

## Investment Policy

Policy Title:	Investment Policy
Effective Date:	March 9, 2016
Purpose:	Outline of investment policy.

### I. Purpose

The New Hampshire Vaccine Association's (NHVA) primary purpose is to raise funds, through mandatory assessments paid by private insurance carriers, by Third Party Administrators on behalf of their plans, and by other payers, to pay for all vaccines administered to children in the State of New Hampshire who are not eligible for free vaccines under one or more federal programs. NHVA was created in 2002 as a tax-exempt corporation pursuant to New Hampshire State RSA 126-Q.

The purpose of this Investment Policy is to establish the responsibility, authority and guidelines for the investment of NHVA's surplus cash. Surplus cash is defined as those funds exceeding the daily operating requirements of NHVA and not immediately required for upcoming financial obligations.

This investment policy will be reviewed from time to time and amended as necessary to ensure that it remains consistent with the overall objectives of the NHVA and with current financial trends, while remaining a clear and meaningful document.

### II. Investment Objectives and Principles

Persons responsible for managing and investing the portfolio fund(s) shall act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances, as set out in UPMIFA and adopted by the State of New Hampshire.

The basic objectives of NHVA's investment program are, in order of priority:

- Safety and preservation of principal by investing in a high quality, diversified portfolio of securities as described under "Investment Guidelines" below.
- Liquidity of investments that is sufficient to meet NHVA's projected cash flow requirements.
- Conservative market rates of return on invested funds and inflation protection that are consistent with the above stated objectives.

### III. Role of NHVA's Investment Advisor

Generally investment decisions will be delegated by NHVA to a retained professional investment advisor (the "Investment Advisor"). The Investment Advisor shall independently assure compliance with this policy. Additionally, the Investment Advisor will advise NHVA whenever, in the Investment Advisor's independent view, revisions to this Investment Policy seem to be appropriate. The Investment Advisor also shall provide educational support to NHVA's Board on investment considerations periodically and report, not less frequently than quarterly, on NHVA's investments. This report shall include a list of current holdings and performance (if applicable). The Investment Advisor shall also certify their continuing compliance with this Investment Policy.

### IV. Investment Guidelines

1. Maturity – Individual security maturities should not exceed 60 months (5 years). The weighted average maturity of the portfolio shall not exceed 36 months. No more than 20% of the portfolio will carry maturities beyond 36 months. A maturity or effective maturity by definition shall include puts, announced calls or other structural features which will allow the holder to redeem the investments at a quantifiable price consistent with liquidity, safety and preservation of capital.
2. Eligible Investments
  - *United States Government Securities* – Marketable securities which are direct obligations of the U.S.A., issued by or guaranteed as to principal and interest by the U.S. Government and supported by the full faith and credit of the United States.
  - *United States Government Agency Securities* – Debt securities issued by the Government Sponsored Enterprises (GSEs), Federal Agencies and certain international institutions which are not direct obligations of the United States, but involve U.S. Government sponsorship and are fully guaranteed by government agencies or enterprises, including but not limited to:
    - Federal Farm Credit Bank (FFCB)
    - Federal Home Loan Bank (FHLB)
    - Federal Home Loan Mortgage Corporation (FHLMC)
    - Federal National Mortgage Association (FNMA)
    - Tennessee Valley Authority (TVA)
  - *Money Market Mutual Funds* – Shares of an open-end investment company Fund registered under the Investment Company Act of 1940 and rated AAA by at least one major rating agency (S&P, Moody's, or Fitch). The investments of that Fund should comply with the SEC regulations under Rule 2a-7 and maintain a constant net asset value, offer daily liquidity and carry an average weighted maturity that

does not exceed 90 days. The Investment Advisor shall routinely evaluate the Fund's investment portfolio to ensure its compliance with NHVA's Investment Policy.

