

**NH Vaccine Association – Audit Committee Meeting  
January 27, 2016 – 9:00 a.m. – 12:00 p.m.  
Conference Room – KidsVax  
Presiding Officer: David Fredenburg, M.D.**

**I. Attendance.** Participating in all or part of the meeting by telephone (T) were the following individuals:

Directors:

David Fredenburg, M.D., Chair – Healthcare Provider  
Susan Tenney – Harvard Pilgrim Health Care  
Jason Margus – Anthem  
David Sky – NHID  
Laura Condon – Public Board Representative (T)

Others:

Mark McCue, Esq. – Hinckley Allen (T)  
Dona Murray – Bank of New Hampshire  
Kathy Crane – Bank of New Hampshire  
Julie A. Levesque – Infantine Insurance (T)

Absent:

Everett Lamm, M.D. – Healthcare Provider

KidsVax:

Fred L. Potter  
Claire Roberge  
Terry Mills  
Thomas Philbrick (T) – WebEx Monitor

**II. Summary of Actions Taken and/or Recommended**

**A. Actions Taken (votes adopted)**

1. To direct KidsVax® to revise the Diversification Limits within the Investment Policy to number one 50%, number two 50%, number three 25%, and number four 10%.
2. To direct KidsVax® to draft an NHVA Investment Policy based on the WVA Investment Policy, as previously directed, for review and comment by the Audit Committee prior to being brought to the full Board for approval at the March 9, 2016 Board meeting.
3. To approve the Audit Committee's recommendation of the Late Payment Policy to the full Board, as amended.
4. To recommend to the full Board adopting the Bank of New Hampshire's proposed fee agreement, as presented, of a percentage of NHVA's income at 12 basis points (.12%) of the invested assets based on market value, with a locked in rate of three years and without pursuing an RFP at this time.

**B. Follow up Task/Action Items**

1. KidsVax® will conform the WVA Investment Policy to the NHVA statutory specifications, including the noted changes to the Diversification Limits and the removal of number two under the Liquidity Requirements, as suggested by Mr. Sky. Mr. Margus's suggestion to revise the language in number one of the Liquidity Requirements to match the maturity dates with the projected liabilities will be incorporated as well.
2. Place D & O coverage with Navigators Insurance Company for the upcoming year.

**III. Minutes**

Welcome and Introductions

At approximately 9:00 a.m., a quorum having been established the meeting was called to order.

Bank of New Hampshire (BNH)

*Asset Management/NHVA Investment Policy Discussion* - Dona Murray and Kathy Krane with Bank of New Hampshire were invited to the meeting to discuss NHVA's current Investment Policy and to make recommendations regarding updates to the policy.

There was a brief introductory by Ms. Murray regarding the relationship between BNH and NHVA over the past three years. She indicated that due to the low interest rate environment during that time, BNH had decided to provide gratis services to NHVA, charging the Association only the \$500 fee the bank pays for having an account open at Bank of New York.

At the December 15, 2015 Board meeting, Ms. Murray and Ms. Krane reviewed an updated draft investment policy prepared by KV based on NHVA's current policy created many years ago. They feel that the current policy is outdated with respect to guiding principles for a Board or Finance Committee to direct an investment advisor. They compared the NHVA policy with a standard template they had used elsewhere. At the previous meeting, Mr. Potter also provided them with the Washington Vaccine Association (WVA) Investment Policy as a sample guideline for their review as well. After a thorough review, Ms. Murray and Ms. Krane feel that the WVA Investment Policy is a well-written policy which coincides with what they had drafted and has the further advantage of being customized for vaccine funding operations. It provides enough latitude to a portfolio manager to be able to provide some current income to the organization, as well as keeping it limited in terms of preservation of principal, which is primary to this account.

Mr. Potter provide a brief overview of the origin of the WVA Investment Policy, which was created by Morgan Stanley in conjunction with WVA's outside general counsel. Further discussion ensued. On page one, the WVA Investment Policy specifically addresses the purpose and scope of hiring someone to manage the assets, as well as the role of an investment advisor, covering the fiduciary responsibility and the guidelines for reporting back. The second page of the Policy contains the actual investment guidelines.

Ms. Murray indicated that it is very well drafted as far as the amounts and what the debt instruments are and their amounts. The third page provides some additional parameters for the investment manager regarding liquidity, restricted sectors, and the investment performance. Ms. Murray proposed to the Committee that it seriously consider moving from the current investment guideline and policy to something more in keeping with the WVA Investment Policy.

