200.004 – Investment Policy

Version 4~~3~~.0
12~~09~~/9~~12~~/2024~~2~~

The Colorado Health Benefit Exchange (COHBE) was established by the State of Colorado under CRS §§10-22-101 *et seq.* (as amended). A Board of Directors provides oversight and ultimate governance for COHBE.

On May 6, 2013, COHBE became also known as Connect for Health Colorado (C4HCO) for business purposes of the healthcare marketplace.

APPROVED

_____See Board Minutes for the meeting ____   Date __12~~9~~/9~~12~~/2024~~2~~__

Board of Directors
COHBE

REVISION HISTORY

Version	Date	Modified By	Description
1.0	11/14/2016	Brain Braun	Initial Draft of Policy
2.0	2/14/2022	Brian Braun	Annual Review and update asset/investment classes
3.0	9/12/2022	Brian Braun	Update with statutory language/requirements and LGIP
4.0	12/9/2024	Brian Braun	Update language regarding reporting and review of policy

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1 Purpose

The purpose of this Investment Policy (the Policy) is to establish investment policies and guidelines for Connect for Health Colorado funds. The Policy outlines an overall philosophy that is specific yet flexible enough to incorporate the dynamic characteristics of the economy and/or securities markets and realistic parameters to guide the investments. The Policy also identifies the responsibilities of all involved parties and establishes procedures for ongoing performance and policy review.

2 Scope

Investments of Connect for Health Colorado will be made for the sole interest and exclusive purpose of the organization. Connect for Health Colorado assets must be invested with the care, skill, and diligence that a prudent investor acting in this capacity would use to comply with applicable controlling statutes and regulations. All investing activities must comply with the Connect for Health Colorado Conflict of Interest Policy. The Portfolio is defined as all funds held in cash and investments.

This Policy excludes funds received from federal or state agencies, the requirements for federal and state funds are maintained in the Financial Policies.

3 References

200.001 Financial Policies

4 Policy

4.1 Investment Objectives

The investment objectives of this Policy, encompassing risk and return, are to preserve principal and to provide a prudent yield for the Connect for Health Colorado funds, consistent with the maintenance of liquidity needs and capital stability. In addition, as an integral component of cash management, one of the objectives of the investment policy is to provide for an appropriate level of funds in an operating reserve. Connect for Health Colorado seeks to achieve its investment objectives through the development of a tiered investment structure. The tiered structure is designed to provide liquidity for current cash needs while allowing for the possibility of higher investment returns on stable cash balances. The increased investment return will be captured through investment in short-term fixed income investments.

The four primary objectives regarding risk and return are:

1) Preservation of principal
2) Maintenance of sufficient liquidity to meet cash needs
3) Maximize the rate of return in prevailing market conditions for eligible securities
4) Diversification of investments to avoid incurring unreasonable risk regarding any single issuer, asset class, or maturity.

4.2 The eligible investments

All investments shall be made in accordance with the Colorado Revised Statutes (C.R.S.) as follows: C.R.S. 11-10.5-101, et seq., Public Deposit Protection Act; C.R.S. 24-75-601, et seq., Funds - Legal Investments; C.R.S. 24-75-603, et seq., Depositories; and C.R.S. 24-75-701 and 702, et seq., Investment Funds – Local Government Pooling. Any revisions or extensions of these sections of the C.R.S. will be assumed to be part of this Investment Policy immediately upon being enacted.

The eligible investments and asset class concentration shall be limited follows:

Demand/Transaction Deposits, Money Market Accounts and Time Deposits: The Portfolio may invest up to 100% of its assets in Demand/Transaction Deposits, Money Market Accounts and Time Deposits with FDIC insured institutions up to the FDIC limit including interest accrued, but not yet paid. All accounts that exceed FDIC limits are to be subject to the Colorado Public Deposit Protection Act (PDPA), that provides preservation and protection of all public funds held on deposit by a bank that are either not insured by or are in excess of the insured limits of Federal Deposit Insurance Corporation (FDIC) insurance.

Certificates of Deposit: Individual Certificates of Deposit should not exceed the FDIC insurance limit. Certificates of Deposit may only be purchased at a price of par or at a discount (no premiums). The Portfolio may invest up to 100% of its assets in Certificates of Deposit in a laddered duration approach to provide staggered liquidity.

US Treasury Obligations: Treasury Bills, Notes, Bonds and STRIPS backed by the full faith and credit of the United States Government. Such issues shall have remaining maturities of less than 5 years from the date of settlement. The Portfolio may invest up to 100% of its assets in US Treasury obligations.

Federal Instrumentality: (US Government Agency and Government Sponsored Enterprises): Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association. Such issues shall have remaining maturities of less than 5 years from the date of settlement. The Portfolio may invest up to 100% of its assets in Federal Instrumentality securities.

Money Market Mutual Funds: These funds will be no load, shall have policies which seek to maintain a constant daily net asset value of $1.00 and comply with the Securities and Exchange Commission rule 2a-7 regulating money market funds. Should be rated at a minimum of AAAm (or the equivalent) by at least one of the ratings agencies. The Portfolio may invest up to 100% of its assets in money market mutual funds.

Repurchase Agreements in conjunction with Overnight Bank Sweep Accounts**:** Investments in repurchase agreements must be in issues collateralized by US Treasury Obligations and/or Federal Instrumentalities as described above. Such repurchase agreements shall have remaining maturities of 90 days from the date of purchase. Purchased securities shall have an original market value including accrued interest of 102% of the dollar value of the transaction and have a final maturity of five years or less. If the collateral value drops below 101%, it will be immediately restored to 102%. The Portfolio may invest up to 100% of its assets in repurchase agreements.

Non-government Bonds: Investments will consist solely of taxable, fixed income securities that, upon purchase, have two investment-grade rating (AA or higher by Standard & Poor's, Aa2 or higher by Moody's or AA or higher by Fitch Ratings) that possess a liquid secondary market. No more than 5% of the non-government bond Portfolio will be invested in bonds of the same issuer. As well, not more than 20% of the non-government bond portfolio will be invested in bonds of issuers in the same industry. Total investments in non-government bonds should not exceed 15% of the Portfolio. Prohibited securities include: private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds.

Should an investment, made in compliance with the credit restrictions discussed above, be downgraded below the minimum rating stated in this policy, Connect for Health Colorado staff would decide whether the investment should be held or sold. Several factors may be used to base this decision, but are not limited to, the maturity remaining on the investment, portfolio exposure, and other factors staff deems relevant at that time.

No individual issuer shall represent more than 5% at market of the total funds held in the Portfolio. However, direct obligations of the U.S. Government or its agencies, certificates of deposit, demand/transaction deposits, time deposits and overnight bank sweep accounts are permitted to exceed the 5% per issuer limit, providing they meet the guidelines noted above.

Local Government Investment Pools ("LGIPs"): Investments will only be allowed in LGIPs that are organized pursuant to the provisions of Article 75, Title 24, Part 7 of C.R.S. 100% of the Portfolio may be invested in LGIPs. The Board of Directors shall approve the use of specific local government investment pools.

5 Policy Maintenance and Reporting

Investment performance shall be included as part of the quarterly financial report delivered to the Executive and Finance Committee. An annual review of investments will be provided to the Board of Directors. ~~A quarterly report shall be prepared and submitted to the Finance Committee showing investment activity for the period and a summary of earnings during the period.~~ Given the dynamic characteristics of the capital markets and investment techniques, the Board of Directors will review these policies and guidelines when changes are deemed necessary ~~annually.~~