

Washington Vaccine Association – Board of Directors Meeting

January 19, 2012, 2:00 – 4:00 PM

Location: Via Teleconference (due to winter storm)

I. **Attendance.** Participating in the meeting by telephone were the following individuals:

Directors:

Brian Ancell
Jason Farber
Dr. Joe Gifford
Phil Haas
Dennis Kirkpatrick
Dr. Beth Harvey
Dr. Roger Muller
Allene Mares
Dr. Mary Kay O'Neill
Norm Seabrooks

KidsVax.org™:

Fred Potter
Claire Roberge
Peter Smith
Emily McKenna

WVA:

Margaret Lane

Others:

Janna Bardi
Jan Hicks-Thomson
Matthew O'Haren
Anne Redman
Polly Sidwell

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

A. Actions Taken (votes adopted)

1. Voted to approve the November 17, 2011 minutes, as amended.
2. Voted to confirm authorization of Brian Ancell or Dennis Kirkpatrick to execute the contract with the selected Investment Advisor Morgan Stanley Smith Barney.
3. Voted to approve the WVA Investment Policy as recommended by the WVA Investment Advisory Task Force with the further changes made at the meeting.
4. Voted to approve the attached resolution, as well as authorize Brian Ancell, Dennis Kirkpatrick, and Laura McMillan to execute the agreements and to be the signers on the account with Morgan Stanley Smith Barney, following review by counsel.
5. Voted to approve the changes to authorizations for accounts at KeyBank and Morgan Stanley Smith Barney as presented in the memo from Peter Smith to Fred Potter dated January 15, 2012 and to authorize the Secretary and/or Treasurer to certify such standard form resolutions of those institutions as may be helpful or necessary to implement such authorizations.
6. Voted to ratify Norm Seabrooks as the Aetna representative to the WVA Board under SSHB 2251, Section 3. (3)(a) for a three-year term.
7. Voted to recognize and thank Phil Haas as a founding director of the WVA board, whose significant contributions across multiple areas, in particular regarding financial issues and serving as chair of the WVA Audit Committee, have helped ensure the success of the WVA and benefited the citizens of Washington State.

- III. Voted to approve the WVA guarantee of payment letter to STC for additions facilitating provider vaccine choice as presented to the meeting and to authorize Fred L. Potter to sign the same as WVA's Executive Director. Minutes

Welcome and Introduction

At 2:00 p.m., a quorum having been established, Brian Ancell, Chairman of the Vaccine Association, called the meeting of the Board of Directors to order.

Consent Calendar Items

A motion was made to approve the minutes from the November 17, 2011, Board meeting with an amendment made to the spelling of Jason's name.

Upon motion duly made and seconded, it was unanimously

VOTED: To approve the WVA Board meeting minutes from the November 17, 2011 Board meeting with the changes suggested at the meeting.

Investment Advisory Task Force

The Investment Advisory Task Force report was reviewed. The Board was delegated the authority to select the investment advisor. Competitive interviews were conducted, as well as one screening in which selection was narrowed down by quality of the proposal, leaving three remaining candidates. Interviews were conducted and Ms. Sidwell's firm, Morgan Stanley Smith Barney, was selected on a provisional basis. A detailed second interview was then conducted. The committee made its choice and is now asking for ratification from the Board. The policy was sent out and has been thoroughly revised and is nearly in final form. The Board needs to undertake adoption of the policy. Ms. Sidwell's firm contributed materially to the redraft of the policy and her presentation is geared, in part, to informing the Board as to the recommendations.

It is the sense of the subcommittee that Ms. Sidwell and Morgan Stanley have shown a genuine interest in being advisors for WVA from the beginning; they have attended meetings, have been very engaged, and have offered good ideas to benefit WVA. Their fees were competitively priced. They are a well-respected organization, already did everything we asked correctly, and have performed very well historically. The Board will receive quarterly reports from KidsVax.org™ that are enhanced to include a liquidity analysis and an investment report. Representatives from Morgan Stanley have agreed to come to the Board whenever the Board requests and it is anticipated that it will likely be at least twice a year.

