



***ROSWELL PARK CANCER INSTITUTE CORPORATION***

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

***INVESTMENT POLICY***

*Approved by BOD August 2016*

**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 (NYS) 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. PORTFOLIO DIVERSIFICATION

It is the policy of the RPCIC Board to diversify its investments by financial institution, by investment instrument, by issuer, and by maturity, so as to mitigate the risk of loss resulting from the over-concentration of assets in a specific financial institution, class of securities, issuer, or maturity. The maximum percentage of the portfolio\*, based on book value at the time of purchase, permitted in each eligible security is as follows:

U.S. Treasury Obligations	100% maximum
Money Market Funds	100% maximum
Federal Agencies	50% maximum
Commercial Paper	25% maximum
Municipal Obligations	20% maximum

The RPCIC portfolio will be diversified to limit the exposure to any one issuer, according to the following guidelines:

U.S. Treasury Obligations	100% maximum
Each Federal Agency**	25% maximum
Commercial Paper***	5% maximum
Municipal Obligations of New York City and NYS	10% maximum
Municipal Obligations of any other State other than NYS	10% maximum
All other Permitted Municipal Obligations	5% maximum

\* Portfolio is defined as total available funds excluding deposit accounts.

\*\* Further limited to sixty five million per issuer in Appendix A. Prior written authorization by RPCIC's investment officer is required to invest in mortgage backed securities.

\*\*\* Further limited to fifteen million per issuer in Appendix A.

Maintenance of adequate liquidity to meet the cash flow needs of RPCIC is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available

to meet anticipated current liquidity needs. Selection of investment maturities must be consistent with the expected future cash requirements.

Investments shall have a maximum maturity or expected average life<sup>1</sup> of 5 years from date of settlement. In addition, the overall effective duration of the portfolio is limited to a maximum of 2.5 years.

<sup>1</sup> Measured using Bloomberg or other industry standard methods.

Any variance from any of these limits must be approved by the Finance Committee.

## **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 & QUALIFICATIONS FOR INVESTMENT ADVISORS/MANAGERS**

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.

For the purpose of rendering investment management/advisory services to RPCIC, the Finance Committee may qualify any partnership, corporation or person which is:

- Authorized to do business in the State of New York as an investment manager/advisor; and
- Registered with the Securities and Exchange Commission under the Investment Advisor Act of 1940 or exempt from registration.

The Finance Committee shall also consider the firm's quality, size and reliability, RPCIC's prior experience with the firm, the firm's level of expertise, and prior experience with respect to the contemplated services.

## **XIV. AUDIT AND REPORTING**

All investments under RPCIC are subject to the audit and reporting requirements listed in 2 NYCRR Part 201, Section 201.3.

## 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

The following investments are allowable under Section 98a of the State Finance Law and are authorized for investment or collateral:

- 1) Bonds and notes of the United States.
- 2) Bonds and notes of the State of New York.
  - 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 and other evidences of indebtedness 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 no more than sixty five million dollars may be invested in the obligations of any one agency.
- 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. Issuers or their obligations must receive, at the time of investment, a long-term debt rating in the top three categories by at least two independent rating services designated by the Comptroller.
- 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;
- 11) Obligations of any corporation organized under the laws of any state in the United States maturing within two hundred seventy days provided that such obligations receive the highest short-term debt rating by at least two independent rating services designated by the Comptroller and that the issuer of such obligations has maintained such ratings on similar obligations during the preceding six months provided, however that the issuer of such obligations need not have received such rating during the prior six month period if such issuer has received the highest rating of two

- independent rating services designated by the state comptroller and is the successor or wholly owned subsidiary of an issuer that has maintained such ratings on similar obligations during the preceding six month period or if the issuer is the product of a merger of two or more issuers, one of which has maintained such ratings on similar obligations during the preceding six month period, provided, however, that no more than fifteen million dollars may be invested in such obligation of any one corporation. Further, the total holdings of an issuer's commercial paper may not represent more than 5% of the issuing corporation's total outstanding commercial paper.
- 12) No-load money market mutual funds registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, provided that such funds are limited to investments in obligations issued or guaranteed by the United States of America or in obligations of agencies or instrumentalities of the United States of America where the payment of principal and interest are guaranteed by the United States of America (including contracts for the sale and repurchase of any such obligations), and are rated in the highest rating category by at least one nationally recognized statistical rating organization, provided, however, that no more than two hundred fifty million dollars may be invested in such funds.

## 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 (including wholly-owned subsidiary Wilmington Trust)
- Citizens Bank
- Northwest Savings Bank
- Five Star Bank
- Bank of New York Mellon
- Federal Home Loan Bank of New York
- US Bank