

**Albany Pine Bush Preserve Commission  
Investment Policy**

**Revised June 2014**

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## **GENERAL INFORMATION**

Located in the heart of the Capital District Region, the Albany Pine Bush represents one of the best remaining examples of an inland pine barrens ecosystem in the world. This gently rolling sand plain is home to a unique diversity of animals and plants, including 20 rare species and two rare natural communities.

Thousands of people visit the Albany Pine Bush Preserve each year for outdoor recreation, research, nature study and respite. The preserve positively and significantly contributes to the quality of life in the municipalities it crosses. Its 3,100 acres of protected Pine Bush land are a cherished resource to local communities.

The Albany Pine Bush Preserve Commission (Commission) was created by the NYS Legislature in 1988 to protect and manage the unique and endangered natural communities and species of the Albany Pine Bush for ecological, recreational and educational benefits.

## **BACKGROUND**

The Commission assets are invested in three pools.

1. *Reserves* – The reserves are maintained to accommodate the periodic fluctuation in cash flow requirements and shall be funded at a level necessary to satisfy this requirement. Cash flow shall be monitored monthly by the Director of Finance & Operations to determine the balance necessary to meet cash needs.
2. *Endowment* – The endowment was originally established with mitigation funds from the City of Albany. The Commission board has restricted the purposes for which this pool of investments may be expended but it can be used for day-to-day business. This pool will be invested primarily in balanced funds.
3. *Discovery Center Endowment* – The Discovery Center endowment was originally established with donations specifically for this endowment and is restricted. This pool will be invested primarily in balanced funds.

## **SCOPE**

This statement of investment policy reflects the investment policy, objectives, and constraints of the Albany Pine Bush Preserve Commission.

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### **PURPOSE**

The purpose of this investment policy, as set forth by the Albany Pine Bush Preserve Commission, is 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 Commission assets.
3. Establish guidance and limitations to all investment managers regarding the investment of Commission assets.
4. Establish a basis for evaluating investment results.
5. Manage Commission assets according to prudent standards.
6. Establish the relevant investment horizon for which Commission assets will be managed.
7. Establish a spending policy for all funds.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of Commission portfolio assets toward the desired results. It is expected that this policy will be reviewed annually to ensure that it continues to provide effective guidelines for the management of the Fund.

### **DEFINITIONS**

“Audit Committee” shall refer to the committee appointed by the Commission Board in accordance with corporate by-laws. The Audit Committee shall make recommendations to the Board and provide guidance to the Treasurer in all matters relating to investments.

“Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over investment management or any authority or control over management, disposition or administration of the Commission assets.

“Investment Manager” shall mean any individual or group of individuals, employed to manage the investments of all or part of the Commission assets.

“Investment Advisor” shall mean any individual or organization that provides advisory services, including advice on investment objectives and/or asset allocation, manager search and performance monitoring.

“Securities” shall refer to the marketable investment securities that are defined as acceptable in this statement.

“Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.

## **RESPONSIBILITIES**

The Commission Board has delegated certain responsibilities with regards to Commission investments. These include, but are not limited to the following:

### Audit Committee:

The Audit Committee shall make recommendations to the Board for Board approval and provide guidance to the Treasurer, Executive Director and Director of Finance & Operations in all matters relating to investments. It acknowledges its fiduciary responsibility for the conservation and prudent management of Commission assets. More specifically, its responsibilities include:

- Complying with the provisions of all pertinent federal and state regulations and rulings.
- Developing investment objectives, asset allocation targets, investment guidelines, and performance measurement standards, which are consistent with the needs of the Commission.
- Evaluating and appointing investment managers to invest and manage Commission assets and appointing custodians and investment consultants.
- Communicating investment goals, objectives, and standards to investment managers, including any material changes that may subsequently occur.

### Treasurer:

In accordance with the Commission's by-laws, the Treasurer shall be a member of the Audit Committee and shall be the primary corporate officer responsible for the care and custody of all funds and securities of the Commission. The Treasurer shall report to the Commission board on a quarterly basis on the performance of investments.

### Director of Finance & Operations:

The Director of Finance & Operations shall report to the Audit Committee and Treasurer on a quarterly basis on the performance of the investments and shall make periodic recommendations on changes to this policy.

### Investment Managers:

In recognition of their role as fiduciaries of Commission portfolio assets, investment managers must assume the following responsibilities:

- Managing the assets under its management in accordance with the policy guidelines and objectives expressed herein.
- Meeting or exceeding the manager specific benchmarks expressed in the Investment Objectives and Goals section.

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- Exercising investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities.
- Meet at least annually for a formal performance review or at such other times as the Audit Committee, Treasurer or Director of Finance & Operations may reasonably request.

