LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

POLICY

Effective Date: June 27, 2013
Policy #F-538
Revised: January 31, 2018

Title
Investment Policy

Purpose
To govern the investment of public funds as required by Public Act 20 of 1943, as amended and establish a clear understanding of the investment objectives, guidelines and goals for LCMHA. This policy statement is to be used as a guideline for any investment advisors retained, as well as to describe the acceptable investment vehicles and performance standards to be utilized in monitoring the risk and return characteristics of the portfolio. The LCMHA Operations and Budget Committee will continually review the liquidity needs of the Authority and will notify investment managers as soon as possible of any significant changes in anticipated needs as set forth in this document. The Operations & Budget committee will review this document periodically to ensure its continued relevance and to make changes as new conditions dictate. The Operations and Budget Committee plans to meet with investment managers to discuss performance of the portfolio at its discretion, at least annually.

Policy
It is the policy of Lenawee Community Mental Health Authority (LCMHA) to invest funds in a manner which will provide the highest investment return with the maximum security to meet the daily cash flow needs of LCMHA and comply with all state statutes governing the investment of public funds.

Application and Objectives
This policy applies to all funds of LCMHA including but not limited to: Medicaid, State General Fund, Healthy Michigan Plan, Children’s Waiver Program, County Appropriations, Grants, and First and Third Party revenues.
The primary objectives, in priority order, of the Authority’s investment activities shall be:
a. Preservation: Preservation of principal is the foremost objective of the investment program. Investments of LCMHA shall be undertaken in a manner that seeks to focus on the preservation of capital over time in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities or positions do not exceed the income generated from the comprehensive portfolio.

b. Liquidity: The LCMHA’s investment portfolio will remain sufficiently liquid to enable it to meet all cash flow requirements which might be reasonably anticipated.

c. Return on Investment: The LCMHA’s portfolio shall be designated with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering this Investment Policy and the cash flow characteristics of the portfolio.

**Standards**

1. Funds shall be invested in accounts allowed under Public Act 20 of 1943, as amended.


3. Investments shall be made with judgement and care – under circumstances then prevailing – which person of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived.

4. The standard of prudence to be used shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio.

5. LCMHA shall comply with all statutes governing the investment of public funds.

6. The LCMHA Board shall approve the investment strategy.

7. The Operations and Budget Committee plans to meet with investment managers to discuss performance of the portfolio at least every 12 months or more if there is a specific reason from either the Advisor or the Committee. The Executive Director, in consultation with the Chief Finance Officer, shall ensure the LCMHA Board remains informed of the status of the investments.

8. Maturing Guidelines:

   a. The objectives are long-term in nature. General maturing guidelines should be as follows:

      i. Short Term 0-2 years 50% 40%-70% range

      ii. Intermediate 2-5 years 25% 15%-30% range

      iii. Long Term 5-10 years 25% 15%-30% range

   b. These percentages are intended to serve as guidelines. Actual percentages will vary given current economic, financial and market conditions.
c. Monthly or quarterly distributions on demand may be used for projects determined by LCMHA from time to time.

9. The asset allocation of the portfolio shall be monitored on a quarterly basis and reviewed on an annual basis by the Operations & Budget Committee. The asset allocation will be diversified amount fixed income securities (treasuries, agencies and certificates of deposits) cash and cash equivalents (including commercial paper) with a focus on Michigan Municipal Bonds.

10. The governing body by resolution may authorize its investment advisor to invest the funds of LCMHA in one or more of the following:
   a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States
   b. Certificates of Deposit, savings accounts, or depository receipts of a financial institution
   c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 (two hundred and seventy) days after the date of purchase.
   d. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
   e. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

11. The following types of transactions are not acceptable for investment managers working with LCMHA:
   a. Purchase of securities on margin
   b. Individual Short-sale transactions
   c. Naked or uncovered options
   d. Futures
   e. Lending securities that exceed 15% of the portfolio
   f. Private placement
   g. Any other at-risk transaction
   h. Illiquid securities
   i. Initial Public Offerings must have a public trading history more than 12 months, that they are not an I.P.O. and that the committee believes to possess excessive risk

12. LCMHA will establish the list of acceptable investment managers and/or brokers to be used

13. The investment manager(s) of the portfolio shall manage various elements of the portfolio except for the restriction itemized in the body of this policy statement. All changes in the Investment Policy Statement must be approved by the LCMHA Board

14. For diversification purposes, it is expected that any equity portion of the portfolio should have more than ten (10) positions. In lieu of individual stocks, Mutual
Funds and Exchange Traded Funds may be used to satisfy the diversification requirements. There will be no minimum required number of holdings in the fixed income portfolio in item #11 above.

References
Chapter 2, Section 330.1205 (4) (g).