

# **SUN PRAIRIE PUBLIC LIBRARY**

## ***TRUST FUND INVESTMENT POLICY STATEMENT (IPS)***

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### **I. History**

- A.** The Sun Prairie Public Library was established in 1901 to meet the life-long learning needs of people of all ages in the Sun Prairie area. The Trust Fund is designed to help in this endeavor by providing support beyond the moderate level of library service supported by city funding. It was established through a gift from the estate of Elisabeth Kind in 1959. The original balance of the trust was \$73,800. Her bequest states that half of the income from the Fund is to be used for library materials, and half is to be used for building and equipment expenses.

### **II. Purpose**

- A.** This document is to establish policies and guidelines to govern the Sun Prairie Public Library Trust Fund (the “Fund”). It shall outline the duties and investment responsibilities of the parties involved, particularly those relating to fiduciary duties, communication, operational efficiency, and accountability. Parties involved include the Sun Prairie Public Library Board, the Finance Committee, the investment manager, and the bank custodian.
  - 1.** The Sun Prairie Public Library Board shall make the final selection of investment manager.
  - 2.** The Finance Committee is appointed each year by the Library Board President and is responsible for the oversight of the investment manager selection process and investment manager performance evaluation. They will provide a quarterly report to the Library Board.
  - 3.** The Investment Manager will be held to a fiduciary standard and will be required to have their NASD Series 7 General Securities Representative Qualification and represent a Securities Investor Protection Corporation member firm. Preference will be given to investment managers maintaining professional accreditation (e.g., CFP, CFA, CPA, CIMA). Written performance and asset allocation reports will be provided to the Committee not less than quarterly.
  - 4.** The Bank Custodian will hold in safekeeping assets and securities such as stocks, bonds, commodities and cash, arrange settlement of any purchases and sales of securities, and collect information on and income from such assets.

### **III. Investment Objectives**

- A.** It is the intention of the Sun Prairie Public Library board to manage The Fund according to principles of modern portfolio theory (MPT). MPT is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. By combining different assets whose returns are not perfectly positively correlated, MPT seeks to reduce the total variance of the portfolio return. The level of risk aversion for the Fund will be Moderate. A Moderate portfolio will hold a balanced mix of most all major viable asset classes. Both safe and risky asset classes are utilized pragmatically. The goal is balance between profits and loss reduction to maximize the compound aggregate growth rate. The investment manager will be expected to choose suitable investments based on his/her fiduciary responsibility. The portfolio will be rebalanced at least annually to maintain the risk tolerance preference of Moderate.

### **IV. Investment Constraints**

- A.** No single security or asset sub-class shall exceed 15% of portfolio value unless it is backed by the full faith and credit of the United States of America. Time horizon of the Fund is perpetual with an expectation to produce consistent income on an inflation adjusted basis forever. Sun Prairie Library Board shall maintain a withdrawal rate of no more than 4% of the funds value per annum. Four percent shall be calculated based on the Fund’s value at the start of each fiscal year. The funds are to be utilized according to the Kind bequest. Total portfolio management expenses including but not limited to mutual fund expenses, 12b-1 fees, brokerage fees, trade fees, wrap fees, and management fees shall not exceed 1.5% of the portfolio balance annually.

## **V. Investment Manager Selection**

- A.** The Library Director and Finance Chair will send out requests for proposal for management services every three years to five years. The Library Director and Finance Chair will screen applicants and recommend candidates to be reviewed by the Finance Committee. No less than two applicants shall be interviewed by the Library Board.

*Adopted: December 8, 2011*

*Amended October 15, 2015*