### **Custodian:**

The custodian bank(s) will be responsible for performing the following functions:

- Physically (or through agreement with a sub-custodian) maintain possession of securities.
- Collection of interest and dividends.
- Processing of all investment manager transactions.
- Collection of proceeds from maturing securities.
- Provide monthly statements by investment account and a consolidated statement of all assets.
- May also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.

### **GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of the Commission.
2. The funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person 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. Investments 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. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity and return.

### **INVESTMENT OBJECTIVES AND GOALS**

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

Specifically, the primary objective in the management of Commission assets shall be to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of Commission assets. Risk control is an important element in the investment of Commission assets.

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The secondary objective in the investment management of Commission assets shall be to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Over the investment horizon established for each investment pool, the goal shall be to:

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

### **INVESTMENT GUIDELINES**

#### 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 Director of Finance & Operations will periodically provide an estimate of expected net cash flow. The Director of Finance & Operations will notify the investment manager in a timely manner to allow sufficient time to build up necessary liquid reserves.

#### Marketability of Assets:

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

#### Allowable Assets:

1. Cash Equivalents
  - Treasury Bills
  - Money Market Funds
  - Commercial Paper (A1 rated or better)
  - Repurchase Agreements
  - Certificates of Deposit
2. Fixed Income Securities
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds (A rated or better)
  - Preferred Stock

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- Fixed Income Securities of Foreign Governments and Corporations (A rated or better)
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 that invest in securities as allowed in this statement.

### Prohibited Assets:

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 CMO's
8. Initial Public Offerings (IPO's)
9. Derivative Investments

### Prohibited Transactions:

1. Short Selling
2. Margin Transactions

### Asset Allocation Guidelines:

In order to have a reasonable probability of consistently achieving the Commission's long-term return objectives, the asset allocation policies outlined below have been adopted for each managed pool.

### **Reserves**

<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Target Benchmark</b>
Cash Equivalents	0%	50%	Citigroup 3 Month T-Bill
Fixed Income	50%	100%	Barclay's US Agg G/C

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### **Endowment**

<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Target Benchmark</b>
Cash Equivalents	0%	15%	Citigroup 3 Month T-Bill
Fixed Income	25%	60%	Barclay's US Agg G/C
Equities	25%	60%	S&P 500

### **Discovery Center Endowment**

<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Target Benchmark</b>
Cash Equivalents	0%	15%	Citigroup 3 Month T-Bill
Fixed Income	25%	60%	Barclay's US AGG G/C
Equities	25%	60%	S&P 500

The minimum and maximum percentages must be in compliance for each asset class individually. In the event that the above asset allocation guidelines are violated at the end of the reporting period, for reasons including but not limited to market price fluctuations, the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible.

#### Guidelines for Equity Diversification:

The Commission does not believe it is necessary that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total fund, and no more than 10% of the total fund should be invested in any one industry.

### **GENERAL MATTERS**

#### Conflict of Interest:

Officers, Directors, and Members of the Commission shall not have a financial or personal relationship with any investment manager or any investment advisor retained by or providing services to, the Commission. Officers, Directors, and Members of the Commission shall not have a financial interest in, nor active involvement with, any allowable assets acquired by or for the Commission, other than as a passive investor. No investment advisor retained by the Commission, or any entity in which such investment advisor may have an interest, shall be a party to any transaction with, or have a financial or other interest in, any investment manager, or any entity in which such investment manager may have an interest, providing services to the Commission.

#### Code of Ethics:

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In an effort to maintain the highest ethical standards appropriate for the management and safeguarding of Commission assets, the Investment Managers and Investment Advisors will completely adhere to the Association for Investment Management and Research (AIMR<sup>SM</sup>) Code of Ethics, as delineated in AIMR's most recent edition. Officers, Directors, Members and staff will adhere to the Commission's internal policy on ethical behavior.

### **SPENDING POLICY**

The Reserves fund is available to be used to supplement cash flow as determined by the Executive Director and the Director of Finance & Operations. Projected use of the reserve funds will be presented as part of the annual budget for Board approval. Draw down of reserve funds will be reported quarterly at Commission Board meetings.

Both the Discovery Center Endowment fund and the Endowment fund have a target of providing income to the Commission while preserving and growing capital. Upon board approval as part of the annual budget, the Commission may draw down up to 4% of the average of the last three fiscal year ending balances.

### **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 Audit Committee plans to review the investment policy annually.

This Statement of Investment Policy was adopted on October 16, 2009 and revised June 16, 2011, March 21, 2013 and June 19, 2014 by the Albany Pine Bush Preserve Commission Board.