

UNIVERSITY OF SOUTH FLORIDA  
SELF-INSURANCE PROGRAM  
HEALTH SCIENCES CENTER INSURANCE COMPANY, INC

INVESTMENT POLICY

October 13, 2023

## **Purpose**

The purpose of this Investment Policy (“Investment Policy”) is to assist the Investment Committee (“Investment Committee”) of the University of South Florida Health Sciences Center Insurance Company, Inc. (“HSCIC”) in more effectively supervising and monitoring the investment of the assets (“Fund”) of the University of South Florida Self-Insurance Program (“USFSIP”).

### **I. The Investment Committee**

#### **A. Governance**

The Investment Committee shall have no less than three and no more than six members appointed by the Board of Directors of HSCIC (the “Board”). In addition to appointed committee members, the President of HSCIC and the General Counsel of the University of South Florida shall be voting ex-officio members of the Investment Committee. Investment Committee members need not be members of the Board; however, the Board in its sole discretion may, at any time, determine to act as the Committee.

#### **B. Duties**

The Investment Committee shall:

- A. Meet at least quarterly to review USFSIP’s investment holdings, with minutes of said meeting to be reviewed subsequently by the Board;
- B. Review the implementation of the HSCIC Investment Policy at least once each state fiscal year and recommend to the Board any changes in investment strategy; and
- C. Responsibly invest USFSIP’s assets in conformance with the Investment Policy approved by the Board and in accordance with Section 215.47, *Florida Statutes*. The Investment Committee shall not modify, alter, add to, or subtract from any provisions of the Investment Policy approved by the Board.

#### **C. Conflicts of Interest**

Members of the Investment Committee shall not have any actual or potential personal interest(s), which either directly or indirectly conflict with the interests of HSCIC or USFSIP. An actual conflict of interest is present when there is a conflict between the member’s private interests and their public duties or when the member’s ability to exercise independent and unbiased judgment in the good faith discharge of their duty to the HSCIC and/or USFSIP is impaired. A potential conflict of interest is present in a situation that would likely lead to an actual conflict or in which the member’s judgment might appear to be impaired in the fulfilling of their public duties.

Neither members of the Investment Committee, nor any business entity of which they are an officer, director, employee, or substantial owner, shall enter into a transaction with the HSCIC or

USFSIP unless such transaction is disclosed fully to the Board prior to any relevant Board action. After disclosure, the Board may approve the transaction only by a three-fourths (3/4) vote of all Board directors.

In the event any member of the Investment Committee perceives he/she has any actual or potential conflict of interest prior to a Board action, he/she shall disclose such conflict to the Board and, if so directed by the Board, shall abstain from voting or acting on matters involving the conflict. In addition, with regard to any actual or potential conflict of interest, the Board has the authority to require the member to terminate the conflict or to cause the member's appointment to the Investment Committee to be terminated.

The mere employment of any officer or employee of HSCIC, USFSIP, or any member of the Investment Committee by the University of South Florida Board of Trustees or any of its component or supporting entities (such as the H. Lee Moffitt Cancer & Research Institute at the University of South Florida) does not constitute a conflict of interest with respect to HSCIC.

#### **D. Indemnity**

HSCIC's Board will indemnify and hold harmless each member of the Investment Committee from all actions, proceedings, claims, or demands by any person, corporation, association or entity whatsoever with respect to investments made on behalf of USFSIP and will indemnify and hold harmless each member of the Investment Committee against all costs, damages, or expenses that the Investment Committee members may be asked to pay, sustain, or incur by reason or as a consequence of said investments; provided that such members exercised due care and diligence in the performance of their duties on behalf of the USFSIP with respect to the transaction at issue.

#### **E. Responsibilities**

The Investment Committee is responsible for the effective enforcement and administration of this Investment Policy.

### **II. Investment Guidelines**

This Investment Policy is intended to:

- A. Provide a written document outlining the Investment Committee's expectations and objectives in the investment of USFSIP assets.
- B. Provide guidelines for the investment portfolio that control the level of risk assumed and ensure that assets are managed in accordance with stated objectives. The Investment Committee will determine the Fund's overall asset allocation, investment manager structure, and investment requirements and constraints in compliance with state mandated parameters.
- C. Maintain effective communication between the Investment Committee and its investment managers.

