

# **INVESTMENT POLICY OF THE VALLEY STREAM VOLUNTEER and EXEMPT FIREFIGHTER'S BENEVOLENT ASSOCIATION**

## **BACKGROUND AND GENERAL REQUIREMENTS**

The Valley Stream Volunteer and Exempt Firefighter's Benevolent Association was created as a corporation under the Not-For Profit Corporation Law by a special act of the New York State Legislature by the laws 1940 Chapter 73, to among other things, provide relief, aid and assistance to disabled and indigent volunteer and exempt firemen, providing fire protective services in the Valley Stream Fire District.

As such, the Association receives tax funds from the New York State Department of Insurance under Insurance Law §§9104 and 9105 which represents a tax on the premiums on the policies written by both foreign and alien insurance companies covering property within the Valley Stream Fire District.

The Association is a tax exempt 501( c ) (4) organization. Thus the Board of Trustees which consists of the members elected by the general membership annually, to wit president, vice- president secretary, treasurer and trustee controls the affairs and funds of the Association and act as fiduciaries.

As fiduciaries, they are controlled by the "prudent man" rule under the New York State Estate Powers and Trusts Law. Therefore, all investments are required to satisfy those requirements.

The Investments must be reasonable and prudent. The primary goal or objective is preservation of the fund. Reasonable growth is a secondary goal or objective.

Therefore, investments must not be high risk and require a diversified approach to spread any risk. There should be a mix as between corporate bonds and stocks which should be of the "blue chip" variety, preferably a 50/50 mix. Some assets should be insured , if possible. Review of the portfolio should be constant, and statements sent monthly.

Management fees should be minimal, approximately not in excess of ½ of 1 percent.

The initial investment is approximately XXXXXX. The fund traditionally does not have to be liquid, but should be accessible if needed without penalty.

## **PURPOSE OF INVESTMENT POLICY**

The purpose of this Investment Policy is to provide a clear statement of the Association's investment goals and objectives, to define the responsibilities of the Board of Trustees and any other parties involved in managing the Association's investments, and to identify or provide target asset allocations, permissible investments and diversification requirements.

## **INVESTMENT OBJECTIVE**

The overall investment objective of the Organization is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

## **GENERAL PROVISIONS**

- ☐ All transactions shall be for the sole benefit of the Association.
- The Board shall consider updating the Association's investment policy on an annual basis.
  - The Board shall conduct an annual review of the its investment assets to verify the existence and marketability of the underlying assets or satisfy themselves that such a review has been conducted in connection with an independent audit (if any) of the its financial statements.
  - The Board will endeavor to operate the its investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets.
- ☐ Investments shall be diversified with a view to minimizing risk.

## **DELEGATION OF RESPONSIBILITY; RELIANCE ON EXPERTS AND ADVISORS**

- ☐ The Board has ultimate responsibility for the investment and management of its investment assets.
- The Board or may hire outside experts as investment consultants or investment managers.

## **RESPONSIBILITIES OF THE BOARD**

- The Board is charged with the responsibility of managing the investment assets of the Association. The specific responsibilities of the Board include:
  1. Communicating the Association's financial needs to the Investment Managers on a timely basis.
  2. Determining the Association's risk tolerance and investment horizon and communicating these to the appropriate parties.
  3. Establishing reasonable and consistent investment objectives, policy guidelines and allocations which will direct the investment of the assets, to be reviewed by the Board on an annual basis.
  4. Prudently and diligently selecting one or more qualified investment professionals, including investment managers(s), investment consultant(s) and custodian(s).
  5. Regularly evaluating the performance of investment manager(s) to assure adherence to policy guidelines and to monitor investment objective progress.
  6. Developing and enacting proper control procedures; e.g., replacing investment manager(s) due to a fundamental change in the investment management process, or for failure to comply with established guidelines and policies or otherwise.

## **RESPONSIBILITIES OF INVESTMENT MANAGERS**

- Each investment manager will invest assets placed in his, her or its care in accordance with this investment policies and tolerances and using due diligence to the best of his or her ability
- Each investment manager must acknowledge in writing acceptance of responsibility as a fiduciary.
- Each investment manager will have full discretion in making all investment decisions for the assets placed under his, her or its care and management, provided operating within all policies, guidelines, constraints, and philosophies outlined in this Investment Policy. Specific responsibilities of investment manager(s) include:
  1. Discretionary investment management, including decisions to buy, sell, or

hold individual securities, and to alter allocation within the guidelines established in this statement.

2. Reporting, on a timely basis, monthly investment performance results.
3. Communicating timely any major changes in the economic outlook, investment strategy, or any other factors that affect implementation of investment process.
4. Informing timely the Board regarding any changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Board on behalf of the Association.
6. Administering the Association's investments at reasonable cost, balanced with avoiding a compromise of quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the Association.

## **GENERAL INVESTMENT GUIDELINES**

- A copy of this Investment Policy shall be provided to all Investment Managers.
- The Association is a tax-exempt organization as described in section 501(c)(4) of the Internal Revenue Code. This tax exempt status should be taken into consideration when making Association investments.
- The Association is expected to operate in perpetuity; therefore, a 10 year investment horizon shall be employed. Interim fluctuations should be viewed with appropriate perspective. [The foregoing may or may not be included, as applicable, depending upon the Association's liquidity requirements.]
- A limited cash account shall be maintained with a to keep cash available for grant distributions and other anticipated expenses.
- Transactions shall be executed at reasonable cost (approximately ½ of one percent) taking into consideration prevailing market conditions and services and research provided by the executing broker.

## **DIVERSIFICATION**

- The Association will maintain a reasonable diversification of investment assets between asset classes and investment categories at all times.

- Investments in the equity securities of any one company shall not exceed [5%] of the portfolio nor shall the total securities position (debt and equity) in any one company exceed [10%] of the portfolio.
- Reasonable sector allocations and diversification shall be maintained. No more than [25%] of the entire portfolio may be invested in the securities of any one sector.
- Investments within the investment portfolio should be readily marketable.
- The investment portfolio should not be a blind pool; each investment must be available for review.

## **ASSET ALLOCATION**

- The asset allocation policy shall be predicated on the following factors:
  1. Historical performance of capital markets adjusted for the perception of the future short and long-term capital market performance.
  2. The correlation of returns among the relevant asset classes.
  3. The perception of future economic conditions, including inflation and interest rate assumptions.
  4. Communicated liquidity requirements for the projected grants and other expenditures.
  5. The relationship between the current and projected assets of the Association and projected liabilities.

## **PERFORMANCE**

- Performance objectives are to be met on a net of fees basis. The investment performance of each asset allocation class will be measured on two levels: against inflation objectives for the total Association and against index objectives for individual portfolio components. Investment performance shall be measured no less than quarterly on a net of fees basis. Performance shall be evaluated on a three to five year basis to allow for market fluctuations and volatility.