



***ROSWELL PARK CANCER INSTITUTE CORPORATION***

***Elm and Carlton Streets  
Buffalo, New York***

***INVESTMENT POLICY***

*Approved by BOD June 2013*

**ROSWELL PARK CANCER INSTITUTE**

**INVESTMENT POLICY**

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# ROSWELL PARK CANCER INSTITUTE CORPORATION

## INVESTMENT POLICY

### I. SCOPE

Roswell Park Cancer Institute Corporation (RPCIC), in the course of pursuing its mission receives and administers financial assets in the form of patient revenue, State support, miscellaneous revenue and grant revenue. The management of the RPCIC assets shall rest with the RPCIC Board. RPCIC through its Board recognizes its responsibility to protect these assets and assure their availability for the purposes for which RPCIC has been constituted. RPCIC further recognizes its fiduciary responsibility to its members, sponsors and the State of New York to efficiently manage these assets as to enhance the total resources available.

RPCIC hereby promulgates this Investment Policy to ensure that the proper controls and mechanisms are in place to enable the RPCIC Board to fulfill its acknowledged responsibility.

### II. OBJECTIVES

The primary objectives of this Investment Policy are:

- to obtain a competitive rate of return (*yield*).
- to conform with all applicable Federal, State or other legal requirements (*legal*)
- to safeguard principal (*safety*)
- to provide sufficient liquidity to meet all operating requirements (*liquidity*)

### III. DELEGATION OF AUTHORITY

The RPCIC Board has ultimate responsibility for the administration of this Investment Policy. The Board shall utilize the workings and recommendations of the duly formed Finance Committee. The Finance Committee shall approve written procedures for the operation of the investment program consistent with the investment guidelines. The Finance Committee will appoint the Investment Officer who will regulate the activities of subordinate employees, to ensure compliance with this policy.

### IV. PRUDENCE

All participants in the investment process shall seek to act responsibly as custodians and shall avoid any transaction that might impair confidence in the RPCIC Board to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own

affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Any potential conflicts of interest shall be disclosed by the individual(s) to the Finance Committee. The Finance Committee will consider the individual(s) continued participation.

## **V. DIVERSIFICATION**

There are three categories of diversification to be addressed by this policy. They are investment vehicles, maturity dates and investment firms.

Investment vehicles or types of investments will be evaluated each time money is invested. If one investment type offers greater potential to meet stated objectives, this investment vehicle may occupy a greater portion of the portfolio. The Investment Officer is currently approved to invest funds in savings accounts, money market accounts, certificates of deposit and US Treasuries.

Maturity dates will be diversified in order to maximize interest earnings due to rate fluctuations and to assure that funds are available for Institute activities.

Diversification of firms is related to the strict collateralization requirements placed on New York State Agencies.

## **VI. INTERNAL CONTROLS**

The Investment Officer of RPCIC is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition. The Investment Officer will ensure transactions are executed in accordance with approved policies and recorded properly and are managed in compliance with applicable laws and regulations.

Internal controls will be established by maintaining a segregation of duties and a review procedure within the investment process. The Investment Officer, or a senior member of the Finance Department staff, will solicit approved depositories for the most favorable rate. Upon the Investment Officer's selection of the investment, the "Record of Investments" (a database including descriptions, amounts, transaction dates, interest rates and maturity dates) will be updated. A monthly review will be completed to verify the adequacy of collateral. An Investment Worksheet will be prepared for review and approval of the Chief Financial Officer or Assistant VP of Finance, each time there is investment activity. The Investment Officer shall report to the Finance Committee quarterly.

## **VII. DESIGNATION OF DEPOSITORIES**

The Investment Officer will maintain a list, established with Board approval, of banks and trust companies authorized to hold deposits and investments. The Board must approve any additions to or deletions from the list. No RPCIC assets shall be deposited or invested anywhere except with authorized banks and trust companies.

## **VIII. COLLATERALIZING OF DEPOSITS**

In accordance with the provisions of Public Authorities Law, Section 3563, all deposits of RPCIC, 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 fully secured by "investment grade" obligations (those permissible for direct investments).

## **IX. SAFEKEEPING AND COLLATERALIZATION**

Eligible securities used for collateralizing deposits shall be held in a third party custody arrangement under a formal signed agreement.

The security agreement shall provide that eligible securities are being pledged to secure RPCIC 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 RPCIC to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of RPCIC, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to RPCIC or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for RPCIC 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 other 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 RPCIC a perfected interest in the securities.

## **X. PERMITTED INVESTMENTS**

As authorized by Public Authority Law S3563, RPCIC is authorized to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in those obligations specified in section 98-a of the State Finance Law. (Listed in Appendix A)

All investment obligations shall be payable or redeemable at the option of RPCIC within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided. In the case of obligations purchased with the proceeds of bonds or notes,

these shall be payable or redeemable at the option of RPCIC within two years of the date of purchase.

## **XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

RPCIC shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments, which can be made with each financial institute or dealer. All financial institutions with which RPCIC conducts business must be credit worthy. In order for a bank to be considered credit worthy, the bank's regulatory ratios (Tier 1 Capital Ratio, Total Capital Ratio and Leverage Ratio) shall be equal to or greater than "Well Capitalized Ratios" as defined by the regulations issued by the Federal Deposit Insurance Corporation. If a bank's ratio(s) fall below the "Well Capitalized" level management will provide an analysis of the bank to the Finance Committee and a determination will be made as to the credit worthiness of the bank. Financial institutions shall provide their most recent audited annual report at the request of RPCIC. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York State Federal Reserve Bank, as primary dealers. Resolution by the Board of Directors of Roswell Park Cancer Institute Corp is required as approval of a financial institution or dealer.