- D. Establish criteria to monitor and evaluate the performance results achieved by the investment managers.

The Investment Policy represents the Investment Committee's philosophy for investment of USFSIP assets and will be used to guide decisions concerning the management of USFSIP assets. The Investment Committee is bound to act in accordance with the Investment Policy of the Board.

### **III. Investment Objectives**

The overall investment objective for the Fund is to maximize total return subject to risk, quality, diversification, and maturity restrictions provided in the Investment Policy and by all applicable federal and state laws, including Section 215.47, *Florida Statutes*.

Additionally, the Investment Committee shall seek to achieve the preservation of principal and liquidity and to achieve the most favorable execution of security trades.

It is the intent of the Investment Committee to achieve the asset allocation objectives set out in Appendix A of the Investment Policy by maintaining a portfolio of cash, fixed income securities, and equity investments in a total combination that the Investment Committee believes is conducive to beneficial participation in rising markets while still allowing for adequate protection in case of falling markets.

It is the intent of the Investment Committee to allow each of its investment managers full investment discretion subject to the restrictions specifically provided in the Investment Policy.

### **IV. Allowable Investment Objectives and Restrictions**

The Fund shall be invested in cash, fixed income securities, and equity securities.

As listed in Appendix A, the target allocation to cash is minimal, because cash will be used as a temporary investment only until reallocation occurs to the fixed-income or equity portfolio.

The fixed-income portfolio should provide safety and growth of principal.

The equity portfolio should provide growth of assets within the risk constraints listed in the Investment Policy.

There shall be no short selling, investment in futures, options, hedge funds, or other non-traditional, complex investments without the express written prior approval of the Board.

#### **A. Cash**

The primary investment objective with respect to cash maintained by the Fund is to provide for the preservation of capital and liquidity to assure funds are available to meet the obligations of USFSIP, including HSCIC.

1. Investment Restrictions

The maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the U.S. Government shall not exceed 5 percent of the assets of the investment portfolio.

2. Allowable investment securities for Cash Portfolio

- a. U.S. Treasury Bills
- b. Short-term U.S. Government/Agency Obligations
- c. High Grade Commercial Paper
- d. Other Dollar Denominated Money Market Instruments
- e. Repurchase Agreements of U.S. Government Agency Securities (HSCIC must take possession of the collateral)
- f. Money Market Funds

B. Fixed Income Portfolio

The primary investment objective for the Fixed Income Portfolio is to obtain a favorable total investment return using diversified classes of high-quality fixed income securities.

1. Expected Total Return on Fixed Income Portfolio

The total return on the fixed income portion of the investment portfolio is expected to exceed the total return on the Merrill Lynch 1-10 year Government/Corporate A rated (and better) Bond Index (net of fees) by at least three-tenths of one percent (30 basis points) over each rolling three-year period. The investment managers quarterly will report the comparison to the Investment Committee.

2. Investment Restrictions

- a. The proportion of funds invested in the portfolio that can be allocated to fixed income investments is provided in Appendix A. The Investment Committee shall, from time to time, establish a fixed income target within the allowable range. If the actual percentage in fixed income deviates from the target by more than 5 percent, the Investment Manager shall, in a prudent and timely manner, return the percentage invested in fixed income securities to the designated target range given in Appendix A.