- *Corporate Debt Instruments* – All commercial paper and other short-term, unsecured promissory notes issued by corporations or financial institutions including but not limited to Master Notes, Medium-Term Notes, Deposit Notes, Eurodollar Notes and Yankee Notes and bonds. Corporate Debt must have either short term or long term ratings. At the time of purchase, a security must have at least 2 short-term ratings of A-1 or P-1 or F1 or higher (S&P, Moody's and Fitch, respectively), or at least 2 long-term debt ratings of A, A2, or A or higher (S&P, Moody's, and Fitch, respectively).
- *Bank Deposit and Checking Accounts* – No limit will be placed on bank deposit or checking accounts as long as they are 100% guaranteed by FDIC coverage. Where FDIC limits expire or are otherwise exceeded, the board will set prudent operating limits in consideration of the overall economic and operating benefits to NHVA; credit quality of the bank; and overall risk environment.
- *Diversification Limits* – To insure adequate sector diversification of the portfolio, the following limits apply:
  - Maximum of 50% of the portfolio will be invested in corporate or other securities.
  - Maximum of 50% will be invested in US Agency or GSE securities including those that carry the full faith and credit of the US Government.
  - Maximum of 25% will be invested in debt issued by banks and financial firms (not including FDIC-insured Certificates of Deposit which have no aggregate limit.)
  - Maximum of 10% will be invested in debt issued by foreign-domiciled firms.
- *Issuer Concentration Limits* – In order to provide adequate issuer risk diversification the following issuer limits apply, based on the portfolio size at the time of purchase:
  - No limit on AAA money funds that otherwise meet policy parameters
  - No limit on US Treasury individual securities
  - Maximum of 10% individual securities backed by any qualifying Agency issuer
  - Maximum of 5% individual securities of any corporate or bank issuer

## **V. Liquidity Requirements**

In order to ensure adequate liquidity for operating purpose and unknown or evolving capital needs, the following requirements should be met:

- At all times NHVA shall hold cash to match the maturity dates with the projected liabilities under NHVA's cash projections.
- With the exception of US Treasuries and Agency issuer, any specific issue or debt program should have a minimum issue size of \$240mm.
- Issuers and overall structure should be of high quality and recognized by the market.

The holdings of all NHVA accounts, including all bank and investment accounts, are subject to this policy and may be considered in meeting these liquidity requirements.

#### **VI. Restricted Sectors and Securities**

- Investments in issuers in the Pharmaceutical Industry Group are prohibited.
- Investments in issuers in the Healthcare and Healthcare Services Industry Group are prohibited.
- Investments in securities with underlying leverage risk or structured notes are prohibited.
- Investments in Asset Backed securities and Asset Backed Commercial Paper are prohibited.

#### **VII. Benchmarking, Performance, and Communications**

Depending on the structure and duration of the Portfolio, performance evaluation may or may not be required. Performance evaluation is more appropriate if a reasonable percentage of the assets are held for longer than 12 months. If appropriate, the investment performance of the portfolio will be measured and evaluated against one or multiple or a blend of appropriate and commonly accepted performance benchmark indexes. The Investment Advisor shall advise NHVA concerning appropriate benchmarks from time to time and shall also measure its performance against any other benchmarks requested by NHVA.

At a minimum, an annual review of the account shall be held by the Investment Manager with the NHVA Audit Committee. Performance, compliance with the policy, and a strategy outlook review shall be discussed. Should any investment be downgraded, fall out of policy, or events occur that warrant concern, the Investment Manager must notify NHVA within 48 hours, in writing to NHVA's Executive Director, Treasurer, and Board Chairperson, and present a course of action if necessary. Investments may be sold prior to maturity due to changes in credit quality, market condition, or for uncertain capital needs; however, prudence and overall caution must be exercised to minimize any potential losses.

#### **VIII. Delegation of Authority**

NHVA is authorized to delegate certain responsibilities to professional experts in various fields to assist the organization to optimize an investment strategy aligned with NHVA's objectives. Professionals may include investment management consultants, investment

managers, custodians of investments, attorneys, auditors, and any others who may assist NHVA in meeting its responsibilities and obligations to prudently administer the investments of NHVA.

**ENFORCEMENT, REVIEW AND REVISION:**

This Policy may be updated from time to time by the Board.

DATE ADOPTED: June 9, 2005

SUBSTANTIALLY REWRITTEN: March 9, 2016