TOMPKINS COUNTY PUBLIC LIBRARY FOUNDATION
Investment Policy Statement

I. Introduction

As a nonprofit agency entrusted with donor money intended to support an important, unique local resource, The Tompkins County Public Library Foundation's (the "TCPLF") investment strategy emphasizes preservation of principal. This Statement of Investment and Spending Policy (the "Policy") is intended to provide direction on the governance and overall management of the TCPLF's Portfolio (the "Portfolio"). This Policy will also formalize the TCPLF's long-term strategy for meeting its fiduciary obligations with respect to the management and investment of the Portfolio, consistent with the applicable laws of New York State.

This Policy will be reviewed at least annually by the Board and revised or reaffirmed as deemed appropriate. It is the intent of this Policy to be sufficiently specific to be meaningful but flexible enough to be practical.

II. Delegation of Investment Responsibilities

A. Responsibilities of the Board of Directors

The members of the Board of Directors (the "Board") are fiduciaries charged with the oversight of the management of the assets of the Portfolio. As such, the Board is authorized to delegate certain responsibilities to the Finance and Investment Committee (the "Committee"), as well as professional experts in various fields. The specific responsibilities of the Board relating to the management of the Portfolio assets include, but are not limited to:

1. Projecting the TCPLF's financial needs, and communicating such needs to the Committee in a timely manner; and
2. Approval of this Policy.

B. Responsibilities of the Committee

The Committee is charged with the responsibility for managing the assets of the Portfolio. The Committee members shall discharge their duties solely in the best interests of the TCPLF, in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. The specific responsibilities of the Committee include, but are not limited to:

1. Establishing for the Board's approval reasonable and consistent investment objectives, policies, and guidelines that will direct the investment of the Portfolio assets;
2. Determining the appropriate risk tolerance and investment time horizon for the Portfolio assets and communicating these decisions to the appropriate parties;
3. Selecting qualified investment professionals, to the extent it is deemed necessary, including an Investment Manager;
4. Evaluating on a regular basis the performance of any Investment Manager to assure adherence to Policy guidelines and monitoring progress toward achieving investment objectives; and
5. Developing and enacting proper control procedures, for example, replacing Investment Managers due to a fundamental change in the firm's investment management process, a failure to comply with established guideline or significant changes to the firm's personnel.

The Committee will not reserve any control over direct investment decisions, with the exception of specific limitations described in this Policy. Investment Managers will be held responsible and accountable to achieve the Investment Objectives herein stated.

C. <u>Responsibilities of the Investment Manager</u>

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies outlined in this Policy. Specific responsibilities of the Investment Manager include, but are not limited to:

1. Discretionary investment management, including decisions to buy, sell, or hold individual securities and to alter asset allocation within the guidelines established in this Policy;
2. Reporting, on a timely basis, quarterly investment performance results;
3. Timely communication of any major changes to economic outlook, investment strategy, or any other factors affecting the implementation of the investment process or the progress toward meeting performance objectives;

D. <u>TCPLF Staff</u>

The TCPLF staff, including the Executive Director of the TCPLF, will partner with the Committee in adhering to the TCPLF's mission by being responsible for day-to-day investment functions as directed by the Committee and the Investment Manager and/or Advisor.

III. Investment Management Standards of Conduct

The following standards will be met in the management of the Portfolio:

1. In addition to complying with the duty of loyalty imposed by law, each person responsible for managing and investing the Portfolio shall manage and invest in good faith and with the care that an ordinary prudent person in a like position would exercise under the circumstances.
2. In managing and investing the Portfolio, the Board and Investment Manager may incur costs that are appropriate and reasonable in relation to the assets, the purposes of TCPLF and the skills available to TCPLF. The Board and Investment Manager shall make every reasonable effort to verify the facts relevant to the management and investment of the Portfolio.
3. Except as otherwise provided by a gift instrument, the following apply:
    a. In managing and investing the Portfolio, the following factors, if relevant, will be considered:
        i. General economic conditions;
        ii. The possible effect of inflation or deflation;
        iii. Any expected tax consequences, if any, of investment decisions or strategies;
        iv. The role each investment or course of action plays within the overall investment of the Portfolio;
        v. The expected total return from income and the appreciation of investments;
        vi. The needs of the TCPLF, and the Portfolio, to make distributions and preserve capital;
        vii. Other resources of the TCPLF; and
        viii. Any specific asset's special value, or special relationship, if any, to the purposes of the Portfolio.
    b. Management and Investment decisions about an individual asset must be made, not in isolation, but rather in the context of the portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonable suited to the Portfolio and the TCPLF.
    c. The TCPLF shall diversify the investments of the Portfolio unless it determines that, due to special circumstances, the purposes of the Portfolio are better served without diversification. The Committee shall review a decision not to diversify as frequently as circumstances require, but at least annually.

d. The Portfolio shall be managed and invested in accordance with an environmental, social and governance (ESG) strategy which shall be negotiated and documented with the Investment Manager and approved by the Board as an appendix to this Policy.

4. This Policy sets forth guidelines on investments and delegation of management and investment functions in accord with prudent investor standards and the standards of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

IV. Investment Management

The Committee will retain the services of Investment Managers to invest according to the stated policy guidelines and objectives of the Policy. Investment Managers will be screened for superiority of qualitative characteristics such as investment process and discipline, personnel, and ownership structure. Quantitative characteristics such as absolute returns and risk-adjusted performance, consistency of returns, and performance in both up and down markets will be analyzed.

