

## **CAPE COD MUNICIPAL HEALTH GROUP-**

### **STATEMENT OF INVESTMENT POLICY**

Revised October 2020.

The Cape Cod Municipal Health Group (the CCMHG) is a Massachusetts Municipal Joint Health Insurance Purchase Trust formed pursuant to Massachusetts General Laws, Chapter 32-B under a trust agreement, which became effective in July 1987. The CCMHG consists of governmental units, which have joined together for the joint negotiation and purchase of group health and dental insurance. Members of the CCMHG contribute payments representing the fair share of each to fund payments for medical and dental services for eligible active and retired employees and for ordinary operating expenses.

The following investment policy is hereby adopted by the Group:

#### **A. INVESTMENT GOAL AND OBJECTIVES**

Goal: To invest available funds in a manner that will provide the maximum investment return with minimal risk. Investments made by the CCMHG represent reserves not required for current operations.

The Steering Committee of the CCMHG will authorize the amount of funds to be invested in fixed income securities, equities, and cash in accordance with established portfolio allocation guidelines (See Appendix A). The Investment Committee, appointed by the Steering Committee, will instruct the Treasurer to allocate funds available from reserves not required for current operations in accordance with the Investment Committee recommendations.

##### **1. Safety of Principal**

Preservation of principal always takes priority over maximizing return. Preservation shall be measured in terms of real spending power after adjustments for additions to and withdrawals from the investment account. Principal preservation and stability will be achieved through investment in high quality obligations and securities as listed in Appendix A.

##### **2. Competitive Rates of Return**

An investment strategy will be utilized to maximize return potential within the risk parameters. Through maturity and market sector analysis, a portfolio will be constructed that maximizes investment return while minimizing risk. Both fixed income and equity portions of the portfolio are expected to be competitive against two respective benchmarks as predetermined by the Investment Committee and the Investment Manager.

##### **3. Liquidity**

Liquidity may be necessary from time to time and periodic withdrawals may be required by the Group. The Investment Committee may, at any time, direct

the Investment Manager to maintain a portion of the investments in a suitable money market fund to facilitate transfers to the Group's checking accounts.

4. Permissible Investments/Diversification

No more than 5% of the market value of the funds of the Group may be invested in the obligations of any one issuer, other than the U.S. Government and its agencies.

The equity portfolio shall not exceed a risk level greater than 20% above the overall market as measured by the S&P 500's beta value. Refer to Table 2 – Table of Permissible Investments (Appendix A).

**B. INVESTMENT MANAGEMENT RESPONSIBILITIES**

1. The Investment Manager may buy and sell securities that meet the above criteria without prior approval.
2. Proposed actions to the contrary of the foregoing guidelines may only be taken with the written approval of the Investment Committee.
3. The Investment Manager will provide statements including all investment transactions and security listings on a monthly basis.
4. The Investment Manager is encouraged to recommend changes to the Investment Committee that may better permit the achievement of objectives.
5. The Investment Manager will make every attempt to obtain the best possible execution on all trades.
6. The Investment Manager will comply with the Investment Policy and is responsible for documenting compliance to the Investment Committee.
7. The Investment Manager will provide quarterly comparisons of the rates of return of the investment portfolio of the CCMHG and two benchmarks. Benchmarks will be determined by mutual agreement of the Investment Committee and the Investment Manager and will be periodically reviewed.
8. The Investment Manager will provide biannual performance reports, in person, to the Board of the CCMHG at dates and times to be determined by the CCMHG including but not limited to:
  - a. The portfolios' performance relative to a similar group or universe of similar managers by asset class.
  - b. A measure of the portfolio's volatility (risk).
  - c. The short-term and long-term estimates of performance as well as measure of the portfolio's efficiency.
  - d. The continuing appropriateness of the existing objectives and guidelines in relation to current economic and market considerations.

9. The CCMHG "Statement of Investment Policy" shall be included with and be part of any contractual agreement with an Investment Manager.

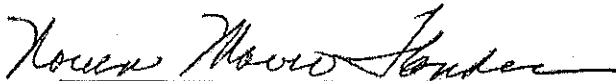
### C. INVESTMENT COMMITTEE RESPONSIBILITIES

1. The Investment Committee is to act a liaison between the Investment Manager and the Steering Committee.
2. The Investment Committee, with the approval of the Steering Committee, has the right to remove funds and assets from the control of the Investment Manager.
3. The Investment Committee will review the Investment Policy and make revision recommendations to the Steering Committee as circumstances require.
4. The Investment committee will annually review the portfolio's current asset allocation and instruct the Investment Manager to rebalance as deemed appropriate.
5. The Investment Committee will provide written instructions to the Investment Manager of any exception to the aforementioned.

### D. EXCEPTIONS

All Federal and Commonwealth of Massachusetts Law, or regulations of the Massachusetts Division of Insurance relating to investments, and any changes or additions thereto, will immediately take precedence over the above policy.

Approved by:




Chairman of the Board

  
Date

  
Chairman of the Steering Committee

  
Date

  
Investment Committee Member

  
Date

## APPENDIX A

### **Portfolio Allocation-Return Seeking**

#### Cash 0 - 10%

Cash will be maintained to provide periodic cash distributions.

#### Fixed Income 35 - 55%

The goal of the fixed-income portion of the portfolio is to provide returns competitive with, and price volatility similar to, the Barclays Bloomberg Intermediate Government/Credit Index. The fixed income allocation exists to provide income and to dampen the volatility from the fund's equity holdings.

#### Equities 40 - 65%

The equity portion of the portfolio should consist of a diversified mix of investments (individual equities, mutual funds and exchange-traded funds) suitable to achieve the objective of capital appreciation and downside protection

### **Portfolio Allocation-Capital Preservation**

#### Cash 0 - 10%

Cash will be maintained to provide periodic cash distributions.

#### Fixed Income 80-100%

The goal of the fixed-income portion of the portfolio is to provide returns competitive with, and price volatility similar to, the Barclays Bloomberg Government 1-3 Year Index. The fixed income allocation exists to provide income and liquidity reserve.

### **Permissible Investments**

**Fixed Income-** To ensure appropriate diversification and to minimize default risk, the portfolio will be invested primarily in high-quality taxable bonds, notes, and other credits through mutual funds, exchange-traded funds (ETFs) or individual bonds. Lower-quality bonds may be held through mutual fund or ETF ownership.

**Equities -** To ensure appropriate diversification, the fund will be invested in high-quality domestic stocks, stocks of emerging companies and foreign issues. Investments may also include the following strategies: market-neutral, absolute return, global macro, long/short, commodities and managed futures.

### **Limiting Conditions**

Adequate diversification and risk controls must be maintained within each sub-category. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty and for CCMHG's liquidity needs.

Non-government individual fixed income and equity holdings in any one company should not exceed 5% of the market value of the portfolio. Individual fixed income holdings will be investment grade, at time of purchase, by Moodys or S&P.