

Attachment D
OREGON ASSOCIATION OF HOSPITALS AND HEALTH SYSTEMS

INVESTMENT POLICY

It is the policy of the Oregon Association of Hospitals & Health Systems (OAHHS) to invest available operating and reserve funds in interest bearing accounts. The investment objectives shall be to preserve capital and to maintain appropriate liquidity to meet current future cash needs, while generating maximum reasonable income within these constraints in order to help preserve purchasing power.

This statement is set forth in order to:

- clearly define the OAHHS investment objectives and procedures;
- provide OAHHS with investment counsel with guidance and limitations related to expectations;
- provide the OAHHS Finance Committee with the basis for understanding the investment process and evaluating performance.

In investing OAHHS monies, the Prudent-Man Rule will be followed at all times. In fulfilling one's responsibility as a fiduciary, one must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, to avoid speculative investments.

The potential need for the use of outside money management services will be evaluated on an ongoing basis, and appropriate action will be recommended to the OAHHS Board by the Finance Committee as circumstances warrant. If the Board approves use of the services of a money manager, specific guidelines will be given to the manager and asset management performance will be monitored on an ongoing basis.

Day-to-day investment transactions shall be managed by OAHHS staff, as designated by the president, in strict conformance with the following Investment Policy guidelines.

ANNUAL OPERATING FUNDS

Operating funds are utilized for the day-to-day operating needs of the Association, usually within one year. Cash is to be productively employed at all times.

A reasonably diversified portfolio should be maintained consistent with liquidity needs. Maturity dates will not exceed one year. Selection of maturity dates should reflect consideration of liquidity needs, market yields, market yields and minimization of risk.

The following are qualified Operating Fund Investments:

1. **Time Certificates of Deposit, Savings Accounts and Interest Bearing Checking Accounts** - the amount in any one account will be limited to the federal deposit insurance limit applicable to that institution, plus any interest accumulated in the account, provided that interest accumulations which exceed the deposit insurance limit shall be withdrawn from the account not less often than quarterly.
2. **Money Market Mutual Funds** that adhere to rule 2(a)7 and AAA/Aaa rating – no limit.

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3. **U.S. Treasuries and Government Agency Debt** with explicit guarantee of U.S. Government – no limit.
4. Rule 3(a)3 **Commercial Paper** - Issuer must have commercial paper rating of P-1 by Standard & Poors and A-1 by Moody's (not to include asset back commercial paper.) Limit per issuer is \$100,000.
5. **U.S. Government Sponsored Enterprises** with implied government support/oversight (i.e.: FNMA, FHLMC, FHLB, FFCB) – no limit.
6. **Repurchase Agreements** must be collateralized by U.S. Treasury Securities or U.S. Agency paper guaranteed by the federal government - no limit.

LONG TERM INVESTMENTS

Long term investments are Board designated for operational reserves and special projects and overall results are to be considered for the long term (i.e., three to five years). The minimum long term objective is to attain a rate of return of 2% over the annual increase in CPI. The amount available for long term investments shall be determined by the OAHHS finance committee subject to the approval of the OAHHS board of trustees.

Funds shall be managed and invested in strict conformance with the following Investment Policy guidelines.

1. Investment of funds shall be diversified to minimize the risk of loss.
2. Explicit prohibition of any utilization of derivative vehicles or borrowed funds by investment manager.
3. Explicit prohibition on investment of funds in any securities issued by tobacco or alcohol companies.

The following are qualified Long Term investments:

Fixed Income Investments – Staggered maturities shall be maintained to allow for liquidity needs with maturities not exceeding an average of 5 years.

1. **Time Certificates of Deposit, Savings Accounts and Interest Bearing Checking Accounts** - the amount in any one account will be limited to the federal deposit insurance limit applicable to that institution, plus any interest accumulated in the account, provided that interest accumulations which exceed the deposit insurance limit shall be withdrawn from the account not less often than quarterly.
2. **Money Market Mutual Funds** that adhere to rule 2(a)7 and AAA/Aaa rating – no limit.
3. **U.S. Treasuries and Government Agency Debt** with explicit guarantee of U.S. Government – no limit.
4. Rule 3(a)3 **Commercial Paper** - Issuer must have commercial paper rating of P-1 by Standard & Poors and A-1 by Moody's (not to include asset back commercial paper.) Limit per issuer is \$100,000.

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5. **U.S. Government Sponsored Enterprises** with implied government support/oversight (i.e.: FNMA, FHLMC, FHLB, FFCB) – no more that 25% in any one issuer.
6. **Corporate Bonds with "BBB"** or better rating (Moody's or Standard & Poors) - limit per issuer is 10% (at cost) of the fixed income balance of Long Term invested funds.

Equities

Between 20% and 60% of the long term portfolio may be invested in equities. Foreign securities shall be no more than 25% of the equity allocation and all shall be us dollar denominated and U.S. exchange trades. They can be comprised of individual and/or equity mutual funds. A limit of no more than 25% of the total market value of the long term portfolio shall be invested in one major industry segment. From a cost basis, no individual security at the time of purchase shall be more than 2% of total long term portfolio. Private placements and illiquid securities with no or limited trading activity are prohibited.

Mutual Funds

Limit to 10% of total long term portfolio to any mutual fund categorized as a sector fund.

VARIATION FROM POLICY

Any proposed variation from this policy relative to amount, type, quality and maturity of investments shall require prior approval by the OAHHS Board of Trustees.