Further discussion ensued concerning the possibility of making quarterly distributions rather than an annual distribution. Dr. Fredenburg inquired if that would make a difference in the wording of the Investment Policy. Ms. Murray indicated that it would, primarily in the liquidity area, and depending on what the Committee decides, that language would need to be incorporated into the investment policy. Mr. Potter indicated that Mr. Peter Smith maintains the liquidity plan for NHVA's annual distributions. However, he would need to begin preparing that information on a quarterly basis were NHVA to move to quarterly distributions. KV would be able to supply that information to BNH every quarter as part of the reporting packet. Since NHVA's inception, KV has been collecting annually and disbursing six months later, but if KV begins collecting and disbursing each quarter, Mr. Potter indicated that a 10% permanent reserve is what would be expected, but it's there to be spent if necessary. Further discussion ensued related to the suggestion of quarterly distributions.

Ms. Condon inquired if the statute already determined that the distribution would be made as one annual payment. Mr. Potter responded that he believes that is what it currently states, but that none of this has yet been decided. Dr. Fredenburg stated that to eliminate additional work, it would be helpful if the revised policy would cover both eventualities, not that a decision or recommendation has been made regarding quarterly versus annual distributions. Mr. Sky expressed his willingness to discuss this topic further with Ms. Condon offline. Ms. Condon indicated that in her review of the current investment policy she did not find anything wrong and asked if something is wrong with the current policy that creates the need to look at something that is more detailed and perhaps imposes constraints on it. Mr. Sky went on to explain that the current policy limits investments to U.S. Treasury Obligations, which is fairly limiting in this type of environment. The WVA Investment Policy allows corporates, government agencies, and a host of other investment-type vehicles with constraints to address the risks inherent in those to continue to meet liquidity needs and principal protection of the assets. It provides an investment manager more flexibility to achieve some return while continuing to maintain the Association's objectives.

Ms. Condon expressed her concern with respect to the investment maturities being extended out to five years in the WVA policy when the current NHVA policy sets a limit of 42 months. Extensive discussion ensued. Ms. Murray indicated that her opinion would be to keep things extremely liquid in the current economic environment and then go forward on a more conservative approach in steps. It may be a matter of two or more years until it all comes to fruition. She does not feel that the suggested policy changes would be overly limiting to her. However, she did indicate that in the money market mutual funds, BNH currently uses the Federated Prime Value Obligation Fund and it is rated A by Moody's as a mutual fund because it is a value fund and is allowed for a certain percentage of second tier-type quality investments. The WVA policy mandates that it be AAA. Ms. Murray spoke to Federated and their Prime Obligation Fund yield is at about three basis points for the SEC seven day yield right now. She will have to look into BNH's ability to buy into that specifically for NHVA. They currently use the Value Fund for their other clients because it gives a little bit more yield as far as the tiering of asset quality, but they are all within the same parameters.

Ms. Condon expressed her ongoing concern that NHVA is an entity that was not designed to hold assets long-term, that it seeks to collect the funds necessary for the purchase of vaccines, and remit those funds to the State in a prompt fashion. She remains concerned about the long timeframes and the 20% of the assets that could be placed in five-year investments. Lengthy discussion ensued. Ms. Murray suggested that once the policy is adopted by the Board that it include the signature of the Board Chair, as well as tracking any amendment dates at the bottom of the policy. The original policy should be maintained by the Association in its files for future reference.

Upon motion made and seconded, it was unanimously

VOTED: To direct KidsVax® to revise the Diversification Limits within the Investment Policy to number one 50%, number two 50%, number three 25%, and number four 10%.

Further discussion ensued. Mr. Potter indicated that KV will conform the WVA Investment Policy to the NHVA statutory specifications, including the noted changes to the Diversification Limits and the removal of number two under the Liquidity Requirements, as suggested by Mr. Sky. Mr. Margus's suggestion to revise the language in number one of the Liquidity Requirements to match the maturity dates with the projected liabilities due to the once a year payout will be incorporated as well. In addition, Mr. Potter advised that it will also reflect that it will go back to the date of purchase.

Upon motion made and seconded, it was unanimously

VOTED: To direct KidsVax® to draft an NHVA Investment Policy based on the WVA Investment Policy, as previously directed, for review and comment by the Audit Committee prior to being brought to the full Board for approval at the March 9, 2016 Board meeting.

