

Reserves Investment Policy – Washington Vaccine Association

(Adopted June 28, 2018; Revised and Restated April 30, 2021, September 19, 2024, and October 10, 2024)

Overview of WVA Reserves Investment Policy

Washington Vaccine Association (WVA) is a Washington nonprofit corporation, exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The primary purpose of WVA is to collect and remit adequate funds from health carriers and third-party administrators to the Washington State Department of Health to pay timely the cost of vaccines administered to children in the State of Washington who are not eligible for free vaccines under one or more federal programs. WVA was created in April 2010 pursuant to the provisions of Chapter 70.290, RCW.

The purpose of this Reserves Investment Policy is to establish the responsibility, authority, and guidelines for the investment of WVA reserve funds.

Reserves Funds

The WVA Board has determined that an unrestricted pool of reserve funds is necessary to ensure adequate availability of monies to meet the WVA's statutory obligation to provide funds for the Washington Department of Health's (DOH) purchase of pediatric vaccines for commercially insured children. This reserve is funded through dosage-based assessment (DBA) collections not immediately needed to fund vaccines and is intended to provide sufficient resources to prefund requests prior to the receipt of assessments. Additionally, the reserve funds are intended to provide stability to the WVA's Assessment Grid over a multi-year period by providing a cushion to absorb the impact of new immunization products coming to market and the variability of funding requests due to seasonality. The WVA Board periodically determines appropriate reserve targets based upon, but not limited to, the following factors: 1) the total immunization budget, 2) monthly DOH and WVA vaccine projections, 3) expected periods of large funding requests due to seasonality, 4) expected new immunization products coming to market, 5) average cost of immunization products available through the program, 6) immunization product waste and unused immunization product, 7) prior and projected changes to the WVA's Assessment Grid, 8) WVA administrative costs, and 9) investment returns.

Reserves Investment Policy Review

This Reserves Investment Policy has been adopted by the Board and will be reviewed periodically by the Board or a delegated Board committee as required to remain consistent with the objectives of WVA and with current financial trends. Changes to this Reserves Investment Policy shall require Board approval.

Prudence and Good Faith

Persons responsible for managing and investing WVA funds 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 the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA), Chapter 24.55 RCW.

Investment Objectives and Principles

The objectives of WVA'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 in "Investment Guidelines."
- Liquidity of investments that is sufficient to meet WVA's projected funding requirements and provide liquidity for unanticipated funding needs.
- Market rates of return on invested funds consistent with the above stated conservative objectives.

Investment Guidelines

1. **Maturity:**

Individual security maturities shall not exceed 60 months (5 years). The weighted average maturity of the Portfolio shall not exceed 36 months (3 years). No more than 40% of the Portfolio will carry maturities beyond 36 months (3 years). 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:**

Eligible investments shall include only the following 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, Federal Agencies and certain international institutions which are not direct obligations of the United States, but involve US 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)

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). If the credit rating on a security falls to either BAA1 or BBB+ from the time of purchase, the Investment Advisor shall immediately inform the WVA Finance Committee Chairperson and WVA Executive Director and recommend a plan of action to sell the holding as soon as practicable. Investments in corporate bond issuers primarily related to health care or pharmaceutical companies are not permitted.

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. An investment consultant shall routinely evaluate WVA's investment portfolio to ensure its compliance with this Investment Policy.

FDIC Insured Certificates of Deposit: Marketable certificate of deposit (CDs) in separately insured ownership categories of less than \$250,000 each insured by the Federal Deposit Insurance Corporation.

Bank Deposit and Checking Accounts: No limit will be placed on bank deposits 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 WVA; credit quality of the bank; and overall risk environment.

Short-Term Government Bond Funds: Shares of an open-end mutual fund or exchange traded fund (ETF) registered under the Investment Company Act of 1940. Funds will seek total return by investing in US government and government sponsored entity debt. The investment of these funds must have greater than 90% of fund assets invested in government securities, and the weighted average maturity of the fund must be less than 3 years. Use of these mutual funds or ETFs will be considered diversified, and the underlying securities will not be considered when calculating issuer concentration percentages.

Issuer Concentration Limits – In order to provide adequate issuer risk diversification, the following issuer limits apply, based on the Portfolio size:

1. No limit on AAA money funds that otherwise meet policy parameters.
2. No limit on Short-Term Government Bond Funds that otherwise meet policy parameters.
3. No limit on US Treasury individual securities.
4. Maximum of 10% individual securities backed by any qualifying Agency issuer at the time of purchase not to exceed 15% of the portfolio based on current market value.
5. Maximum of 5% individual securities of any corporate or bank issuer at the time of purchase not to exceed 10% of the portfolio based on current market value.
6. Total maximum limit of corporate bond holdings to not more than 50% of the total Portfolio.

Benchmarking, Performance, and Communications

The investment performance of the Portfolio will be measured and evaluated against an appropriate blend of commonly accepted performance benchmark indexes.

At a minimum, quarterly performance and strategy outlook reviews should be held with the investment manager and the Board or its delegated committee. The investment manager or consultant will provide timely reporting on capital market developments affecting the Portfolio 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 shall be exercised to minimize any potential losses.

Delegation of Authority

The Board shall be authorized to delegate certain responsibilities to professional experts in various fields to assist WVA in developing an investment strategy aligned with WVA's objectives consistent with UPMIFA. Professionals may include investment management consultants, investment managers, custodians of investments, attorneys, auditors, and any others who may assist WVA in meeting its responsibilities and obligations to prudently administer the investments of WVA. The Board shall engage a qualified investment manager to evaluate the performance of the Portfolio and support compliance with this Reserves Investment Policy.

Revised and Restated 10th day of October 2024.

Approved by the Finance Committee on September 19, 2024.

Approved by the Executive Committee on October 10, 2024.

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