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## **SENECA FALLS LIBRARY INVESTMENT POLICY**

### **Purpose:**

This policy establishes investment objectives, policies, guidelines, and eligible securities related to all institutional funds held by the Seneca Falls Library, primarily for investment purposes. In doing so the policy:

- clarify the delegation of duties and responsibilities concerning the management of institutional funds.
- identifies the criteria against which the investment performance of the organization's investments will be measured.
- communicates the objectives to the Board, staff, investment managers, donors and funding sources that may be involved.
- confirms policies and procedures relative to the expenditure of institutional funds.
- serves as a review document to guide the ongoing oversight of the management of the organizations' investments.

### **Delegation of Responsibilities:**

The Board of Trustees has a direct oversight role regarding all decisions that impact the Seneca Falls Library institutional funds. The Board has delegated supervisory responsibility for the management of our institutional funds to the Finance Committee. Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below:

### **Responsibilities of the Board:**

The Board shall ensure that its fiduciary responsibilities concerning the proper management of the Seneca Falls Library invested assets are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Finance Committee, the Board shall:

- select, appoint, and remove members of the Committee.
- approve investment policies and objectives that reflect the long-term investment-risk orientation of the invested assets.

### **Responsibilities of the Finance Committee:**

Members of the Finance Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to institutional funds. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to the Seneca Falls Library institutional funds shall:

- develop and/or propose policy recommendations to the Board regarding the management of all institutional funds.

- recommend long-term and short-term investment policies and objectives for our institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- determine that institutional funds are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- receive and review reports from investment consultants and/or other outside professionals, if any.
- periodically meet with investment consultants and/or other outside professionals management, investment consultants and/or other outside professionals.
- convene periodically to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of the institutional funds.
- contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.
- ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of the Seneca Falls Library and, performance monitoring systems are sufficient to provide the Library Board with timely, and useful information.
- comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments.

It will be the responsibility of the Finance Committee of the Board of Directors to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

**Investment Considerations:**

In accordance with the Seneca Falls Library understanding of the New York Prudent Management of Institutional Funds Act (NYPMIFA), the Finance Committee must consider the purposes of the Seneca Falls Library and our assets in managing and investing institutional funds. All individuals responsible for managing and investing the Seneca Falls Library institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

1. general economic conditions.
2. possible effect of inflation or deflation.

3. expected tax consequences, if any, of investment decisions or strategies.
4. the role that each investment or course of action plays within the overall investment portfolio of the fund.
5. expected total return from the income and appreciation of investments.
6. other resources of the organization.
7. the needs of the organization and the fund to make distributions and preserve capital; and,

**Guidelines for Investing:**

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the main investment asset classes listed below:

Cash and Cash Equivalents, Certificates of Deposits and Money Market Funds:

Target Asset Allocation- 3%, Permissible Range- 1-5%.

Other Authorized Investment

Equities- Target Asset Allocation- 7%, Permissible Range- 5-10%.

Fixed Income- Target Asset Allocation- 30%, Permissible Range- 25- 35%.

Government Securities- Target Asset Allocation- 5%, Permissible Range- 3-7%.

Mutual Funds & Exchange Traded Funds- Target Asset Allocation- 55%, Permissible Range- 50-60%.

The composition and the make-up of the invested assets may vary to allow for diversification as may be required due to changes in market conditions.

**Performance Measurement Standards and Benchmarks:**

Benchmarks are useful tools to gauge the performance of the institutional funds of the Seneca Falls Library, they are best viewed over longer periods, generally three to five years. The benchmarks to be used in evaluating the performance of the main classes of invested assets will be:

- **Equities:** *S&P 500 Index-* **Goal:** exceed the average annual return of the index over a full market cycle (3-5 years)
- **Fixed Income:** *Lehman Brothers Government/Corporate Index-* **Goal:** exceed the average annual return of the index over a full market cycle (3-5 years).

**Expenditure Considerations:**

The Board of Trustee’s and the Finance Committee are responsible for the establishment of a balanced reserve fund spending policy to: (a) ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a priority; and, (b) to provide funds for (if required):

the annual operating budget in an amount which is not subject to large fluctuations from year-to-year to the extent possible.

**Expenditure of Institutional Funds:**

All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes, and duration for which the institutional fund was established, and, if relevant, consider the factors:

1. the duration and preservation of the institutional fund.
2. purposes of the Seneca Falls Library and the fund.
3. general economic conditions.
4. possible effect of inflation or deflation.
5. expected total return from income and appreciation of investments.
6. other organizational resources.
7. all applicable investment policies; and
8. where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.

**Donor Restrictions:**

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, the Seneca Falls Library shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

**Investment Fund Expenditures:**

Each year, the Seneca Falls Library is authorized to withdraw **up to 5%** of the total market value of the investment account (market value to be determined as of the last business day of the preceding year for the organization’s operating purposes. That spending percentage is applied to the three year average of the December market value. Using a three-year market value average will help to even out any fluctuations that may occur in the value of the account. The dollar amount and timing of any distribution from the investment account will be left up to the discretion of the Board of Trustee’s.

***Policy Approved and Adopted by the Seneca Falls Library Board- June 21, 2021***