## **XII. PURCHASE OF INVESTMENTS**

The Investment Officer or his/her designee is authorized to contract for the purchase of investments:

1. Directly, including through a repurchase agreement, from an authorized trading partner.
2. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the RPCIC Board.

All purchased obligations, unless registered or inscribed in the name of RPCIC, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold, or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to RPCIC by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in Public Authority Law, Section 3563.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, RPCIC, 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 depositor other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide RPCIC a perfected interest in the securities.

### **XIII. REPURCHASE AGREEMENTS**

Repurchase agreements are authorized subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement
- Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
- Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America
- No substitution of securities will be allowed.
- The custodian shall be a party other than the trading partner.
- Repurchase agreements should only be purchased from banks or trust companies authorized to do business in the State of New York or from broker dealers on the Federal Reserve Bank of New York's list of primary government securities dealers.
- Repurchase agreements should be for short periods of time. Agreements which are "open" (continuing in nature) should not be made.
- RPCIC should execute a master repurchase agreement with each broker dealer which outlines the basic rights of both buyer and seller.
- Custodian must take possession of the securities being purchased by physical delivery or book entry. The custodian should not be the same party that is selling the securities to RPCIC.
- A custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book entry transfer of securities to the credit of RPCIC. Transfer of securities should be confirmed to RPCIC by the custodial bank.
- The market value of the securities purchased under a repurchase transaction must be equal to or in excess of the purchase price. The securities must be monitored and additional securities required if market fluctuations cause the market value of the purchased securities to become less than the purchase price.

### **XIV. AUDIT AND REPORTING**

All investments under RPCIC are subject to the audit and reporting requirements listed in the "Office of the State Comptroller - Investment Guidelines for Public Authorities. (Specific requirements are listed in Section B9 and Section E of those Guidelines.)

#### Internal Reporting

On a quarterly basis the Investment Officer will report investment activity to the Finance Committee of the Board of Directors. These reports will be the bases for evaluating investment program compliance. Reports will provide a summary of all activity and include new investments and an inventory of existing investments and the selection of banks. Additional information will be made available at the request of the Board of Directors.

## Audit

In accordance with Public Authorities Law Section 2925, RPCIC is required to have an annual, independent audit of all investments. The annual audit:

- Shall determine whether:
  - RPCIC complies with its own investment policies.
  - investment assets are adequately safeguarded.
  - adequate accounts and records are maintained which accurately reflect all transactions and report on disposition of authority investment assets.
  - a system of adequate internal controls is maintained.
- Shall determine whether RPCIC complied with the applicable laws, regulations and State Comptroller's Investment guidelines

A written audit report should be prepared to present the results of the audit and should include:

1. a description of the scope and objectives of the audit
2. a statement that the audit was made in accordance with generally accepted government auditing standards
3. a description of any material weaknesses found in the internal controls
4. a description of all non-compliance with the authority's own investment policies as well as applicable laws, regulations and the State Comptroller's Investment Guidelines
5. a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested
6. a statement on any other material deficiency or finding identified during the audit not covered in 5 above.

## Reporting to Oversight Agencies

Section 2925 of the Public Authorities Law requires an annual investment report to be submitted to the Division of the Budget with copies to the Office of the State Comptroller, The Senate Finance Committee, and the Assembly Ways and Means Committee. Such report shall include:

1. the investment guidelines required by Section 2925 (3) and any amendments to such guidelines since the last investment report
2. an explanation of the investment guidelines and amendments
3. the results of the annual independent audit
4. the investment income recorded of the authority
5. a list of the total fees, commissions or other charges paid to each investment banker, broker, agent dealer and advisor rendering investment associated services to RPCIC since the last investment report.



## APPENDIX A

### PERMITTED INVESTMENTS

In accordance with Section 98a of the State Finance Law, the following securities are authorized for investment or collateral:

- 1) Bonds and notes of the United States.
- 2) Bonds and notes of this state.
  - a) General obligation bonds and notes of any state other than this state, provided that such bonds and notes receive the highest rating of at least one independent rating agency designated by the comptroller.
- 3) Obligations for the payment of which the faith and credit of the United States or of this state are pledged.
  - a) Notes, bonds, debentures, mortgages or other evidences of the United States Postal Service; the federal national mortgage association; federal home loan mortgage corporation; student loan marketing association; federal farm credit system or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, the highest rating of all independent rating agencies that rate such agency or its obligations, provided, however, that the aggregate amount invested in the obligations of all such agencies shall not exceed the lesser of 5% of the total investment portfolio or \$10 Million.
- 4) Judgments or awards of the court of claims of this state.
- 5) Stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law.
- 6) Bonds and notes of the Savings and Loan Bank of the State of New York;
- 7) Collateral trust notes issued by a trust company, all of the capital stock of which is owned by not less than twenty savings banks of the State of New York.
- 8) Bonds and notes issued for any of the corporate purposes of the New York state housing finance agency;
- 9) Bonds and notes issued for any of the corporate purposes of the New York State medical care facilities finance agency;
- 10) Bonds and notes issued for any of the corporate purposes of the New York state project finance agency;

## APPENDIX B

### AUTHORIZED FINANCIAL INSTITUTIONS

In accordance with RPCIC Investment Policy, Section XI, the Board of Directors has approved following Financial Institutions for investing purposes:

- Citibank
- First Niagara Savings Bank, incl. CDARS
- Bank of America
- HSBC Bank
- JP Morgan Chase
- Key Bank
- M&T Bank
- Citizens Bank
- Northwest Savings Bank