

Kinderhook Library

Statement of Investment Policy

Objectives & Guidelines

Reviewed June 30, 2016

Consulting Group

Institutional Services

Statement of Investment Policy, Objectives, and Guidelines

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire Kinderhook Library Investment Account.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Board of Trustees of the Kinderhook Library in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Plan assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Plan assets.
4. Establish a basis for evaluating investment results.
5. Manage Plan assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Plan assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of Plan assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Board of Trustees of the Kinderhook Library is a fiduciary, and is responsible for directing and monitoring the investment management of Plan assets. As such, the Board of Trustees is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Board of Trustees in: establishing investment policy, objectives and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager: The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Plan's investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery of following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan accounts.
4. Co-Trustee. The Board of Trustees may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Plan assets.
5. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Board of Trustees to assist in meeting its responsibilities and obligations to administer Plan assets prudently.

The Board of Trustees will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Plan as deemed appropriate and necessary.

DEFINITIONS

1. "Plan" shall mean the Kinderhook Memorial Library Investment Account.
2. "Board of Trustees" shall refer to the governing board established to administer the Plan as specified by applicable ordinance.
3. "Fiduciary" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Plan assets.
4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Plan assets.

5. “Investment Management Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager, search, and performance monitoring.
6. “Securities” shall refer to the marketable investment securities, which are defined as acceptable in this statement.
7. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Plan is 10 years.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Investment Manager(s)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. 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 as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Plan’s investment management.
4. Informing the Board of Trustees regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Board of Trustees, on behalf of the Plan, and communicating such voting records to the Board of Trustees on a timely basis.

Responsibility of the Investment Consultant(s)

The Investment Consultant’s role is that of a non-discretionary advisor to the Board of Trustees of the Kinderhook Library. Investment advice concerning the investment management of Plan assets will be offered by the Investment Consultant, and will be consistent with the investment objectives,

policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Board of Trustees.
3. Monitoring the performance of the Investment Manager(s) to provide the Board of Trustees with the ability to determine the progress toward the investment objectives.
4. Communicating matters of policy, manager research, and manager performance to the Board of Trustees.
5. Reviewing Plan investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board of Trustees.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Plan.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital – Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion- Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term

investment results that are sufficient to meet the Plan's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline- Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Kinderhook Library is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Plan assets shall be: Preservation of Purchasing Power After Spending- To achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of Plan assets. Risk control is an important element in the investment of Plan assets.

The secondary objective in the investment management of Plan assets shall be:

Income and Growth- To achieve a balanced return of current income and modest growth of principal.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, it is the goal of the aggregate Plan assets to exceed:

An absolute rate of return of 6%.

The investment goals above are the objectives of the aggregate plan, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Board of Trustees that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this state of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Plan.

SPENDING PLAN

The Board of Trustees will attempt to balance the Investment Accounts shorter-term obligations with its goal to provide for spending obligations into perpetuity, and therefore design a spending policy which is flexible. Since expected investment returns for “riskier” portfolios are not consistent and predictable, the Board of Trustees feels that shorter-term spending in dollar terms must be flexible enough to edure periods of underperformance without excessive deterioration of real principal. Therefore, this Investment Account may tend toward a more “aggressive” investment strategy seeking higher long-term investment returns than would be the case if spending from year to year was less flexible. The Board of Trustees will set spending based on the annual budget.

DEFINITION OF RISK

The Board of Trustees realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Kinderhook Library assets understands how it defines risk so that the assets are managed in a manner consistent with the Plan’s objectives and investment strategy as designed in this statement of investment policy. The Board of Trustees defines risk as:

The probability of losing money over the Investment Account’s investment time horizon.

The probability of not maintaining purchasing power over the Investment Account’s investment time horizon.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Trustees will periodically provide investment counsel with an estimate of expected net cash flow. The Board of Trustees will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

MARKETABILITY OF ASSETS

The Board of Trustees required that all of Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price.

INVESTMENT OF GUIDELINES

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - Short Term Investment Funds
 - Commercial Paper**
 - Banker's Acceptances**
 - Repurchase Agreements**
 - Certificates of Deposit*

2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds**
 - Mortgage Backed Bonds**
 - Preferred Stock**
 - Fixed Income Securities of Foreign Governments and Corporations**
 - Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs**

3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds**
 - Convertible Preferred Stocks**
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)**

4. Mutual Funds
 - Mutual Funds which invest in securities as allowed in this statement.

*The Certificates of Deposit will be limited per institution to the amount covered by FDIC Insurance.

**Can only be purchased through mutual funds.

Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of opinions, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Board of Trustees feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Board

of Trustees will take a conservative posture on derivative securities in order to maintain its risk adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. **Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) may not invest Plan Assets in derivative Investments.**

Prohibited Assets

Prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Real Estate Properties
7. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
8. Leveraged Mutual Funds

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short selling
2. Margin Transactions

Asset Allocations Guidelines

Investment management of the assets of the Kinderhook Library shall be in accordance with the following asset allocation guidelines:

1. Aggregate Plan Assessment Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	25%	75%	60%
Fixed Income	15%	75%	30%
Cash and Equivalents	0%	50%	10%

2. The Board of Trustees may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Plan, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Board of Trustees regarding specific objectives and guidelines.

3. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board of Trustees will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with the guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Board of Trustees expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Board of Trustees.

Diversification for Investment Managers

The Board of Trustees does not believe it is necessary or desirable that securities held in the Plan represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 30% of the total fund, and no more than 30% of the total fund should be invested in any one industry. Individual treasury securities may represent 75% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Plan's aggregate bond position.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated with the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significantly qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly 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.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status, and capital markets expectations as established in this statement of investment policy, the Board of Trustees plans to review investment policy at least annually.

(For committee driven accounts)

For this statement of investment policy is adopted on _____, _____ 20__ by the Board of Trustees of the Kinderhook Library whose signatures appear below.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____