INVESTMENT POLICY

OF THE

SINGING RIVER HOSPITAL SYSTEM

EMPLOYEES' RETIREMENT PLAN AND TRUST

Original Version	March 1991
Amendment 1	January 1994
Amendment 2	November 1996
Amendment 3	January 1999
Amendment 4	January 2001
Amendment 5	March 2008

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INTRODUCTION

This document refers to the Singing River Hospital System Employees' Retirement Plan and Trust (the Plan) and the fund from which benefits are paid to its beneficiaries. The Plan was established to provide retirement benefits for employees of Singing River Hospital System (SRHS). It is an employer-directed defined benefit plan. The Singing River Hospital System Employees' Retirement Plan and Trust Trustees (Plan Trustees) are appointed from time to time by the Singing River Hospital System Board of Trustees (Board).

This document is intended to serve as a reference tool, operating investment guidelines, and a communications link between the Plan and Plan Trustees and:

- The Plan's investment managers,
- The Plan's other professional advisors, and
- SRHS's Board

This document records the Plan Trustees' logical and diligent process of study, examination, evaluation and conclusions about the most suitable combination of investment risk level and rate of return objectives which will satisfy both the Plan's present and future benefits obligations and SRHS's priorities for funding them.

This policy document establishes the specific guidelines for action, and also conveys the philosophical foundations for those guidelines.

I. PLAN OVERVIEW

The Plan is a defined benefit pension plan, which bases its benefits upon an employee's highest average quarterly compensation from SRHS for the 19 consecutive quarters, plus the last quarter of employment during the last 40 consecutive quarters of employment. An employee's number of years of service, which determines his or her retirement benefit, is designed into the Plan such that, after a full length (30-year) career at SRHS, an employee is targeted to receive an annual retirement income, before social security benefits, equal to about 50% of the highest 20 quarters' average pay, adjusted annually for one-half of the CPI increase (not to exceed 2.5%). The Plan is partially funded by employee contributions.

Taxation

The Plan has qualified for exemption pursuant to Section 401(a) of the Internal Revenue Code as a governmental plan. As such, the Plan's investment returns are not subject to current income taxation.

Resources and Obligations

The Plan's contribution resources come from employer contributions made by SRHS and from mandatory employee contributions of 3% of annual compensation, up to the limits established by Federal regulations. SRHS makes contributions, as required, to maintain the Plan on a sound actuarial basis. SRHS's continued ability to meet actuarially required contribution levels is assumed not to be in doubt at the adoption of this policy.

II. ROLES AND RESPONSIBILITIES

The Board has delegated certain responsibilities, as outlined in the Plan document, for the Plan described here to the Plan Trustees, who recommend and implement investment policy with regard to asset allocation, manager and custodian selection and portfolio supervision. The Plan Trustees report to the Board regarding the status of the investment policy and the Plan's investment results, along with any recommended changes to the investment policy. No Plan Trustee shall have or appear to have a conflict of interest that impairs or appears to impair the Trustee's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties.

Plan Trustees' Roles and Responsibilities

General

1. Develop at the direction of the Board and recommend to the Board investment and investment-related policies, as they deem appropriate.
2. Establish investment objectives for the Plan.
3. Recommend to the Board appropriate policies and procedures for custodianship and access to securities held by the funds, as they may deem appropriate.
4. As appropriate, engage an investment consultant to work with and advise staff and Plan Trustees on investment management issues including, but not limited to, investment strategy, asset allocation and diversification, liquidity, market trends, investment manager and custodian selection and evaluation criteria, investment performance evaluation, and any other related matters.
5. Monitor investment performance and compliance with this policy by third parties who have been given investment responsibility over Plan funds.
6. With the advice of the investment consultant, employ and, when necessary, terminate investment managers, fund custodians and investment advisors whose expertise is deemed by the Plan Trustees to be appropriate or whose termination is called for.
7. Review and approve billings for services rendered by investment managers, fund custodians and investment advisors.

