

Part IV Association Budget

Question # 5 COPY of RESERVE & INVESTMENT
POLICIES

Approved 4/28/00

INVESTMENT POLICY MHA BOARD RESERVE FUND

This policy has been developed for the Board Reserve Fund of the Massachusetts Hospital Association, Inc. and its subsidiary corporations. The Board of Trustees of the Massachusetts Hospital Association has reviewed the requirements of the Reserve Fund ("Fund"), its current composition and their intentions for the investment of the Fund. The following are the objectives for the investment of that Fund. Recognizing the responsibilities of the Investment Managers of this Fund, the Board of Trustees has decided to state their objectives in broad terms in order to provide flexibility to engage in the investment activity which is deemed appropriate to achieve the goals and objectives of the Fund, within the parameters of the established investment policy. This statement of policy and objectives will be reviewed periodically and will be adjusted to meet the requirements of the Board of Trustees and the purposes of the Fund.

- 1) Overall Objectives: The purpose of the Fund is to provide a financial reserve (a minimum of six months) for the continued operations and administration of the Massachusetts Hospital Association. Understanding that purpose, the Board of Trustees desires, with the exercise of prudent management, to invest the Fund to produce a total return which will generate a reasonable return on those investments, increase the value of the Fund and to maintain a market value position with a commensurate relationship to the relevant economic and financial growth of the appropriate financial markets.
- 2) Tolerance of Investment Volatility: The Trustees recognize that the financial markets are inherently volatile. The Trustees are, within reason, accepting of that volatility with the expectation that, over the longer investment period, the total return on the Fund will provide a return that is commensurate with the established benchmarks against which the Fund's performance will be measured.
- 3) Liquidity Requirements: Liquidity is not a primary requirement of the Fund. However, in the investment of the Fund, the Investment Manager should avoid investment in securities, which cannot, under reasonable circumstances, be returned to cash within thirty (30) business days. Because mutual funds can require an extended period of settlement of withdrawals, the Trustees will notify the Investment Manager of any major liquidity requirements at least thirty (30) days prior to the need for funds.

- 4) Asset Allocation: The asset allocation is to be recommended by Boston Safe Deposit and Trust Company (Mellon Private Asset Management), as it shall be established from time to time, and approved by the appropriate party (ies) designated by the Board of Trustees of the Massachusetts Hospital Association. The investment allocation shall be implemented by Boston Safe Deposit and Trust Company as Investment Manager upon written approval received from the appropriate representative(s) of the Board of Trustees of the Massachusetts Hospital Association. The range of equity investments shall be between 50 and 65 per cent of the portfolio and the fixed income range shall be between 35 and 50 percent, as deemed appropriate by Boston Safe Deposit and Trust Company as Investment Manager. Investment adjustments within the above stated ranges shall not require written approval by the Board of Trustees of the Massachusetts Hospital Association. The Fund's equity and fixed income investments may include individual securities and mutual fund type investments as deemed appropriate by Boston Safe Deposit and Trust Company as Investment Manager.
- 5) Investment Restrictions: Aside from the range of asset allocations detailed in Item 4, the liquidity requirements detailed in Item 3 and the investments consistent with the requirements of Item 1, no other investment restrictions apply. Except that the Fund's investments shall not include the securities of companies which produce or manufacture tobacco or tobacco products.
- 6) Performance Management: Quarterly, the Investment Manager of the Plan, shall meet with the designated representative(s) of the Board of Trustees of the Massachusetts Hospital Association for a review of the investments held in the Fund's investment management account and the performance of those investments. The benchmarks against which the investment performance shall be measured are those benchmarks, which shall be employed by the Boston Safe Deposit and Trust Company for the usual and ordinary performance measurement of the majority of investment accounts managed by Boston Safe Deposit and Trust Company. The current benchmarks are:
 - a. Domestic Equities- S&P 500 Index
 - b. Small Company Equities- Russell 2500
 - c. International Equities- Morgan Stanley Capital International Europe, Australia, Far East Index
 - d. Emerging Markets- Morgan Stanley Capital International Emerging Markets Free Index
 - e. Fixed Income- Lehman Brothers Aggregate Index

It is the expectation of MHA that the Investment Manager will outperform the equity benchmarks by 1% per annum over a three to five year period and outperform the fixed income benchmarks over a three to five year period.

This Investment Policy Statement and related objectives will be reviewed periodically, but at least annually, at the discretion of the Board of Trustees of the Massachusetts Hospital Association.

Board of Trustees of the Massachusetts Hospital Association

By _____ Date _____

Title _____