The Board is becoming more of a policy-making Board and will most likely drop back to quarterly meetings. For this reason it makes sense to sit down at least twice a year with the investment advisor. Ms. Sidwell indicated that quarterly meetings would be fine and suggested that often in the early stages more frequent meetings are necessary. All contract documents have been reviewed by outside counsel with only minor modifications having been made. They are standard financial institution forms for opening an account.

Upon motion duly made and seconded, it was unanimously

VOTED: To confirm authorization of Brian Ancell or Dennis Kirkpatrick to execute the contract with the selected Investment Advisor, Morgan Stanley Smith Barney.

There was a brief overview of the Investment Policy. Morgan Stanley, in its role as the investment advisor, will manage the investments on behalf of WVA. They will make the actual investing decisions. No representatives of KidsVax.org™ or WVA will be involved in any specific investment purchase decision. The Board will receive a quarterly report that gives overall performance benchmarks. KidsVax.org™ will monitor Morgan Stanley's performance under the agreement.

The board agreed that the longest maturity securities could be up to 60 months, but the weighted average of the portfolio should not exceed 36 months. It was the sense of the board that this would shorten up over time. Currently, there are significant reserves; however, as those are used, there will be lower reserves so a portfolio would not be held as long. The Board could review them annually and could have the maturity shortened as the reserves are decreased. This range was selected to maximize yield and liquidity and balance the two and allows growth over time with the portfolio. The various eligible investments were reviewed and discussed. Mr. O'Haren gave a brief overview of each. Everything is U.S. dollar denominated and the intent is the U.S. investable market place: corporate bonds, government agencies, and treasury bonds. Mr. Potter urged that there be no currency risk to avoid making a mistake on that. A question was raised on corporate debt instruments if investments in pharmaceutical, vaccine manufacturers, and other healthcare entities will be precluded to avoid conflict. Mr. Potter indicated that these investments could fall under restricted securities, as an industry restriction, but that is something for the Board to decide. This would avoid creating the appearance of a conflict. It was suggested to restrict the pharmaceutical industry rather than all of healthcare. It was also suggested that a policy not to invest in any company representative's organization would be endorsed. This would allow for not blocking out the entire industry, just companies that are part of WVA. Further discussion ensued. It was the sense of the Board that pharmaceuticals and healthcare payers are two sectors to be restricted, with no WVA intermixture in either sector.

The intention of the liquidity requirements is that \$5 million in funds would be held at the bank for current working capital, \$20 million would go to Morgan Stanley for the investment, and then of that \$20 million, \$5 million of the portfolio would be available within 7 business days to provide ample liquidity. The \$5 million is what is above the scheduled liquidity calls. Further discussion ensued. It was the sense of the Board that there needs to be a separate bank account and in that account there will be funds that are used to take care of the day-to-day business of WVA. Discussion followed regarding the language of the Investment Policy to only apply to the amounts invested with Morgan Stanley and the short-term banking instruments for working capital is a different issue. Mr. O'Haren suggested working toward setting a benchmark that may evolve over time, but be assigned and put into the system to track it daily. Quarterly communications would be a formal proposal. Monthly is going to be the accounting reports. Daily communications do not occur very often, but if a security were to be put on credit watch or downgraded, Morgan Stanley would notify WVA immediately.

It was the sense of the Board that the Investment Policy will limit investment in the pharmaceutical and payer industries and will reflect the need to maintain appropriate amounts in next-day payment availability for cash flow purposes. Mr. O'Haren stated that there is a compliance matrix, which takes various points from the investment policy and puts them into the Morgan Stanley's module. The low-fee accounting, the performance, and the compliance are all then available online and

authorization can be given if someone wants to review it. The one originally provided does not reflect the pharmaceutical and the payer restriction and will be updated by Morgan Stanley. Once the policy is updated it will be sent out to all of the Board members for review.

