

# JEFFERSON COUNTY LIBRARY FOUNDATION

## Endowment Fund Investment Policy

### **Introduction:**

The Jefferson County Library Foundation (hereinafter referred to as the “Foundation”) was created for the purpose of raising funds to support the programs and operations of the Jefferson County Library District (hereinafter referred to as the “District”). The Board of Directors of the Foundation (hereinafter referred to as the “Board”) desires to create a Jefferson County Library Endowment Fund (hereinafter referred to as the “Endowment Fund”) to provide a permanent funding source for the sole benefit of the District.

### **Intent:**

The objective of the Endowment Fund is to support the current and future operations of the Jefferson County Library District and to preserve and enhance the purchasing power of the Endowment Fund. To accomplish these goals, the Endowment Fund must generate returns from investments greater than its spending rate over time.

In order to meet the goal of providing a revenue source for the District in perpetuity, the strategy of the Board is to preserve the original amount of any contribution to the Endowment Fund and only use net income and gains produced by the Endowment Fund for the sole benefit of the District.

### **Guiding Principles:**

The original principal amount of any contribution to the Endowment Fund shall be held and not reduced for any reason. The Board will be responsible for holding and managing the original contributions to the Endowment Fund in accordance with this Endowment Fund Investment Policy and distributing any net income and gain produced by the Endowment Fund for the purpose of benefitting the Jefferson County Library District.

### **Delegation:**

The Board hereby delegates supervisory authority over the Endowment Fund to the Investment Committee of the Board. The Investment Committee shall consist of the Treasurer and two members of the Board, and shall be appointed by the President with the consent of the Board after the election of Board members and Officers at the Annual Meeting in March. The Library District’s Assistant Director for Business and Finance also shall be an ex officio (non-voting) member of the Investment Committee. The Investment Committee is responsible for regularly reporting on the Endowment Fund’s investments to the Board. In carrying out its responsibilities, the Investment Committee and its agents shall act in accordance with the provisions of the Endowment Fund Investment Policy, applicable laws and

regulations. The Board reserves to itself the exclusive right to revise the Endowment Fund Investment Policy.

The Board and its Investment Committee are authorized to retain one or more Investment Managers (hereinafter referred to as the “Manager”) to assume the management of funds and assets comprising the Endowment Fund. In discharging this authority, the Investment Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into and terminate agreements with the Manager. The Board and its Investment Committee shall designate the Library District’s Assistant Director for Business and Finance as liaison to the Manager.

**Investment Objective:**

The primary investment object of the Endowment Fund is to provide a rate of return that will permit the maximum support of the District while preserving and protecting the amount of the original contribution. To that end the Board will invest in a manner that meets the following criteria: prudent management of investments, preservation of principal, potential for long-term asset growth, and socially responsible investment practices.

**Investment Guidelines:**

Permissible Investments:

Endowment Fund assets may be invested in publicly traded common and preferred stocks, convertible bonds, bank common funds, mutual funds, and fixed income securities including corporate bonds and money market instruments. No other securities are permitted without the specific approval of the Board.

Investments That Are Not Permitted:

Equity Investments – Stock in non-public corporations, initial public offerings, and buying or selling on margin.

Fixed Income Investments – Notes or other indebtedness for which there is no public market (privately placed bonds) nor direct placement of mortgages on real property.

Options and Futures – Transactions are not permitted in futures contracts nor options contracts of any kind.

Socially Responsible Investing

In keeping with the mission and goals of the Foundation, the assets of the Endowment Fund shall be invested in a socially responsible manner. The portion of the Endowment Fund assets invested in publicly-traded common stocks, preferred stocks and bonds shall be invested in companies recognized as being socially responsible. Investments of Endowment Fund assets may be made in a mutual fund generally recognized as screening for socially responsible investments.

Asset Mix

The investment objective of the Endowment Fund shall be a balanced approach. The Investment Committee is authorized to utilize portfolios of equity securities (common stocks, preferred stocks, and convertible securities), fixed income securities (debt instruments), and short-term investments (cash or cash equivalents), or mutual funds comprised of these types.