8. Revise the investment policy to reflect changing conditions within the Plan and in the economy, or to refine the policy in order to make it more effective. It is not within the Plan Trustees' authority to alter the policy in a manner that would materially change the basic investment risk exposure of the Plan without prior review and approval by the Board.
9. Present periodic reports (at least annually) to the Board covering the following subjects:
   a. Fund investment performance summary, including comparisons to benchmarks
   b. Current and historical asset allocation in the Plan
   c. Progress toward the stated performance objectives in the policy
   d. Changes in investment management
   e. Current ratio of assets to liabilities
   f. Other pertinent investment matters

<u>Policy Review and Modification</u>

10. The Plan Trustees will use their periodic investment performance evaluations, with the advice of the investment consultant, as occasions to consider whether any elements of the existing policy are either insufficient or inappropriate. Key environmental or operational occurrences that could result in a policy modification include:
    a. significant cash flow/liquidity requirements,
    b. impractical time horizons,
    c. change in SRHS's priorities,
    d. convincing arguments for modification presented by investment managers or advisors, and
    e. areas and factors found to be important, but not covered by policy.
11. The Plan Trustees will review this policy annually. The Plan Trustees recognize that major changes to investment policy should only be undertaken after due consideration and after approval by the Board.

<u>Management of Investment Risk</u>

12. Manage risk so that the Plan's assets are safeguarded in accordance with the Plan's objectives and strategy as defined in this Investment Policy. The Plan Trustees acknowledge

that there are many ways to assess risk, and will consider the following in managing risk within the Plan:

a. The probability of losing money at some interval over a stated time period (see number 14, below),
b. The probability of not achieving at some interval the Plan's investment objective of earning a total return equal to or greater than the assumed actuarial rate of return,
c. The probability of not meeting at some interval the Plan's liabilities or benefits obligations,
d. The probability at some interval that investment returns from the Plan's assets fail to meet or exceed the return of the Policy Benchmark,
e. Liquidity shortfall at some interval, which would require the potential sale of securities at a loss to fund benefit obligations,
f. Failure at some interval to preserve the value of the Plan in real (inflation-adjusted) terms, and
g. Potential damage to SRHS's financial reputation and viability if undesirable outcomes occur.

13. Manage custodian credit risk. SRHS's Chief Financial Officer (CFO) shall maintain a listing of qualified custodian banks. The CFO shall work with the Plan Trustees to take all reasonable steps to ensure that each qualified custodian bank holding Plan funds has sufficient capitalization to avoid bank failure that would possibly place the Plan's investments and cash funds at risk of loss. The CFO will evaluate the custodian banks annually and submit a report to the Plan Trustees.
14. Manage volatility of investment performance. The Plan Trustees' assessment standards to manage volatility are outlined here:
    - Volatility of Investment Performance

      The Plan Trustees should recognize that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the Plan's long-term investment objectives. However, the variability of investment return (volatility of investment results) can be reduced without abandoning the Plan's long-term investment objectives through prudent diversification of investment strategies within the investment program.

Accordingly, the Plan Trustees have selected the asset allocation shown in Exhibit B with the expectation that return volatility will be within the ranges shown in Exhibit C.

- Volatility of Required Contributions
  The Plan Trustees should review the actuarial forecast of anticipated future funding requirements and become satisfied that the Plan's investment policy asset allocation strategy will generate sufficient returns over long time periods that will result in acceptable levels of employer contributions in order to pay the Plan's benefit obligations and expenses. However, they recognize the investment results will vary over shorter time periods which may impact the level of required employer contributions.
- Volatility of the Plan's Assets-to-Liabilities Ratio
  The Plan Trustees should place a high priority upon maintaining a ratio of 1.0 or greater of the market value of the Plan's assets to the accrued liabilities as determined by the Plan's actuary (see Section III Investment Goals).

