

ROCHESTER PUBLIC LIBRARY
INVESTMENT POLICY STATEMENT
12-21-11

I: PURPOSE:

The purpose of this investment policy statement is to provide for prudent management and investment of Rochester Public Library's endowment in order to generate income for library operations, preserve and increase capital by a rate that exceeds inflation as measured by the Consumer Price Index, and provide a strong level of confidence for library donors, Library Boards, and City and County residents. In addition, this investment policy statement is intended to help ensure compliance with the New York Prudent Management of Institutional Funds Act, or NYPMIFA. Therefore this investment policy statement will:

1. Define the roles and responsibilities of all persons and committees responsible for overseeing, investing, and managing the Library's investment assets.
2. Provide guidelines for monitoring and evaluating investment performance, and then reporting on it to the Rochester Public Library Board of Trustees, donors, and affiliated agencies.
3. Assure donors and affiliated agencies that the Rochester Public Library follows prudent investment strategies and engages competent professionals to advise and manage investments.

II: DEFINITIONS:

1. "Funds" are the assets available for investment. Funds consist of gifts of cash, securities, and other assets made by individuals, families, and organizations.
2. "Investment Manager" is any individual, group of individuals or institution employed to manage investments.
3. "Consultant" is any individual, group of individuals or institution employed to provide advisory services, including advice on investment objectives, asset allocation, manager search and performance monitoring.
4. "Securities" are marketable investment securities.
5. "Custodian" is any major bank or nationally-recognized brokerage firm.
6. "Finance Committee" are members of the Rochester Board of Trustees assigned responsibility for the oversight of the investment funds.

III: RESPONSIBILITY FOR MANAGEMENT OF FUNDS:

All invested funds shall be managed by the Library Board of Trustees. At the discretion of the Board, an external agent or agents may be engaged to manage funds of the Library. The Library Board's Finance Committee will provide oversight and direction and provide quarterly reports to the Board.

IV: INVESTMENT OBJECTIVES AND GUIDELINES:

A. Limitations:

1. No more than 5% of the cost value of the Library's portfolio shall be invested in any

single security issue, excluding those of the U.S. Government or its agencies, provided that the agency securities carry the full faith and credit of the U.S. as to the payment of principal and interest.

2. No more than 25% of the value of the equity portfolio shall be invested in any single industry.
3. The use of direct derivative instruments for speculative purposes (options, futures, etc.) and leveraging, (as these investment techniques are normally defined.) warrants, unregistered or restricted stock, or conditional sales contracts are prohibited, unless expressly authorized in writing by the Library Board of Trustees. Any alternative investment must be approved in advance by the Finance Committee.

B. Investment Manager(s):

1. One or more investment managers selected by the Board are expected to manage the portfolio in accordance with the above policy and pursuant to their respective management assignments. Performance will be reviewed quarterly and measured against recognized indices, peer group performance and the Library's total return objective.
2. The investment manager(s) shall submit to the Finance Committee, on a monthly basis, a statement showing all account activity for the period, including costs, market values, asset allocation, performance of comparable indexes, and changes from the previous report.
3. Allocations of the Library's portfolio will be made within the following approximate limits:

Equity securities:	No more than 70%
Fixed Income Securities and Cash:	No more than 60%
Alternatives	No more than 20%

Actual allocations will be determined by the Finance Committee and reviewed on a quarterly basis.

4. An average annual real return of 5% to 8% (i.e., above inflation) as measured over a three to five year market period, shall be the return objective.

C. Rebalancing: It is expected that the Funds actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments. In situations involving multiple investment managers, the Finance Committee will use its discretion to rebalance the funds to the target portfolio allocations using incoming cash flow, scheduled portfolio rebalancing, or periodic rebalancing.

V: ETHICS AND CONFLICT OF INTEREST:

Trustees and agents involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Trustees and agents shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Trustees and agents shall refrain from undertaking

personal investment transactions with the same individual with whom business is conducted on behalf of the Library.

VI: REAL ESTATE:

With respect to assets, gifts, and investment opportunities relating to real property (i.e. mortgages, limited partnership interests) the Board Finance Committee will be responsible for the acceptance or rejection of gifts and the investment and monitoring of all assets. The Board Finance committee will comply with all Library Investment policies when determining whether such gifts or investments are appropriate for the Library.

VII: DONOR-DESIGNATED INVESTMENTS:

The Board Finance Committee shall determine whether to accept or reject non-marketable securities, an in-kind gift, or other stocks, in which the donor conditions that the gift be retained by the Library as an investment. While the Board Finance Committee has the ultimate responsibility for monitoring, managing, and disposing of all of its investments, the Director will advise the donor, in writing, that any marketable security will be sold and the donor will acknowledge this in writing prior to the acceptance of gift, and any losses incurred, will be borne solely by the Library fund to which such gift has been credited and the Library will not be responsible for nor provide an indemnification to such fund for any such losses. The Director must receive the donor's written acknowledgement of these terms and conditions prior to the acceptance of gift.

VIII: ENDOWMENT SPENDING AND ACCUMULATION POLICY:

The Board Finance Committee will manage permanent endowment funds in accordance with the requirements of the governing instruments executed by the donors at the time the funds were established or as subsequently amended. Unless otherwise required by such agreements, the goal of the endowment investment management will be to serve the long term need to maintain funds over the full investment cycle and the current needs of the Library. The Library's annual target spending rates for distribution from endowment funds shall be 5% of the average market value of the fund's total assets over the past twelve (12) quarters. For newly acquired funds valued at more than 10% of the Library Trust Portfolio, an annual distribution of 4% of the average portfolio for the preceding quarters will occur annually until twelve (12) quarters of investment activity is established. The surplus of total return less spending in any given year shall be retained and accumulated to maintain purchasing power of the fund at or above the rate of inflation. The annual spending rate shall be reviewed and authorized at least annually by the Board of Trustees.

IX: ADOPTION:

This policy shall be adopted by resolution of the Library's Board of Trustees. The Board Finance Committee shall review the policy annually and recommended changes will be presented to the Board of Trustees for consideration.