

The East Hampton Library Investment Policy*

I. Scope

This Investment Policy (“Policy”) applies to all monies and other financial resources that the Library’s Board of Managers (“Board”) has determined are available for investment.

This Policy formally documents the goals, objectives and guidelines for the Library’s investment fund (“Fund”) and responsibilities of the fiduciaries: the Board, the Business Committee, the Investment Committee, the Investment Manager, and the Custodian (“Custodian”). This Policy provides the framework and process for achieving the Fund’s objectives in a prudent manner. Moreover, this Policy will be used as the basis for the evaluation of the investment performance.

II. Policy Review

This Policy shall be reviewed by the Business Committee on an annual basis at minimum. Additional reviews may be scheduled by the Business Committee at any time.

III. Objectives

The primary objectives of the Library’s investment activities are:

1. To adequately safeguard and grow principal.
2. To maintain sufficient liquidity to meet financial and operating obligations.
3. To conform with all applicable federal, state and other legal requirements.
4. To obtain a reasonable overall rate of return, that will match or exceed the rate of inflation and appropriate benchmark over a market cycle.
5. To reinvest all capital gains.

The Library’s annual operating budget assumes that a minimum of \$100,000 of interest and dividends will be swept from the Book Fund, Building Maintenance and Planning, Contingency, Donor Restricted and Whipple accounts.

The Board encourages a diversification of investment strategies and holdings to minimize short-term volatility. The goal is to obtain a reasonable overall risk-adjusted rate of return that will meet or exceed the market index, or blended market index that most closely corresponds to the style of investment management in the various accounts, as follows:

The Operating Account is a conduit for investment income of other accounts, which is swept into the Operating bank account held at Suffolk County National Bank.

The Whipple Account, a Board-designated account, was established for the purpose of purchasing books. Investment income is swept into the Operating account and is used for general operating expenses. Principal may be withdrawn to meet annual operating budget needs.

The Building Maintenance and Planning Account covers capital projects, repairs to the facility and additional library services and programs. Investment income may be swept into the Operating account and may be used for general operating expenses. Principal may be withdrawn to meet annual operating budget needs.

The Long Island Collection Account, a Board-designated account, is utilized for the purchase of Long Island Collection-related materials and/or equipment, at the discretion of the Board. Both income and principal may be used. Investment income remains within the account.

The Contingency Account is for expenditures as directed by the Board. Investment income is swept into the Operating account and is used for general operating expenses. Principal may be withdrawn to meet annual operating budget needs.

The Tom Twomey Local History Lecture Fund is a donor-designated account established to promote the Annual Tom Twomey Local History Lecture Series (“Series”). At least 50% of the funds are to be allocated to growth investments, as determined by the Board. Investment income remains within the account. Each year the greater of (i) the prior year’s annual income or (ii) the sum of Five Thousand Dollars can be spent to cover the cost of brochures, mailings, advertisements and honorariums which the Board, in its sole discretion, deems appropriate for the success of the Series. In addition, principal from the fund may be used in the event the Board wishes to publish a book containing the lectures, to be sold for the benefit of the Long Island Collection.

The Donor Restricted Account contains contributions. The principal must be maintained intact. All capital gains generated must be reinvested. Investment income is swept into the Operating account and is used for general operating expenses.

The Book Fund Account contains contributions. The principal must be maintained intact. All capital gains generated must be reinvested. Investment income is swept into the Operating account and is used for the purchase of books as directed by the donors.

IV. Board Responsibility

Final responsibility for the investment program resides with the Board. The Board may delegate to the Treasurer and the Business Committee the task of making recommendations regarding the administration of the program including but not limited to asset allocation, selection of depository institutions, investment management firms, brokerage companies, performance reviews and authorized signatories of the financial accounts, subject to Board approval. The Board is aware that past performance is not a guarantee of future performance and that benchmarks are targets and not an assurance or guarantee of performance of any specific investment or of the investment fund in total.

