

# **Endowment Fund Investment Policy**

## **Portland Library**

### **Introduction/Purpose**

The Portland Library periodically receives monetary donations either as gifts or bequests, by friends, citizens and/or organizations of the community. These donations, at the request of the donor, become part of the Endowment Fund. These funds will be used for projects that are high priorities for the Library but cannot be funded by the Library's annual operating budget.

The donor may provide certain stipulations regarding the use and acknowledgment of donations in excess of \$5,000. Donations under \$5,000 are determined to be unrestricted. It is the obligation of the Board of Directors of the Portland Library (the "Board") to ensure that these are honored, at least insofar as they are consistent with the library's mission, ordinances of the Town of Portland, and the laws of the State of Connecticut. The Board reserves the right to refuse any donation that does not meet the above criteria.

The purpose of this policy is to establish a regular procedure for receipt, management and disposition of funds or other properties that are received by the library as bequests or other donations.

The general charge to the Board is therefore to manage and otherwise direct the collective resources of the Endowment Fund in such a way that is most consistent with the interests of donors, the library, and relevant governing bodies.

### **Investment Objective**

The Endowment Fund shall be self-sustaining. Only appreciation generated from the investments of the fund (defined as interest income, dividends and market appreciation) above the original principal (as defined as \$100,000) may be spent. The original principal shall be maintained in its entirety. The principal value will be increased by future restricted donations or at the discretion of the Board to increase the principal amount. The assets in the fund shall be invested in such a way as to assure current income as well as long-term growth.

The Endowment's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objective of the Endowment, the financial needs and circumstances of the Endowment, the time horizon available for investment, the nature of the Endowment's cash flows (gifts and spending needs) shall be taken into consideration. Consistent with these objectives and goals, the assets of the Endowment shall be guided by the following underlying goals:

- To preserve the spending power of the Endowment;
- To maintain sufficient liquidity to meet any obligations of the Endowment;
- To diversify the assets of the Endowment in order to minimize risk associated with a single investment;

The Town Finance Director shall oversee the day-to-day management of the Endowment investment portfolio. The assets shall be invested in mutual funds (either passive or actively managed) so as to provide diversification across the major asset classes. The Town Finance Director may seek assistance from the Endowment's investment consultant in periodically evaluating and verifying the Endowment's asset allocation strategy as well as monitoring and evaluating investment results. The investment consultant shall provide an update on the Endowment's asset allocation strategy and the performance of the portfolio on a periodic basis.

### **Investment Monitoring**

Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain intact and that an investment continues to be appropriate for the Endowment. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a periodic basis. The monitoring process will utilize the same criteria that formed the basis of the investment selection decision. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus on potential areas of concern.

Watch list criteria may include the following:

- Performance relative to benchmark performance over various time frames;
- Deterioration of risk-adjusted performance;
- Notable change in investment objective;
- Relative investment management fees;
- Significant organizational or manager change.

### **Responsibilities of the Library Board of Directors:**

- The Board shall accept/acknowledge gifts made to the Endowment Fund
- Maintain a record of all gifts and bequests to the Endowment Fund
- Maintain accurate records of all invested funds, including income and principal.
- The Library Director will report the financial status of the Endowment Fund, including receipts and disbursements and other pertinent information to the Board no less than annually.

- The Board will actively promote the Endowment Fund. Any promotional costs may be paid from the Endowment Fund provided such costs are above the book value of the Endowment.
- The Board shall attempt to meet within the first quarter of each calendar year to determine how available funds may be used. A report of endowment fund expenditures for each year will be announced and publicized during National Library Week.
- Care must be taken to avoid conflicts of interest on the part of the members of the Portland Library Board of Directors and the staff of the Portland Library. Current standards of the Portland Library, Town of Portland and the State of Connecticut shall be followed in all transactions.
- Mistakes made in good faith and in the exercise of due care in connection with the administration of the Endowment Fund shall not be deemed to be a violation of this plan. The Board shall take whatever action is practicable in the circumstances to remedy the mistake.

### **Changes and Amendments:**

Any section of this investment policy may be amended by a two-thirds vote of the Board.

Approved as Amended by the Library Board of Directors  
July 22, 2010  
Approved by e-mail vote 7/23/2010