<u>Investment Management</u>

15. Select investment managers, with the advice of the investment consultant, who will improve overall portfolio performance and further reduce risk. Funds should be allocated to the equity, bond, and alternatives managers in amounts necessary to keep the entire portfolio in line with the Plan's Investment Policy asset allocation levels.
16. Approve investment managers, with the advice of the investment consultant, which may include separately managed accounts, pooled/commingled trust funds, mutual and index funds, limited partnerships or any combination of the foregoing. The investment managers will serve at the sole discretion of the Plan Trustees. The Plan Trustees will use whatever resources that are appropriate and available and draw on various sources of information to make their decisions about manager selection, retention and termination. The Plan Trustees may change the number of investment managers in each of the categories as deemed necessary to meet the investment goals.
17. Consider any exception to the constraints in this Policy within the overall context of the materiality of the exception, the context of what caused its occurrence, and the expected longevity of the exception condition. It should be the Plan Trustees' general approach that correction of an exception condition will not normally be considered an emergency.

Reasonable time should be allowed for the Plan Trustees to consider any waiver request from a manager and for the manager to react prudently, if the exception requires action.

18. Establish and maintain minimum quality and diversification standards for employing investment managers as listed in Exhibit A.

Singing River Hospital System Board of Trustees' Roles and Responsibilities

1. Appoint the Plan Trustees occasionally when vacancies occur and remove Plan Trustees when circumstances dictate.
2. Determine the amount, subject to the advice and recommendation of the Actuary, of contributions to be made by the Employer and by the Employees to provide benefits under the Plan and make the Employer contributions.
3. Develop, implement and supervise, through appropriate delegation to the Plan Trustees, an investment program for Plan assets and adopt the Plan's Investment Policy after considering the actions and recommendations of the Plan Trustees.
4. Review the periodic reports made by the Plan Trustees.
5. Maintain overall responsibility for the Plan and its administration and the financial integrity and safety of the Trust Fund.
6. Employ professionals, such as accountants, actuaries and attorneys to give advice and make accountings and calculations necessary to administration of the Plan and Trust and employ staff assistants on behalf of the Plan.
7. Amend or terminate, in whole or in part, the Plan or the Trust.

III. INVESTMENT GOALS

This section describes the decisions made after a review of the Plan's projected benefit obligations and expenses, and funding resources from both employee and employer contributions over a long-range future period. The Plan's investments represent an opportunity:

- to reduce SRHS's cost of funding the Plan's benefits,
- to provide a funding resource for possible future enhancement or augmentation of the Plan's benefits, and
- to insulate the Plan's assets against the deterioration of purchasing power caused by inflation.

The Plan Trustees recognize that investment markets have repeatedly demonstrated broad performance cycles, having two fundamental characteristics which bear heavily on the Plan's expectations toward its future:

1. The cycles cannot be accurately predicted as to either their beginning points, ending points, or their magnitude, and
2. There is little or no relationship between market cycles and the convenient calendar periods commonly used in business for measurement and evaluation.

Although the Plan Trustees will review investment performance and investing activities on a regular, periodic basis, the formation of judgments and the actions to be taken on those judgments will be aimed at matching the projected benefit obligations and expenses of the Plan with the long-term performance patterns of the various investment markets.

The long-range goals (greater than five years) of the Plan are to:

1. Maintain the ratio of market value of assets to the accrued benefit obligations and expenses at 1.0 or higher.
2. Earn long-term returns in excess of the actuarial discount rate, currently 9.0%.
3. Exceed the rate of inflation (as measured by the Consumer Price Index) by 5.0%.
4. Exceed the return of a Policy Benchmark comprised of the appropriate market indices reflecting the Plan's asset allocation.

These goals and operating guidelines are based on financial projections developed by SRHS staff, their actuaries, and asset allocation studies conducted by SRHS's investment consultant. The studies address the Plan's liquidity requirements and evaluate investment risk levels in the total context of management of the Plan. The policy asset allocation targets and allowed ranges are established and defined in Exhibit B. The performance projections for the Plan using the current asset allocation targets and current capital market assumptions used in these studies are incorporated in this document in Exhibit C.

IV. ASSET ALLOCATION STRATEGY

The Plan Trustees may engage investment advisors and charge them with managing a portfolio with an agreed upon methodology, without requiring that every decision within that portfolio be brought to the Plan Trustees for approval.