V. Evaluation of Managers

Investment Mangers shall be reviewed annually regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

The investment performance of the Portfolio will be measured against commonly-accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the investment objects set forth in this Policy.

VI. Investment Philosophy

The TCPLF will maintain an investment program for the Portfolio, which seeks to achieve the Policy goals while maintaining acceptable risk levels. The investment approach will emphasize the need to maintain a well-diversified investment program through the long-term allocation of Portfolio assets among several asset classes.

VII. Investment Objectives

The Portfolio's primary objective is to preserve the real (inflation-adjusted) purchasing power of the Portfolio while providing a relatively predictable, constant and stable (in real terms) stream of earnings for current spending. Cash flow to meet current spending will be derived from two sources: 1) contributions; and 2) the Portfolio's total investment return.

Portfolio Policy is based on total return, which is the sum of interest, dividends, and capital appreciation, less all investment management costs.

VIII. Target Asset Allocation

The long-term strategic asset allocation for the Portfolio is 70% equities, 30% fixed income. Based on historical performance, this allocation mix is expected to produce suitable patterns of performance, with fluctuation levels that it deems acceptable over the intended investment time horizon.

IX. Portfolio Guidelines

In order to provide the Investment Manager(s) with the ability to invest in various types of assets, they are further guided by the following definitions and delineations of activities:

1. **Equities** – The purpose of the TCPLF's equity investment portfolio is to provide total return. It is expected that the equities will, on balance, achieve returns commensurate with the risk assumed.
2. **Fixed Income Securities** – The objective of the TCPLF's fixed income investments is to produce current income and cushion the Portfolio against excessive stock market volatility. The portfolio will attempt to match the duration of the overall market and may be invested in government, agency, or corporate bonds.
3. **Real Estate Securities** – Diversified exposure to the real estate sector of the capital markets will be achieved via the ownership of real estate investment trusts (REITs).
4. **Cash and Cash Equivalents** – All cash wherever and whenever possible should be invested in interest bearing securities.
5. **Other Assets** – The Committee may consider other investments when the need occurs.
6. **Prohibited Securities** – Any investment strategy, security, scheme, or moneymaking enterprise that does not meet the NYPMIFA standards is strictly prohibited. In addition, the TCPLF will not engage in the following types of securities transactions:
   a. Selling securities short;
   b. Purchasing securities on margin or using leverage;

c. Derivative securities, except (a) mutual funds as provided above and (b) hedging transactions, limited to exposure, for principal protection;
d. Tax-exempt securities, warrants, and unregistered securities;
e. Limited Partnerships;
f. Hedge funds; and
g. Futures contracts.

No single investment in the Portfolio may represent more than 7% of the total Portfolio with the exception of pooled investment vehicles (mutual funds) and securities backed by the U.S. government.

X. Risk

In general, the term "risk" as used in the Policy will mean the degree of exposure to unacceptable outcomes from the investment program. For the Portfolio major unacceptable investment outcomes are:

1. Prolonged negative returns for periods longer than 3 to 5 years.
2. Greater than 30% market value decline over a period of 24 months, not due to systematic risk, or overall market momentum.
3. Disproportionately high volatility-to-expected return ratio.

Given the relationship between risk and return, a fundamental step in determining the Policy for the Portfolio is the determination of an appropriate risk tolerance. The three primary factors influence this determination are 1) the financial ability to accept risk (specifically, dramatic negative short term performance), 2) the ability to tolerate risk, and 3) the long-term return requirements.

Based on historical market data, and given the Portfolio's long-term time horizon, it was determined that a significant investment in [equities] was warranted. Furthermore, it was determined that the Portfolio should not be managed with the primary objective of [avoiding negative annual returns]. Such a focus would significantly reduce the Portfolio's ability to satisfactorily meet its long-term spending needs on an inflation-adjusted basis. To help mitigate the short-term volatility of the Portfolio, the TCPLF will implement a broadly diversified investment in domestic equities, international equities, real return assets, alternative investments, and fixed income securities. The broad diversification is expected to reduce the Portfolio's volatility versus a less diversified approach.

XI. Time Horizon

The time horizon applicable to this Policy is great than 10 years. This time horizon will generally be used for making decisions about assets allocation; however, such decisions may be reviewed and revised whenever warranted by general economic conditions or the investment performance of specific asset classes.

XII. Rebalancing

Since different assets classes will perform at different rates, the Investment Manager will keep close scrutiny on the asset allocation shifts caused by performance. Accordingly, the Investment Advisor will review the relative market values of the asset segments, and will have the discretion to rebalance as it deems necessary. To the extent that adequate rebalancing among assets categories cannot be effected via the allocation of new contributions, the Investment Manager may re-direct monies from one asset category to another as market fluctuations skew the allocation away from target.

XIII. Proxy Voting of Portfolio Securities

The Investment Manager shall vote all proxies and related actions in a manner consistent with the long-term interest and objectives of the Portfolio set forth herein. Each manager shall keep detailed records of said voting proxies and related actions and will comply with all regulatory obligations related hereto.

Approved:

Foundation Board of Directors
March 4, 2024