

**The Starr Library
Finance Committee
INVESTMENT POLICY**

Investment Objectives

The investment objectives of the Endowment Fund are to:

- Provide an “operating contribution” annually to the Starr Library’s operating budget.
- Achieve a rate of return that, over time, will maintain its “purchasing power” after inflation, fees, and contributions to the operating budget.
- Ensure preservation of capital and provide a total rate of return (appreciation plus current income) which equals or exceeds over each rolling 3-year period the combined inflation rate and “operating contribution”.

Overall Guidelines

1. The Finance Committee, under the leadership of the Treasurer, will select funds with a proven track record of investment excellence in their respective investment styles.
2. Investment will be primarily in marketable securities: common and preferred stock, governmental and corporate bonds, and short term investments. Investments may include mutual and/or index funds as well as bond funds.
3. The Endowment fund will not utilize any leverage in its investments.
4. Investment results are expected to compare favorably with broad market indices and competitive measurement standards over full market cycles.
5. The Endowment Fund’s performance will be reviewed not less than annually by the Finance Committee.
6. Asset allocation will be as follows:

	<u>% of Portfolio</u>	
	Minimum	Maximum
<u>Equity Securities</u>	50%	70%
<u>Fixed Income Securities</u>	20%	45%
<u>Real Estate Related</u>	5%	
<u>Short Term Investments</u>	0%	15%

All computed percentages will be based on market value at performance review dates.

7. The Finance Committee will review these guidelines annually and propose them for approval by the Board of Trustees.

8. The Finance Committee must approve any temporary exceptions with notification to the Executive Committee of the Board of Trustees.

SPECIFIC INVESTMENT CRITERIA

Equity Securities

1. The equity investments will seek to achieve a diversified portfolio and may include portions in growth stocks, index funds, values funds, and small cap funds, etc. both domestically and overseas.

Fixed Income Securities

1. Securities or mutual funds will be U.S. treasury, U.S. Agency and non-governmental investment grade issues rated “BBB” or better. However, only 10% will be below an “A” rating.
2. With the exception of U.S. Treasury and U.S. Agency securities, no more than 5% of the Fixed Income holdings may be invested with any single issuer, and such holding may not exceed 5% of an Issuer’s outstanding debt.
3. The duration of the portfolio’s assets will be limited to not more than seven (7) years.

SHORT-TERM AND OTHER INVESTMENTS

Real Estate Related

1. The real estate investments of the Fund may include REITS and other pooled Funds.

Short Term (Cash Equivalent) Investments

1. All securities will have the highest ratings by Moodys and/or Standard and Poor.

Other Investments

1. Subject to approval of Finance Committee and the Executive Committee of the Board of Trustees.

RESTRICTIONS AND PERFORMANCE

List of Restrictions

1. “The Starr Library Family Members” (e.g. Trustees, Friends, etc.) shall not be employed in the Investment management of the Endowment’s funds.
2. No investment is permitted by managers in their own securities or securities of their affiliates.

Performance Measurement

1. Measured and reviewed quarterly using various standard indices. Attention will be placed on measurement over 3 to 5 year periods with recognition of the prevailing investment environment.
2. Absolute rate of return will be compared with the investment objectives as defined above.
3. Relative rate of return:
 - Total portfolio rate of return compared with CPI as a measure of inflation.

Finance Committee Responsibilities

1. Monthly written reports to the Boards on performance results.
2. Annual reports sharing investment results for the most recent 1 year, 3 years, and 5 years, and:
 - Any changes investment strategy or philosophy
 - Investment outlook and strategy

The Starr Library Board of Trustees and Executive Committee Responsibilities

1. The Board of Trustees will review and approve annually the Finance Committee's recommendations.
2. Review annually the endowment portfolio structure and results.
3. The Finance Committee will report changes in the Fund's investments to the Board of Trustees.
4. Annually the Board of Trustees will review and accept or decline the amount available for distribution to each calendar year's operating budget.

Presented to the Board of Trustees on January 17, 2005

Accepted by the Board of Trustees on March 21, 2005