The Asset Allocation schedule shown in Exhibit B of this Investment Policy provides for allowable ranges within each asset class, or strategy, in order to provide investment managers some flexibility in asset allocation to meet the goals of this Investment Policy. Portfolio allocations will be allowed to vary within these ranges for several reasons, which include:

- Investment performance resulting in increases or decreases in market value of the investment fund/account between normal rebalancing,
- Temporary changes in market value within certain asset classes during periods of transition to new investment managers, and
- Tactical allocation changes within the allowable ranges when an investment manager(s) and/or investment advisor suggests the total portfolio would benefit by either a reduction of risk due to current market conditions by underweighting certain asset classes, or potentially benefit by overweighting certain asset classes that possess attractive valuations.

After significant study of long-term historical capital market performance, the Plan Trustees, with the advice of the investment consultant, target mixtures of asset classes scheduled in Exhibit B, which will produce the desired performance at acceptable fluctuation levels over time for the three portfolios described in Exhibit B.

The Plan Trustees recognize that a rigid asset allocation would be both impractical and, to some extent, undesirable under various potential market conditions. Therefore, the allocation of the Plan's total assets may vary from time to time within the ranges listed in Exhibit B, without being considered an exception to these operating guidelines.

Rebalancing Among Asset Classes

Because different asset classes will perform at different rates, the Plan Trustees will closely watch the asset allocation shifts caused by performance in the long-term investment pool. Accordingly:

1. The Plan Trustees will review the relative market values of the asset segments, and will generally place new money under investment in the category(ies) which are farthest short of their target allocations in this Policy, and
2. Rebalancing will typically occur as of any quarter-end at which the allocations reach a point where they are out of target ranges.

Unallocated Cash

Investment managers performing under this Policy are not expected to accumulate a significant cash position, without prior approval of the Plan Trustees, unless:

- the basic investing style of a particular manager includes a routine, temporary use of instruments having a maturity of less than one year, and
- the Plan Trustees have been informed and have agreed to the use of that investing style in advance.

Liquidity Requirements

The Plan expects to maintain adequate liquidity by holding "money market" investments that are sufficient to provide the Plan's currently payable retirement benefits, plus the Plan's near-term expenses. With assistance from the SRHS CFO, the Plan Trustees will regularly monitor cash flow and, no less often than annually, review a budget of such cash flows.

V. INVESTMENT PERFORMANCE EVALUATION AND REVIEW

Frequency of Measurement

The Plan Trustees will measure investment performance quarterly, or more often, as deemed appropriate.

Expected Interim Progress Toward Multi-Year Objectives

The Plan Trustees will generally follow their time horizons, as set forth in this Policy, when making judgments about indications of inferior performance. However, investment managers for the Plan should be advised that the Plan Trustees will track interim progress toward multi-year goals. If the Plan Trustees find, in their judgment, that a manager's performance is sub-standard, then the Plan Trustees' review of that manager may disregard the time horizon concept for purposes of considering possible action.

Investment managers and commingled vehicles hired by the Plan Trustees shall generally be expected to outperform an appropriate market benchmark and perform well against a universe of their peers over multi-year time periods.

Corrective Action Guidelines

Corrective action will be taken as the result of an ongoing investment manager review process. The following are instances where corrective action or termination may be in order:

1. Major organizational changes in a firm, including any changes in portfolio managers, may require a new contract and interview process. Failure on the part of the investment manager to notify the Plan Trustees of such changes is grounds for termination. At all times, communication with the managers should be open and informative. Investment managers should be willing and able to meet at least annually with the Plan Trustees.
2. Violation of terms of contract constitutes grounds for termination.
3. Surges in portfolio trading volume.
4. Failure to adhere to the manager's investment approach, its asset allocation strategy, or other significant investment strategy changes, may be grounds for termination, since the Plan Trustees will choose managers with certain styles and approaches to provide portfolio

diversification. Therefore, it is critical that managers adhere to the investment style for which they were engaged.