<u>Asset Class</u>	<u>Long-Term Target</u>	<u>Allowable Range</u>
Equity	60%	30% to 70%
Fixed Income	40%	30% to 70%
Short-Term	0%	0% to 20%

### Start Up Thresholds

The Manager may deviate from the above guidelines concerning the asset mix until such time as the market value of the Endowment Fund reaches a point where the level of asset mix is reasonable.

### Asset Diversification and Quality

The asset quality standards below shall apply at the time of initial purchase. The Manager and the Investment Committee shall review the status of any holdings whose quality drops below these standards and determine at that time whether the security should be retained.

Equity Securities – No more than 10% of the market value of any equity portfolio may be invested in the securities of any one issuer. The Manager shall also maintain reasonable sector allocations such that no more than 20% of any equity portfolio may be invested in the securities of any one market sector. A level of diversification by market capitalization appropriate to prevailing market conditions is also required. In developing the equity portfolio, the Manager may use mutual funds, pooled funds, convertible preferred stocks and bonds as equity investments.

Fixed-income securities- The fixed-income securities of a single issue or issuers are limited to no more than 20% of the market value of the fixed-income portfolio. These diversification requirements shall not apply to U.S. Treasury obligations, which may be held in unlimited amounts within the fixed-income portfolio. The quality rating of bonds and notes must be A or better, as rated by Standard and Poor’s or Moody’s. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of no greater than 10 years. Average maturity of the portfolio should not exceed 7 years.

Short-term investments- The quality rating of commercial paper must be at least A-1 as rated by Standard & Poor’s or P-1 as rated by Moody’s. Any money market funds utilized must comply with the quality provisions for fixed-income securities.

Foreign securities- The total value of investments in securities whose issuers are foreign corporations and investments in mutual funds comprised primarily of foreign securities shall be limited to 10% of the assets of the Endowment Fund.

The portfolio of the Fund shall be, from time to time, rebalanced as necessary to maintain asset mix required by this investment policy.

## **Distribution of Unrestricted Income and Gain**

The income and/or gain earned by the Endowment Fund is considered unrestricted revenue and may be distributed to the District as general support revenue for its programs. On at least an annual basis the Investment Committee shall recommend to the Board an amount to be transferred to the District. At no time shall the permanently-restricted original contributions to the Endowment Fund be reduced. Not more than 90% of the unrestricted funds may be distributed in any given fiscal year for ongoing programs. The signatories on the Endowment Investment Account shall include the Treasurer and the two members of the Investment Committee and the Library District's Assistant Director for Business and Finance. The signatures of at least two Investment Committee members shall be required for any withdrawal or transfer of funds from the Endowment Investment Account.

## **Review Procedures**

### Review and Modification of the Investment Policies

The Investment Committee of the Board shall review these investment policies on at least an annual basis to determine if any changes are necessary or desirable. Any proposed modification must be approved by the Board and if adopted must be communicated to the Manager and other interested persons.

### Meetings with the Investment Manager

The Manager is expected to consult with the Investment Committee of the Board at least annually to review the Endowment Fund portfolio and investment results in the context of these policies. If cost, scheduling, or convenience prohibits a meeting, a telephone conference is acceptable.

### Reporting Requirements

The Manager is expected to provide the Investment Committee of the Board with the following reports:

Monthly- A written statement of all pertinent transaction details for each separately managed portfolio for the preceding month, including: 1) the name and quantity of each security purchased or sold, with the price and transaction date; 2) an analysis for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated income and yield at market; and 3) an analysis of the entire portfolio of the current asset allocation by investment category (equity, fixed-income, short-term investments).

Semi-Annually – A semi-annual summary of all transactions to date in the fiscal year, together with a report of investment performance for the portfolio to date.

### Performance Measurement

The Investment Committee of the Board shall review the Endowment Fund portfolio on an annual basis to assure the objectives and guidelines of the investment policy are being followed. The Investment Committee shall present its review to the Board at least annually as well.

Performance Benchmarks

The Investment Manager is expected to achieve total returns competitive with performance benchmarks appropriate for each asset class, as measured over a fair market cycle of three to five years. The specific indices used as benchmarks must be agreed upon by the Investment Committee and the Manager. In the equity asset class, indices specific to the socially-responsible investment field should be considered.

Adopted by the Board of Directors of the corporation on the  3rd  day of  December ,  2013 .

Vernon Sullivan

President

ATTEST:

Michael Arnhart

Secretary