

Edith B. Ford Memorial Library

INVESTMENT POLICY

Objectives

1. To accumulate and to preserve in perpetuity a pool of assets sufficient to generate significant annual cash stream to assist with operating expenses.
2. To manage the library's financial assets in a prudent manner to ensure the long term financial viability of the Edith B. Ford Memorial Library.

Policy

It is the policy of the Board of Trustees to apply industry standard of prudence to the management of the library's assets, which states:

"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 probable safety of their capital as well as the probable income to be derived."

Board members acting in accordance with this policy statement or any other written procedures pertaining to the administration and management of the library's assets and who exercise the proper due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

Board members involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Further, no board member involved in the investment process shall use the authority or influence of office to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the service providers with respect to that provider's function(s) on behalf of the library's assets.

Investment Managers and Investment Vehicles

The Library may elect to have its portfolio professionally managed or may, under strict rules, self-manage via purchasing index funds. For the professional managers, the Board will review the professional experience and past performance of potential investment firms and portfolio managers. Further consideration in the selection of investment managers and vehicles will be given to risk characteristics,

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investment philosophy, portfolio design and internal management capabilities. The Library shall seek to avoid conflicts of interest and prohibited transactions.

When possible, the General and Investment Funds will be managed through local banking and investment companies.

Library Assets

The Library Assets are divided into two general categories:

- A. General Funds
- B. Investment Funds

A. General Funds:

The General Fund is the “day to day” operating accounts of the Library and used to pay near term expenses, including any capital improvements planned for the immediate future. Accounts usually include checking, savings, and Certificates of Deposit.

B. Investment Funds:

The Investment Funds are the library’s financial commitment to the future and are designed to perpetually provide the library with an annual payout to assist with operation expenses.

The Investment Funds are currently divided into three funds:

1. Community Bank Irrevocable Trust Fund (Professionally Managed)
2. Community Bank Investment Fund (Professionally Managed)
3. Fidelity Investment Fund (Self-Managed)

The principal of the Community Bank Irrevocable Trust is protected and may only be used under extraordinary circumstances. Dividends from this fund may be transferred to the General Fund.

The Community Bank Investment Fund and Fidelity Investment Fund dividends may also be transferred to the General Fund and its principal may be touched in order to permit the maximum annual payout from the Investment Funds.

Transfers between Investment Funds and General Fund:

Prudence should be used in determining the annual payout from the Investment Funds to the General Fund. It is generally accepted that the total withdrawal from the Investment Funds to cover both the annual payment and investment expenses should range between 3% and 5% of the trailing three year average quarterly

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balance. Withdrawing less than 3% is generally considered hoarding. Withdrawing more than 5% is generally considered excessive and can erode the long-term purchasing power of the Investment Funds.

The trailing three year average quarterly balance is used to ensure a reliable and consistent budgeting process somewhat immune from short term fluctuations in the market.

Investment Strategy

The objectives of the General Fund and the Investment Funds are different and as such, have different investment strategies.

Investment Strategy for General Funds

The General Fund shall be managed according to the following hierarchy:

1. Safety – The single most important objective of the General Fund investment program is the preservation of principal.
2. Liquidity – The General Fund’s assets shall be managed in such a manner that assures that funds are available as needed to meet immediate and near-term operating requirements of the library.
3. Yield – Compliant with applicable laws, regulations and ordinances the Library’s General Fund assets will be invested to maximize return while maintaining safety and liquidity.

Investment Allocation Guidelines for General Fund

As safety and liquidity are of paramount importance for the General Fund, all funds should be invested in safe short-term securities.

General Fund Asset Class	Target
Cash, Cash Equivalents, and Certificate of Deposit	100%

Strategy for Investment Funds (both Professionally Managed and Self-Managed)

The Investment Funds shall be managed according to the following hierarchy:

1. Maintain Purchasing Power - Provide for long-term growth of the assets while simultaneously protecting the principal of the assets through constraints on approved investments and asset allocation. The objective is to ensure that the purchasing power of the Investment Funds keeps pace with rising maintenance expenses. The time horizon for the library is essentially eternity.

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2. Diversification – The Board believes the Investment Funds' ability to achieve sustained acceptable returns and minimize risk is a function of a diversified asset allocation. In addition, diversification within each asset class is essential.
3. Low Cost – The Board recognizes that high management, transaction and mutual fund load fees can erode future asset balances over many years.

Professionally Managed Investment Funds

Investment Allocation Guidelines

The Board believes that the ability to achieve sustained acceptable returns is, in large part, a function of a diversified asset allocation. A target of fifty percent (50%) of the Investment Funds' market value will be invested in stock with the balance invested in notes, bonds and short-term securities.

Investment Funds Asset Class	Target
U.S. Large Cap Equities	30%
U.S. Medium & Small Cap Equities	10%
Non-U.S. Equity	10%
Fixed: Notes, Bonds, Short-term securities	45%
Cash	5%

The total portfolio shall conform to a disciplined process of rebalancing that both increases the total return and minimizes investment transaction costs. The portfolio will be reviewed twice a year for target over/under weightings in excess of 10%.

Permissible Investments

Equity: No-load Mutual Funds and Exchange Traded Funds.

Stocks: Individual Stocks.

Fixed:

U.S. Treasuries, Bond Index Funds, FDIC Insured Certificates of Deposits, and Money Market Accounts, and Investment Grade Bonds (BBB or better) which may include Municipal Bonds under the Build America Bonds.

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Restrictions on Investments

The initial investment in any one issuer shall not exceed 10% of a manager's portfolio, with the exception of U.S. government securities. The investment in any one issuer should not exceed 15% of a manager's portfolio *at any time*, again with the exception of U.S. government securities.

For the equity investments, no individual stock will represent more than 4% of the equity portion of the portfolio at the time of purchase, or more than 8% of the equity portion of the portfolio *at any time*.

Self-Managed Investment Funds

Investment Allocation Guidelines

The Board believes that the ability to achieve sustained acceptable returns is, in large part, a function of a diversified asset allocation. A target of sixty percent (60%) of the Investment Funds' market value will be invested in stock with the balance invested in notes, bonds and short-term securities.

Investment Funds Asset Class	Target
U.S. Large Cap Equities	35%
U.S. Medium & Small Cap Equities	15%
Non-U.S. Equity	10%
Fixed: Notes, Bonds, Short-term securities	40%
Cash	0%

Permissible Investments (low cost Fidelity Ishares or equivalent ONLY)

U.S. Large Cap Equities	FUSEX	Spartan 500 Index Fd
U.S. Medium & Small Cap Equities	FSEMXX	Spartan Extended Mkt Index
Non-U.S. Equity	FSIIX	Spartan International Index Fd
Fixed: Notes, Bonds, Short-term securities	FSITX	Spartan US Bond Index Fd

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Gift Policy

Any gifts of marketable securities to the Library will be either immediately sold or, if deemed by the Professional Investment Manager to fit within the current asset allocation of the Professionally Managed Portfolio, be transferred into the Professionally Managed Investment Fund.

Rebalancing Policy

In the event that an asset class is outside its range for two consecutive quarter-ending periods, the portfolio shall be rebalanced to come into compliance with the ranges in this policy.

Performance Monitoring

The Board of Directors of the Library, or a committee designated by the Board, shall review at least twice a year the investment portfolio and performance of each manager and asset class.

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