5. Performance patterns not logically explainable in terms of the published style or performance out-of-step with manager's style peer group.
6. The Plan Trustees will not, as a rule, terminate a manager on the basis of short-term performance. If the manager's organization is sound and the firm is adhering to its investment style and approach, the Plan Trustees will allow a sufficient interval of time (as specified in Exhibit C) over which to evaluate performance. The manager's performance will be viewed in light of the management firm's assigned investment style and approach, keeping in mind at all times the Plan's diversification strategy as well as other organizational and relationship issues. Decisions to terminate managers are solely within the discretion of the Plan Trustees.
7. Investment managers may be terminated and replaced at any time as part of the overall restructuring of the Plan.
8. Other events or circumstances that are deemed to be in the best interest of SRHS, its employees, the Plan or the Trust.

VI. POLICY ADOPTION

Policy submitted by Plan Trustees to Board on March 26, 2008 and recommended for approval and adoption by the Board.

M E Cuws

Plan Trustee

Jane Callender

Plan Trustee

Plan Trustee

Plan Trustee

Plan Trustee

Plan Trustee

Approved and Adopted by the Board on March 26, 2008 with the recommendation of the Plan Trustees.

CERTIFICATE

[To be used when a certified copy of the Investment Policy is provided to a party.]

The undersigned, Secretary of **SINGING RIVER HOSPITAL SYSTEM,** hereby certifies that the attached is a true, correct and complete copy of the Investment Policy of the Singing River Hospital System Employees' Retirement Plan and Trust which was adopted by the Board of Trustees on March 26, 2008.

IN WITNESS WHEREOF, I have hereunto set my hand this the 30th day of April, 2008.

Allen L. Cronier

Allen L. Cronier, Secretary

SINGING RIVER HOSPITAL SYSTEM

EXHIBIT A:
SPECIFIC PORTFOLIO CONSTRAINTS

The following standards apply to all investment portfolios that are separately managed. The Plan Trustees recognize that any pooled investment fund or mutual fund investment cannot be subjected to these requirements, except to the extent these distinctions can be incorporated by the Plan Trustees into their process of selecting such vehicles. Nevertheless, the Plan Trustees will review investing activities in any pooled investment vehicles they use, versus their investment policy and, if appropriate, the Plan Trustees may accordingly decide that a particular pooled/mutual fund has ceased to be suitable.

Fixed Income

The purpose of domestic and international fixed income investments is to provide liquidity and a highly predictable, dependable source of income. Fixed instruments should reduce the overall volatility of the Plan's assets and provide a deflation hedge.

1. Quality Standards (not applicable to a portfolio which is specifically committed to invest in High Yield Bonds)
   - Minimum: Cannot be rated below investment-grade by any major rating agency
   - Maximum: 15% of a manager's portfolio market value may be held in the lowest investment-grade category (BBB)
   - Weighted average (target) quality for each portfolio manager: A or better

2. Maturity Standards
   - Minimum (single issue) maturity: None, but maturities under 12 months may be viewed as "cash" under this policy
   - Maximum remaining term to maturity (single issue) at purchase: No restrictions, except that portfolio-modified duration should be (+/-) 25% of benchmark index

3. Diversification Standards
   - Single security issue: Maximum 5%*
   - Single industry group: Maximum 15%*

   * except U.S. Government securities

4. Liquidity Standards
   - Remaining outstanding principal value of issue must be (and remain) at least $50 million, unless the Plan Trustees approve the investment in advance.

5. Prohibited Categories for all investment managers, unless authorized by the Plan Trustees
   - Derivative instruments (options, futures, swaps, structured finance products, etc.) in which either the inherent structure of the instrument or the nature of the transaction:
     - is leveraged, i.e. creates market exposure in excess of the market value of the underlying assets,
     - creates asymmetric return patterns which could result in substantial losses subject to the occurrence of specific adverse conditions (for example, transactions which are, in effect, leveraged bets on the direction of interest rates or markets), except in the case of investments in hedge funds
   - Issuer related to investment manager
   - Issues trading flat, i.e. not currently accruing interest
   - Interest-only strips (IOs), and
   - Any other securities that are such a small segment of the market that they cannot be considered liquid, without prior specific permission from the Plan Trustees.