Ms. Tenney inquired if BNH would be providing NHVA with a fee proposal for investment services. Ms. Murray indicated that BNH is looking at a percentage of the NHVA income at 12 basis points (.12%) of the invested assets based on market value (there would be no fee for anything held in a money market fund). BNH would be willing to lock that rate in for three years and then revisit it again at that time. Further discussion ensued.

The representatives from Bank of New Hampshire then left the meeting.

#### Follow-up Items

*NHVA Late Payment Policy* – Mr. Potter explained that the language pertaining to the basis for the interest rate charge is contained in the Plan of Operation. The Late Payment Policy came about because the audit review indicated a gap in this area prompting the auditors to recommend that the Association have a formal Late Payment Policy approved by the Board. KV has been doing this administratively and it has been discussed at previous Board meetings, but the auditors suggested that it be more specific. Attorney McCue recommended having both. He felt it is appropriate to adopt the policy now because it is a directive toward NHVA's administrator. It is also appropriate when the time is right to put into the Plan of Operation because that information is directed toward the carriers who are paying the assessments so that they understand the process. The entire policy does not need to be recited in the Plan of Operation, but it should be noted for the carriers and the Late Payment Policy should refer to the Plan of Operations.

Mr. Sky suggested that number one under Guidance be revised to read, "NHVA will, through its automated system, continue to compute interest as specified in its Plan of Operation." Ms. Condon suggested revising the language under Purpose to read, "Collection for late payment interest." She further suggested that the first sentence of the policy read, "This Late Payment Policy (the "Policy") shall direct collection of interest on overdue assessments paid to NHVA by assessable entities and accounting for those receipts." Further discussion ensued regarding the receipts of late payment interest being accounted for separately from the assessment funds. Ms. Condon would prefer that section B be titled Policy rather than Guidance with the elimination of numbers three and four. Lengthy discussion ensued. Ms. Tenney suggested revising number four under section B. to read, "Notwithstanding any of the other guidelines, the NHVA will not pursue any past due interest amount under \$10.00." Ms. Condon recommended further revisions to number four to read, "Notwithstanding any of the other guidelines, the NHVA will forego pursuit of any past due interest amount under \$10.00." After further discussion, it was the sense of the Committee to eliminate section A. in its entirety with section B. becoming the policy. Number one will incorporate the language to read, "NHVA will, through its automated system, continue to compute interest as specified in its Plan of Operation." The effective date will also be revised.

Upon motion made and seconded, it was

VOTED: To approve the Audit Committee's recommendation of the Late Payment Policy to the full Board, as amended.

#### D & O Insurance Discussion

Julie Levesque from Infantine Insurance joined the meeting by telephone to review the D & O insurance policy with the Committee. Each year KV renews the insurance policy within the budget authorized by the NHVA Board. This year, KV received a notice that the premium was to be increased and there was a re-rating. Mr. Potter wrote to the agent asking for additional information and to research additional quotes. In the meantime, KV also received a quote from another company. The original company has since reduced their quote making both quotes now within budget. Ms. Levesque advised that NHVA continues to be covered until February 1, 2016. Mr. Potter indicated that no action is necessary at this time since the original quote is now back within the budget guidelines. However, the new quote is lower and eliminates the hammer clause, which is an advantage to the Association. Mr. Potter provided a brief explanation of what the hammer clause provides. NHVA's current policy has a hammer clause and the new quote doesn't. It is both lower and omits the hammer clause. Mr. Potter indicated that if the Committee agrees, NHVA would bind with the new company which has better contract terms and a lower price. Ms. Levesque advised that the current policy has employment practices liability, but according to NHVA's application, it did not want to pay for any such coverage. Mr. Potter reported that NHVA has no employees, only directors and officers who conduct operations through a contractor. Ms. Levesque further advised that the second quote does not include the employment practices liability. Ms. Levesque was commended for her work on behalf of the NHVA. It was the sense of the Committee that KV action in placing the insurance with the new company would be appropriate and that formal Board review or action was not needed.

After further discussion, it was the sense of the Audit Committee to retain BNH for investment services for another year, until the assessment target is known, rather than pursuing an RFP at this time. It was further decided to lock in the BNH fee for the three-year term offered.

Upon motion made and seconded, it was unanimously

VOTED: To recommend to the full Board adopting the Bank of New Hampshire's proposed fee agreement, as presented, of a percentage of NHVA's income at 12 basis points (.12%) of the invested assets based on market value, with a locked in rate of three years and without pursuing an RFP at this time.

At 11:15 a.m., it was unanimously voted to adjourn.