- b. All fixed income securities must carry an investment grade rating of “Baa/BBB” or higher as defined by Moody’s and Standard and Poor’s Corp. Bonds rated Baa/BBB are limited to 10 percent of the fixed income holdings. In the event of a split rating, the lower of the two ratings applies to this guideline. If any bond is downgraded below the minimum rating, Investment Manager will review and take appropriate action. In addition, no single corporate bond issuer shall exceed 5 percent of the market value of the total portfolio. .
  - c. At least 25 percent of the fixed income portfolio shall at all times be invested in U.S. Government or Federal Agency securities.
  - d. All fixed-income securities shall be dollar denominated.
  - e. The weighted average duration of the USFSIP fixed income portfolio shall at all times be less than five (5) years.
3. Allowable investment securities for Fixed Income Portfolio
- a. U.S. Treasury Securities
  - b. U.S. Government Agency Obligations
  - c. Mortgage-backed Securities
  - d. Corporate Debt (Including asset-backed) Securities
  - e. State and Municipal Securities

### C. Equity Portfolio

The primary investment objective of the Equity Portfolio is to obtain a favorable total rate of return on invested assets and to provide long-term growth of capital and surplus through a diversified portfolio of equity securities.

#### 1. Expected total return on Equities Portfolio

The total return on the equity portion of the portfolio is expected to exceed the Standard and Poor’s 500 Stock Index (net of fees) over each rolling three-year period by at least 0.5 percent (50 basis points). The investment managers will quarterly report this calculation and comparison to the Investment Committee.

#### 2. Categories of Allowable Investment Securities

- a. Domestic Common Stocks
  - b. Preferred and Debt Securities convertible into domestic common stock
  - c. Exchange-listed American Depository Receipts (ADRs)
  - d. Indexed Equity Funds and Actively Managed Equity Funds
3. Investment Restrictions
- a. The proportion of funds invested in the portfolio that can be allocated to equities is provided in Appendix A. The Investment Committee shall, from time to time, establish an equities target within this range. If the actual percentage in equities deviates from the target by more than 5 percent, the Investment Manager shall in a prudent and timely manner, return the percentage invested in equities to the designated target range given in Appendix A.
  - b.
  - c. No more than 5 percent of the equity portfolio shall be invested in the equity of any single issuer, except to the extent a higher percentage of the same issue is included in the S & P 500 Index. Any position that exceeds 5% shall be disclosed by the Investment Manager within 14 calendar days and discussed at the next quarterly investment meeting. In no event shall the position exceed 10% of the equity portfolio.
  - d. No purchase will be made that would cause a position in the portfolio to exceed 5 percent of any total outstanding equities issue.
  - e. No investments will be made in non-marketable securities.
  - f. .
  - g. The securities of all U.S. and non-U.S. domiciled companies (through ADRs) must be denominated and traded in U.S. dollars. Such companies are considered to have domestic securities.
  - h. A percentage of the equity portfolio may be invested in a fund replicating Standard & Poor's 500 Stock Index Fund, or a comparable exchange traded fund, not to exceed 25 percent of the equity portfolio.
  - i. The HSCIC may provide the Investment Manager with a list of companies or industries that should be restricted from purchase, which will apply specifically to individual stock positions.

V. **Investment Manager Responsibility**

Investment managers shall acknowledge receipt and accept the terms of the Investment Policy in writing and provide that acknowledgement/acceptance to the Investment Committee. If, at any time, the investment managers believe changes, additions or deletions to the Investment Policy are advisable, the managers will recommend such changes to the Investment Committee in writing. It is the responsibility of each investment manager to educate its employees and agents representing the HSCIC with respect to all applicable and legal investment parameters and requirements.

Investment managers will report to the Investment Committee, as outlined in this Policy, on at least a quarterly basis. Investment managers are expected to immediately report to the Investment Committee any substantive changes in investment strategy, portfolio structure and market value of managed assets as well as significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing, and clientele of the investment management organization.

Equity investment managers shall be responsible for the voting of proxies with respect to the issues of securities in which assets of USFSIP are invested. Voting of proxies shall be made giving consideration to the best interest of HSCIC and USFSIP. A semi-annual summary report of proxy voting decisions shall be furnished to HSCIC by each equity investment manager. In addition, HSCIC shall be furnished a copy of each firm's proxy voting guidelines and any revisions to those guidelines when they occur.





## Appendix A

<u>Asset Class</u>	Range of Outcomes
Equities	0 - 30%
Fixed Income	70% - 100%
Cash and Equivalents	0% - 10%