6. Permitted Categories
   - Bond swaps
   - 'Strips' and 'Zeros'
   - Asset-backed securities

7. Frequency of Reporting to Plan Trustees
   - At least annually

Equities

1. Quality Standards
   - New issues (initial public offerings) limited to 5% of each manager's portfolio, *subject to consistency with the style* the manager has been hired to employ

2. Diversification Standards
   - Market value of any single holding not to exceed 7.5%, without obtaining permission from the Plan Trustees
   - Maximum industry concentration: greater of 2X benchmark, or 10% of current portfolio market value
   - Maximum sector concentration: 2X benchmark

3. Liquidity Standards
   - Traded on one or more national and/or international exchanges (NASDAQ, National Market, or quoted in the NASDAQ Bid/Asked section)

- $100 million minimum market capitalization
- Managers should maintain appropriate procedures to determine their liquidity exposure to an individual security holding on a **firm wide basis**, i.e., awareness and documentation of what percent of normal trading volume is represented by their total holding for the Plan in a particular issue.

4. Proxy Voting
   - Unless specifically directed by the Plan Trustees, the manager has sole responsibility for voting proxies of shares of companies in the portfolio in a manner consistent with the best interests of the Plan.
   - Manager is required to vote proxies on every issue that could be reasonably expected to have a significant impact on the value of the investment.
   - Manager is required to keep a record of all proxy votes and report to the Plan Trustees at least annually.

5. Prohibited Categories for all investment managers, unless authorized by the Plan Trustees as described under "Limited Categories" below
   - Index arbitrage trading,
   - Issuer related to the investment manager,
   - Restricted or letter stock, or private placement debt,
   - Securities of for-profit hospital management companies,
   - Securities of companies whose primary business, defined as revenues in excess of 50%, is the sale, manufacture or distribution of alcohol or tobacco products,
   - Venture capital, and
   - Derivative instruments (options, futures, swaps, etc.) in which either the inherent structure of the instrument or the nature of the transaction:

- Is leveraged, i.e. creates market exposure in excess of the market value of the underlying assets,
- Creates asymmetric return patterns which could result in substantial losses subject to the occurrence of specific adverse conditions.

6. Limited Categories to apply only to investment managers that have been authorized by the Plan Trustees and use these categories as inherent elements within their investment programs. Examples of investment managers that may qualify for this authorization include hedge funds, real estate managers, commodities managers, and private equity managers.

➢ Short sales, or "naked" positions should be limited to only within investments in hedge funds.

➢ Margin purchases, which create leverage or market exposure in excess of the market value of underlying assets, and which create asymmetric return patterns that could result in substantial losses, shall be limited to include only purchases made in hedge funds.

➢ Commodities or commodity contract investments shall be limited to include only specific investment manager mandates.

➢ Real Estate investments shall be limited to pooled investments that are professionally managed to include REITs, timberland or other institutional classes of real estate portfolios.

➢ Distressed U.S. debt securities that trade at a significant discount to the principal amount of the obligation shall be limited to include only specific investment manager mandates.

➢ Private partnership investments shall be limited to include only investments in institutionally managed strategies that may include real estate, distressed debt, private equity, timberland and hedge funds.

➢ Fully collateralized securities lending programs are not considered margin purchases and may be utilized, subject to a separate Supplemental Agreement approved by the Plan Trustees.

➢ Uncovered call options.

7. Permitted Categories
   - Convertible debt (with a quality rating no less than BBB)
   - Currency hedges (forward contracts) in international equity accounts in pooled vehicles
   - American Depository Receipts (ADRs), limited to 10% of the account market value.

8. Portfolio Turnover
   - Addressed in manager's supplemental agreements

9. Frequency of Reporting to Plan Trustees
   - At least annually