of having read and understood and agreeing to comply with the MSHN Investment policy, (See Attachment #1)

Applies to:

- ☒ All Mid-State Health Network Staff
☐ Selected MSHN Staff, as follows:
☒ MSHN's CMHSP Participants: ☐ Policy Only ☒ Policy and Procedure
☐ Other: Sub-contract Providers

Definitions:

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CMHSP: Community Mental Health Service Program

MSHN: Mid-State Health Network

NASD: National Association of Securities Dealers

PIHP: Pre-paid Inpatient Health Plan

Prudent Person Rule: A standard that requires that a fiduciary entrusted with funds for investment may invest such funds only in Securities that any reasonable individual interested in receiving a good return of income while preserving his or her capital would purchase.

References/Legal Authority

Act 20 PA of 1943, as amended

Change Log:

<u>Date of Change</u>	<u>Description of Change</u>	<u>Responsible Party</u>
02.04.2014	New policy	Chief Financial Officer
11.06.15	Policy update	Chief Financial Officer
03.20.17	Policy update	Chief Financial Officer
03.2018	Annual Review	Chief Financial Officer
03.2019	Annual Review	Chief Financial Officer
01.2021	Biennial Review	Chief Financial Officer
01.2023	Biennial Review	Chief Financial Officer
12.2024	Biennial Review	Chief Financial Officer