



## Cortland Free Library

*Books are just the beginning!*

**Policy Category:** Financial  
**Policy Title:** Investment Policy

**Need for policy:** The objective of this policy is to assist Cortland Free Library (CFL) in effectively supervising, monitoring and evaluating their investment assets. Those investment assets are held by the organization as a steward for the sake of carrying out its mission and purposes. This policy is consistent with the bylaws of CFL and has been formally set forth to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives including: the various asset classes, investment management styles, asset allocations, acceptable risk and total long-term investment return.
- Provide guidance and limitations to all investment managers that, in total, are expected to produce sufficient levels of overall diversification, risk, and liquidity within the portfolio, so that all assets are managed in accordance with the long-term objectives.
- Establish a basis for evaluating investment results.
- Ensure compliance with all fiduciary, prudence and due diligence requirements that experienced professionals would utilize, and with all applicable laws (Uniform Prudent Management of Institutional Funds Act and Uniform Prudent Investor Act for trusts), rules and regulations from various local, state, federal and international political entities that may impact the investments.
- Outline procedures and criteria to monitor, evaluate and compare the performance results achieved by investment managers on a regular basis, and report the performance to the Board of Trustees.

**Policy:**

**1. DELEGATION OF AUTHORITY**

Cortland Free Library and its Board of Trustees hold all funds as a fiduciary. The Board of Trustees has delegated authority over its investment affairs to the Finance and Investment Committee of the Board, and that committee is further authorized to delegate certain responsibilities to professional experts in various fields. These include but are not limited to:

- **Investment Manager** – has discretion to purchase, sell, and manage specific investment vehicles authorized by the committee to meet the policy’s investment objectives.
- **Custodian** – will physically maintain possession of investments owned by the organization, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased or sold.
- **Additional specialists** such as attorneys, auditors, and others may be employed by the organization to assist in meeting its responsibilities and obligations to administer investment assets prudently.

**2. ASSET ALLOCATION**

To accomplish the organization’s investment objectives, based on its time horizon, risk tolerances, performance expectations, and asset class preferences, an optimal portfolio was identified by the committee. The Investment Manager is authorized to utilize portfolios with the following strategic asset allocations:

<b>Asset Class</b>	<b>Lower Limit</b>	<b>Strategic Allocation</b>	<b>Upper Limit</b>
Equities	45%	65%	75%
● Large Cap	25%	30%	45%
● Small/Mid Cap	2%	6%	10%
● International	10%	15%	25%
Alternatives	0%	5%	10%
Fixed Income	20%	25%	40%
Cash and Equivalents	0%	5%	10%

## Prohibited Investments

The following categories of investments are not permitted for investment without prior CFL Finance and Investment Committee approval.

1. Unregistered or restricted stock;
2. Physical ownership of commodities—including precious or base metals, agricultural products, crude oil, gasoline, or other refined products;
3. Collectibles, including precious gems and artwork;
4. Direct ownership in currency, commodity, or interest rate futures;
5. Private placement debt or equity—except as may be positioned in a commingled fund which does not specifically emphasize private placements;
6. Conditional sales contracts;
7. Uncovered and covered options;
8. Short sales or margin purchases;
9. Transferable certificates of participation in business trusts and limited partnerships;
10. Securities of the Advisor(s) or their respective parents, subsidiaries or affiliates;
11. Swap securities;
12. Investments not in accordance with policy statements of the endowment fund and
13. Securities in violation of New York law or regulations.

As a general guideline that applies to all assets managed, transactions are to be entered into on the basis of “best execution,” which normally means best-realized price for the services rendered.

## Asset Quality

- **Equity Securities** – may invest in any unrestricted, publicly traded stock that is listed on a major exchange or a national, over-the-counter market that is appropriate for the portfolio objectives, asset class, and/or investment style.
- **Fixed Income Securities** – the quality rating of bonds and notes must be “BBB” or better, as rated by Standard & Poor’s or Moody’s. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of ten years or less.
- **Cash and Equivalents** – the quality rating of commercial paper must be A-1, as rated by Standard & Poor’s, P-1, as rated by Moody’s, or better. The assets of any money market mutual funds must comply with this standard and/or the quality provisions for fixed-income securities.

## Asset Diversification

The investment manager will maintain reasonable diversification at all times. He/she may not allow the investments in equity securities of any one company to exceed 5 percent of the

portfolio nor the total securities position (debt and equity) in any one company to exceed 10 percent of the portfolio. Reasonable sector allocations and diversification must also be maintained. No more than 25 percent of the portfolio may be invested in the securities of any one sector, as defined by GICS.

**Rebalancing of Strategic Allocation** should be adopted as a risk-management strategy. Once an asset allocation is implemented that matches the portfolio's risk tolerance, rebalancing should allow the maintenance of risk exposure at an appropriate level. Investment managers should advise the committee when rebalancing.

#### **Performance Measurement:**

1. The CFL Finance and Investment Committee will evaluate the success of the Advisor(s) employed in achieving the investment objectives outlined in this document. The Finance and Investment Committee will evaluate investment performance in light of the strategy pursued by Advisor(s), and the results attained by the strategy.
2. The performance of the investments will be compared to the unmanaged index consisting of 70% MSCI All Country World Index and 30% Bloomberg U.S. Aggregate. These global equity and fixed income benchmarks will be compared at least quarterly with actual performance.
3. In addition to the primary benchmark comparison, the return objective is to outperform the performance benchmark by at least 50 basis points on an annualized basis, after fees, over a period of at least five (5) years.

### **3. REPORTING REQUIREMENTS**

- **Monthly** – The investment manager will provide the committee with a monthly written statement containing all pertinent transaction details for each separately managed portfolio for the preceding month, including:
  - the name and quantity of each security purchased or sold, with the price and transaction date;
  - details for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield at market; and
  - an analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed income, cash).
- **Quarterly** - The investment manager will meet with the committee and provide the committee with detailed information about asset allocation, investment performance, future investment strategies, and other matters of interest to the committee.
- **Annually** - The investment manager will provide an annual summary of all transactions in each fiscal year, together with a report of investment performance for the year. Investment objectives will be reviewed to determine if they are being met.

**Spending Policy:** Cortland Free Library intends to annually spend four percent (4%) of the investment portfolio's average balance for the preceding sixteen (16) quarters. Since historic investment returns in global equity and fixed income instruments have exceeded this 4.0% annual drawdown, the portfolio is expected to increase over time. Any withdrawals in excess of this planned 4.0% will be communicated as early as possible to allow for orderly rebalancing of the portfolio.

**Approved: 9/20/2023**