



BOARD POLICY VI.12

AREA:	Governance		
SECTION:	System Governance	PAGE:	1 of 4
SUBJECT:	INVESTMENT POLICY	EFFECTIVE:	10/30/07
		REVIEWED:	09/24/2024

PURPOSE/EXPLANATION:

It is the policy of Pivotal to invest public funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security, meeting the daily cash flow requirements of the organization and conforming to all state statutes governing the investment of public funds.

POLICY:

I. SCOPE

This policy applies to all financial assets of the organization held by the Pivotal Chief Executive Officer and Chief Financial Officer (CFO). These funds are accounted for in the Independent Annual Audit Report.

II. OBJECTIVE

The primary objectives, in priority order, of the Pivotal Chief Executive Officer and Chief Financial Officer (CFO) investment activities shall be:

- A. **Safety:** The safety of the principal is the foremost objective in the investment of Pivotal funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. 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:** The investment portfolio shall remain sufficiently liquid to enable the Chief Executive Officer and Chief Financial Officer (CFO) to meet all operating requirements that might be reasonably anticipated.

- C. Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.
- D. Risks: Further objectives of this policy are to minimize credit and concentration risk, interest rate risk, and foreign currency risk.
 - D.1. Credit Risk (Custodial Credit Risk and Concentration Credit Risk): Pivotal will seek to minimize custodial credit risk, which is the risk of loss due to failure of the security issuer or backer, by limiting investments to the types listed in Section V. of this investment policy. Pivotal will seek to minimize the amount of Concentration Risk, which is the risk of loss attributed to the magnitude of our investment in a single issuer by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.
 - D.2. Investment Rate Risk: Pivotal will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market rate, by structuring the investment portfolio so that securities mature to meet cash flow requirements for ongoing operations, and investing operating funds primarily in shorter term securities, liquid assets, money market funds, or similar investments pools and limiting the average maturity in an effort to meet cash flow requirements.
 - D.3. Foreign Currency Risk: Pivotal is not authorized and will not hold investments subject to this kind of risk.

III. DIVERSIFICATION

The investment will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

IV. DELEGATION OF AUTHORITY

Management responsibility for the Investment Policy is hereby delegated to the Chief Executive Officer and Chief Financial Officer (CFO).

V. AUTHORIZED INVESTMENTS

The Chief Executive Officer and Chief Financial Officer (CFO) are authorized to invest in the following types of securities authorized by Public Act 20 of 1943, as amended:

- 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, deposit accounts, or depository receipts of a financial institution.
- C. Commercial paper rated at the time of purchase at the highest classification established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- D. Repurchase agreements consisting of instruments in subdivision V., (A).
- E. Banker's acceptances of United States banks.
- F. 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 1 standard rating service.
- G. Obligations described in subdivision 6.1 through 6.6 if purchased through an interlocal agreement under the Urban Cooperation Act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- H. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- I. Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

VI. SAFEKEEPING AND CUSTODY

It shall be the responsibility of the Chief Executive Officer and Chief Financial Officer (CFO) to determine which securities will be held by a third party custodian. Securities held in safekeeping by a third party custodian shall be evidenced by a safekeeping receipt.

VII. PRUDENCE

The standard of prudence to be used by the Chief Executive Officer and Chief Financial Officer (CFO) shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own

affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

VIII. REPORTING

The Executive Director and Financial Officer (FO) shall provide at least a quarterly report to the Pivotal Board that provides a clear picture of the status and types of investments of the current investment portfolio. This report shall be prepared in a manner that will allow the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy.

In accordance with Section 6 of Act 20, P.A. 1943, as amended, I hereby acknowledge receipt of the Investment Policy for Pivotal and agree to comply with the terms contained therein.