

ADDENDUM D

ANNUAL ADOPTION OF STATEMENT OF INVESTMENT
FIN-11

I. PURPOSE

- A. This Statement of Investment Policy sets forth the investment guidelines for all Palomar Pomerado Health ("PPH ") investments purchased after March 1, 1996. The purpose of this policy is to ensure that PPH's funds are prudently invested according to the Board of Director's objectives to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.
- B. PPH may invest any portion of surplus funds of its Treasury that is not required for the immediate needs of PPH ("Investable Funds"), subject to the requirements of the California Government Code and this policy. If the provisions of the Government Code are or become more restrictive than those contained herein, such provisions shall govern, and are deemed incorporated into this policy upon taking effect.
- C. Government Code Section 53600 et seq., authorizes local agencies to make investments in specified vehicles with money in a sinking fund of, or surplus money in, its treasury not required for the immediate needs of the agency.
- D. Palomar Pomerado Health is a "local agency" subject to the provision of Government Code Section 53600 et seq., which recommends that Palomar Pomerado Health Board of Directors to annually adopt a statement of its investment policy, and to consider any delegation of authority to make investments on its behalf of the Chief Financial Officer.
- E. The Board of Directors of Palomar Pomerado Health now desires to formally adopt this statement of investment policy, and to re-delegate to the Chief Financial Officer responsibility for all decisions regarding the sale or purchase of individual investments on behalf of PPH.
- F. The Palomar Pomerado Health Chief Financial Officer is delegated responsibility for all decisions regarding the sale or purchase of individual investments on behalf of Palomar Pomerado Health.

II. DEFINITIONS:

- A. **Safety of Principal.** Safety of principal is the foremost objective of PPH. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of

securities. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

- B. **Liquidity.** Liquidity is the second most important objective of PPH. Liquidity refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occasionally occurs. The investment portfolio shall remain sufficiently liquid to enable PPH to meet all operating requirements that might be reasonably anticipated.
- C. **Yield.** Yield is the potential dollar earnings an investment can provide; it is sometimes described as the rate of return. Within the limits of safety and liquidity, PPH's portfolio growth shall exceed the rate of inflation in order to preserve capital.

III. TEXT / STANDARDS OF PRACTICE

- A. Delegation Of Authority To Chief Financial Officer; Procedures To Implement Investment Policy
 - 1. Delegation of authority to Chief Financial Officer: The PPH Chief Financial Officer is delegated responsibility for all decisions regarding the sale or purchase of individual investments on behalf of PPH. This delegation shall be reviewed annually by the Board through the Finance Committee. Any re-delegation shall be recorded in the minutes of these meeting. No person may engage in an investment transaction except as provided under the terms of this policy and any other procedures established by the Chief Financial Officer. The Chief Financial Officer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.
- B. This policy will be reviewed and updated as required or at least every year.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 7/14/95

Reviewed:

Revision Number: 1 Dated: 6/06

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2006, this policy was Board Policy 10-513