Upon motion duly made and seconded, it was unanimously

VOTED: To approve the WVA Investment Policy as recommended by the WVA Investment Advisory Task Force with the further changes made at this meeting to restrict investments in the pharmaceutical and healthcare payer industry.

The additional Morgan Stanley paperwork is included for signature. Mr. Kirkpatrick can sign everything. If Mr. Kirkpatrick and Mr. Ancell are both authorized on the corporate resolution, Morgan Stanley can walk them through the paperwork at any time.

Executive Director Update

The updated banking authorizations are the major item for discussion at this meeting. Through the date of this meeting, the cash on hand is \$28.8 million. A payment was recently made to the State of roughly \$3 million as a catch-up. Volatility in the liquidity base numbers coming in still exists. It will take time to narrow the confidence interval. The Board has expressed its desire to run down the liquidity, which at \$17 million is a very high conservative level. The confidence interval will be tightened as experience emerges over time.

Mr. Potter informed the board that the name "KidsVax.org™" is the new branding that will be used by CML Administrators, LLC for all of its childhood vaccine funding support opportunities and for everyone involved at WVA except Ms. Lane. She also is a KidsVax.org™ consultant, but she is going to be in the public market as the Deputy Executive Director of The Washington Vaccine Association. This is not being changed due to the in-market commitment. In addition to the financial analyst role, Mr. Smith has accepted engagement as an internal auditor for KidsVax.org™. In his capacity as the internal auditor, he reviewed all WVA bank accounts to determine what was needed in order to move the funds. There is now a recommended update, which has also been through the Task Force. In order to get cash to Morgan Stanley, a vote needs to be adopted that corresponds to this, which will conform the banking resolutions and the Morgan Stanley resolutions consistent with the control points summarized on the one-page memo included in the packet.

Upon motion duly made and seconded, it was unanimously

VOTED: To approve the attached resolution, as well as authorize Brian Ancell, Dennis Kirkpatrick, and Laura McMillan to execute the agreements and to be the signers on the account with Morgan Stanley Smith Barney, following review by counsel.

Upon motion duly made and seconded, it was unanimously

VOTED: To approve the changes to authorizations for accounts at KeyBank and Morgan Stanley Smith Barney as presented in the memo from Peter Smith to Fred Potter dated January 15, 2012 and to authorize the Secretary and/or Treasurer to certify such standard form resolutions of those institutions as may be helpful or necessary to implement such authorizations.

Board Development

Mr. Ancell offered a brief introduction of Mr. Seabrooks, who will be replacing Mr. Haas on the Board. Mr. Seabrooks will act as Aetna's representative on the Board. Aetna is one of the plans that has the ability to appoint someone to the Board by virtue of their size and share in the market.

Upon motion duly made and seconded, it was unanimously

VOTED: To ratify Norm Seabrooks as the Aetna representative to the WVA Board under SSHB 2251, Section 3. (3)(a) for a three-year term.

Upon motion duly made and seconded, it was unanimously

VOTED: To recognize and thank Phil Haas as a founding director of the WVA board, whose significant contributions across multiple areas, in particular regarding financial issues and serving as chair of the WVA Audit Committee, have helped ensure the success of the WVA and benefited the citizens of Washington State.

Ms. Lane indicated that the updated Board calendar does not need to be reviewed together, but Board members may want to review the first-page cover sheet, which indicates when the quarterly Board meetings should be, in addition to two Executive Committee conference calls and the committee meetings. The pages that follow detail some of the work that would happen in each quarter in-between meetings. Mr. Potter and Mr. Ancell commended Ms. Lane on organizing and summarizing the various pieces on the event calendar. Ms. McKenna will start sending out invitations in the next week from a generic name, which is called "Scheduler" at KidsVax.org™. This enables changes to be corrected for upcoming events even if there is a change in the Executive Assistant role.

Ms. Mares, on behalf of the Department of Health, spoke regarding the task of identifying potential candidates for the Vaccine Committee and having one of those candidates recommended to the Secretary. That process has occurred and Ms. Selecky has made the formal appointment of Jeffrey Gombosky to the Vaccine Committee of the WVA.

