

RESPONSE TO #45

**Valley Regional Hospital
Board Designated Funds
Investment Policy Statement**

Objectives

Evaluation of the need for funds indicates no short-term material requirements for invested funds, with the exception of a minimal emergency/contingency asset allocation, provided by amounts allocated to Cash and Equivalent Assets. Therefore, investments of Valley Regional Hospital, Inc. Board Designated Funds will be made for the sole interest and primary purpose of providing funds for:

1. Significant emergencies and contingencies
2. Substantial replacement, renovations or remodeling of plant and facility
3. Expansion of health care services
4. New health care or health care related programs or services

Assets must be invested with the care, skill, and diligence that a prudent person acting in this capacity would use. The Investment Manager's primary objective should be to provide above average total return on investment assets relative to the Balanced Index. This will be a long-term goal designed to maximize the return with prudent risk, as defined herein, so as to protect and indeed increase the purchasing power of invested assets.

Long-Term Objectives

Valley Regional Hospital, Inc. wishes to achieve the following total return objectives for a three-year moving average time period:

- The Fund's total return should exceed the Balanced Index plus 2.0 percent annually. The securities markets are represented by the returns of the Russell 1000, Russell 3000, and the MCSI All Cap World Index.

The returns will be weighted according to the allocation policy of Fund assets to each market.

Short-Term Objectives

The Hospital has established the following one-year objective:

- The minimum return expected owing to declining securities markets should be no less than 2.0 greater than the Balanced Index. This is a risk the Hospital accepts as necessary to achieve superior long-term results.

Asset Allocation

The following standards will be used to evaluate the Investment Manager's asset allocation (measured by market value) over a three year moving average time period. These policies are designed to provide the highest probability of meeting or exceeding return objectives, with relative levels of risk.

- Equities (including convertible securities) allocation target of 70 – 75 percent of the market value, with a lower limit of 60 percent; and upper limit of 85 percent.

- Fixed income securities (including preferred stocks) may constitute up to between 15 – 30 percent of total market value.
- Cash equivalents (including all senior debt securities with less than one year to maturity) may constitute up to 25 percent of the Fund's market value, with a minimum of 0 percent to be based upon liquidity requirements as identified by VRH, Inc.

Equities

Equity holdings may be selected from the New York, American, and Regional Stock Exchanges. These holdings should represent companies meeting a minimum capitalization requirement of \$100 million with high market liquidity.

Fixed Income Securities

The manager may choose from appropriately liquid preferred stocks, corporate debt securities, and obligations of the U.S. Government and its fully guaranteed agencies. These investments are subject to the following constraints:

- No issue with more than 30 years to maturity
- Investments in securities of a single issuer (with the exception of U.S. Government issues) must not exceed \$500,000 of the total market value of the portfolio
- No issue that holds lower than "BBB" by Moody's Cash Equivalents

Cash

All such assets must represent maturities of one year or less at the time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and Moody's respectively. The Investment Manager may not invest more than 5 percent of the Fund's market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Other

There are no social restrictions pertaining to eligible investments.

VALLEY REGIONAL HEALTHCARE ENDOWMENT SPENDING POLICY

I. Overview

- a. The purpose of the Endowment Spending Policy (the “Policy”) of Valley Regional Hospital (“Hospital”) is to set forth rules and guidelines for spending from the Hospital’s endowments.
- b. The overall objective of the Policy is to honor the restricted purposes of donors’ gifts, achieve a proper balance between the Hospital’s present and future needs, and to provide the Hospital with a source of current revenue as well as providing for a perpetual, growing, and consistent source of revenue over the long run.
- c. The Hospital’s Board of Trustees is committed to investing and administering all endowment funds in compliance with the applicable federal and state laws and industry standards. The Board of Trustees monitors, adjusts and approves the Policy on at least an annual basis.
- d. The Policy is comprised of two components: 1) a Distribution to Support Purpose formula; and 2) an Assessment of Endowment Sustainability, i.e. rules relating to the suspension of distributions in certain situations when an endowment’s value may decline below a sustainable threshold.

II. Spending Policy

a. Distribution to Support Purpose

Each year, endowments may distribute an amount equal to four percent (4%) of their trailing three-year average market value on December 31 to support their purpose. The CFO shall calculate this amount and the Finance Committee shall authorize the distributions. Any amounts determined to be suitable for distribution from endowments shall be made available to the Hospital on the first business day of each fiscal year.

b. Assessment of Endowment Sustainability

The Hospital shall suspend distributions on any pure endowment if the endowment’s fair market value at December 31 is less than ninety percent (90%) of its “historic gift value.” However, upon the request of the Hospital’s CFO, President, or CEO, the Finance Committee may authorize continuing distributions even when an endowment’s fair market value is below ninety percent of historic gift value.

If a gift agreement establishing an endowment has provisions that are different from the procedures for suspending distributions described above, the gift agreement terms will override this suspension policy.

Policy Owner
Finance Committee Approval
Board of Trustee Approval
Effective Date

Chief Financial Officer
November 27, 2019
December 4, 2019 meeting
1/1/2020