V. Investment/Business Committee Responsibilities

The Investment Committee is a sub-committee of the Business Committee which reports to the Board. The responsibilities include:

- a. Screen and recommend to the Board the Investment Manager(s) that will have the discretion, subject to the guidelines in this Policy, to purchase, sell or hold the specific investments that will be used to meet the account's investment objectives.
- b. Review the performance of the accounts, on at least a quarterly basis. The Business Committee will also insure that the management of each account is consistent with the goals and guidelines laid out in this Policy, and assess the need to adjust guidelines or allocations as economic conditions and security markets change.
- c. Review, on a regular basis, the performance of the Investment Manager(s).
- d. For all accounts, facilitate a quarterly Board review of financial performance compared to benchmarks and asset allocation guidelines, after meeting with the Investment Manager(s).
- e. Recommend to the Board the minimum dollar amount of the investment account's total asset value that will be allocated to support the Library's expenses for the coming year.
- f. Review and approve the investment policy and guidelines for all accounts, including goals, asset allocation and investment quality.

VI. Investment Manager Responsibility

The Investment Manager's role is that of a discretionary advisor to the Business Committee. Investment advice concerning the management of Fund assets will be offered by the Investment Manager and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. The Investment Manager will meet with the Business Committee semi-annually. Only the Library's Director and a designated Board member will contact the Investment Manager as needed for buy/sell advice on investments.

VII. Custodian Responsibility

The Custodian will maintain possession of securities owned by the Library; collect dividend and interest payments; redeem maturing securities; and effect receipt and delivery following purchases and sales. The Custodian shall also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Library's accounts. This includes the issuance of monthly statements.

VIII. Prudence

Participants in the investment process shall act responsibly as custodians of the Library's funds and shall avoid any and all transactions that a prudent person might consider risky. Investments shall be made with judgment and care, under circumstances then prevailing, with consideration to safety of the principal as well as the probable income to be derived.

IX. Conflict Of Interest

All Board and Business Committee members involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

No investment shall be made in any fund or vehicle in which the Library's Investment Manager receives duplicate compensation.

X. Investments

The Business Committee recommends and the full Board must approve all parties involved in investing the Library's funds. Such parties shall be bound by the Library's Investment Policy. The Investment Manager shall, in no case, also be the Custodian.

XI. Investment Allocations

The Investment Manager(s) will be permitted to invest the Fund in any of the following asset categories as long as, on a consolidated basis, (a) no one asset class exceeds 80%; and (b) no one position (i.e., a stock or bond) exceeds 6% in each of our accounts.

- Stocks (securities)
- Investment Grade Corporate and Government Bonds
- Certificates of Deposit
- Treasury Bills
- Mutual Funds and Exchange Traded Securities (ETFs, ETNs, etc.)
- Cash and cash instruments (i.e., money market funds)
- Real Estate Investment Trusts (REITs)

Other types of investments, including but not limited to, holding or accepting physical delivery of individual commodities, short sales, margin sales, derivatives, auction rate securities,

options and other forms of securitized instruments shall not be deemed acceptable investments, but minor positions may be held by Mutual Funds.

Investment in any one sector shall be limited at purchase to 25% of total equity holdings. Investments in international equities should be limited to 25% of total equity holdings. Taxpayer monies shall not be invested in anything other than cash or cash equivalents.

XII. Access

All Business Committee members are provided with User IDs and passwords which give them on-line access to the Custodian's web site, to view balances, statements and activity. This access is also available to Board members.

XIII. Gifts & Donations

Financial instruments that are gifted or donated to the Library that do not conform to this Investment Policy must be sold immediately and the cash proceeds used or invested according to this Investment Policy. However, exceptions may be made by vote of the Board in unusual circumstances.

XIV. Collateralizing of Tax Revenue and Payments in lieu of taxes (PILOT) Deposits

In accordance with the provisions of General Municipal Law, §10, all deposits of the East Hampton Library, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by one or more of the following:

1. By a pledge of "eligible securities" with an aggregate "market value," as provided by General Municipal Law, §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
2. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the East Hampton Library for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible surety bond payable to the East Hampton Library for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.

XV. Safekeeping and Collateralization of Tax Revenue and Payments in lieu of taxes (PILOT) Deposits

Eligible securities used for collateralizing deposits shall be held by the depository and/or third party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events which will enable the East Hampton Library to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the East Hampton Library, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the East Hampton Library or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the East Hampton Library, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

Effective Date: October 19, 2018

**Proposed by Investment/Business Committee
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S. Akkad
S. Davison
M. Egen
D. Fabiszak
P. Ferrin
J. Mulligan
S. Rogers
C. Soriano
A. Talmage