Other Board Matters

The WVA draft letter to guarantee up to \$80,000 for the statement of work for the vaccine selection process was included in the Board packet. The WVA would be issuing a guarantee letter proposing that there is no discretion when the Secretary's representative certifies the work is completed and contract payment has been earned. The letter confirms that upon certification to the WVA that the project has been completed and accepted by the DOH, payment will be remitted directly to STC, for

the benefit of the DOH with respect to the project's expenses, in a total amount not to exceed \$80,000.

Upon motion duly made and seconded, it was unanimously

VOTED: To approve the WVA guarantee of payment letter to STC for additions facilitating provider vaccine choice as presented to the meeting and to authorize Fred L. Potter to sign the same as WVA's Executive Director.

Executive Session – WVA Board Meeting – January 19, 2012

Attorney Redman and two of her partners have decided to make a change and move their practices to another law firm and in very short order they will be joining Perkins Coie as partners in their Seattle office. Ms. Redman has appreciated working with the WVA and feels that it is a novel and interesting organization and expressed her interest in continuing in that role and having the WVA move along with her. Ms. Redman would send out a new Engagement Letter to the Board to reflect the change from Bennett & Bigelow to Perkins Coie.

Mr. Potter brought before the Board that a Choice Letter will be received and he would like authorization to select Ms. Redman's new firm as WVA's new counsel. Mr. Potter indicated that although he did not have any role at all in selecting her initially, he feels she has been terrific in her work with the WVA. Mr. Ancell indicated that Ms. Redman was brought in at the beginning through Mr. Pierce at Premera, who regards and respects the work that she has done. She has shown a commitment and a willingness to work with the WVA. She has attended all of the WVA meetings, only being compensated when she is reporting or doing action. With Ms. Redman leaving her firm, there would be no reason for the WVA to stay with Bennett & Bigelow per se since Ms. Redman has been the face to the WVA. It was the sense of the Board that if there were to be a significant financial change in the arrangement with Ms. Redman through her new firm, that the Board would need to revisit the arrangement in the future. It is Mr. Potter's understanding that before rates are increased, the WVA would have an opportunity to review and evaluate the continuation question. For this year, it is Ms. Redman's intent and part of her understanding with Perkins Coie that she does not have to go to the new rate schedule for WVA and other not-for-profits.

Upon motion duly made and seconded, it was unanimously

VOTED: To authorize Mr. Potter to sign the Choice Letter for Ms. Redman at her new firm, as well as signing whatever else is needed to transfer files.

Mr. Ancell indicated that with Mr. Haas leaving the Board, there will be a need for a new chairperson for the Audit Committee. Ideally, the candidate would have some financial or legal type background or significant business experience to take on that role. Mr. Haas gave a brief description of what the Chair position entails. It is a matter of overseeing the audit process. In a sense, Mr. Kirkpatrick, as treasurer, is very much part of that process. It is to have another oversight beyond Mr. Kirkpatrick as treasurer to make sure that WVA is in compliance with all of the rules and regulations and processes for audit. It involves a mid-year meeting to take a look at where WVA is and then before and after the auditors do their work to look in detail at the auditors' report right before it comes to the Board of Directors. Mr. Potter indicated that it is permissible to

have Audit and Finance combined, particularly for not-for-profits. In this case, the principle decision of the year is the assessment decision and the Board as a whole is weighing in on that and carefully reviewing that. Monthly reports are being sent to the Board. Audit will be asked to consider a charter that embraces compliance more broadly and would get a report from outside general counsel and from the Executive Director as to general compliance under the statute and, Ms. Redman as counsel, if she is retained. They would receive that report as part of a legal compliance on an annual basis. It would go through Audit, so it would become Audit/Compliance, but the Board as a whole serves as a Finance Committee.

There being no further business, the meeting was adjourned at 3:30 pm.

Secretary
Washington Vaccine Association

Date of Approval