

# ***SUN PRAIRIE PUBLIC LIBRARY TRUST FUND INVESTMENT POLICY***

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## **I. Introduction and Statement**

The Sun Prairie Public Library is authorized under section 43.58(7) Wisconsin State Statutes to invest funds consisting of gifts and bequests. The Library Board currently holds a Trust Fund. This policy outlines the purpose, goals and investment objectives of the Sun Prairie Public Library Trust Fund (the "Fund").

## **II. Purpose**

- A. Describes an appropriate risk posture for the investment of the Fund's assets;
- B. Specifies the target asset allocation policy;
- C. Establishes investment guidelines regarding the selection of investment advisor(s), permissible securities and diversification of assets;
- D. Specifies the criteria for evaluating the performance of the Fund's investment advisor(s) and of the Fund as a whole;
- E. Defines the responsibilities of the Finance Committee and their investment advisor(s).

## **III. Roles of the Finance Committee, Library Board, and Investment Manager**

- A. The Sun Prairie Public Library Board shall make the final selection of investment manager.
- B. 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.
- C. The Investment Manager will be held to a fiduciary standard as a trust company. In the case of a broker, the broker 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. Written performance and asset allocation reports will be provided to the Committee not less than quarterly.
- D. The Investment Manager has discretionary authority subject to terms otherwise outlined in this policy.
- E. The 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.

## **IV. Account Information and History**

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 level of library service supported by city funding. It was established through a gift from the estate of Elsbeth Kind in 1959. The original bequest of 600 Rayovac shares was sold due to mergers and in 1974 when the Library Board had to sell the shares, the Library Board received \$73,800. The bequest states that half of the income from the Fund is to be used for library resources and services, and half is to be used for building and equipment expenses.

**V. Responsibilities of the Finance Committee**

- A. The Finance Committee is appointed each year by the Library Board President and is responsible for the oversight of the Fund’s assets. The committee will define the policies and objectives of the Fund. They will also provide an annual report to the Library Board which shows the status of the Fund at that point in time.
- B. Every five years, the Library Director and Finance Chair will send out requests for proposal for management services. The Library Director and Finance Chair will screen applicants and recommend candidates to be reviewed by the Finance Committee. Execution, capability, price, commission rate and overall effectiveness shall be considered. The Finance Committee will present their recommendation to the Library Board and the Library Board shall make the final selection.

**VI. Earnings and Accountability**

- A. The Fund shall be sustaining. Effective January 1, 2019, the Fund’s basis shall be calculated using the previous year end’s final value. The Library Board may spend no more than 4% of the year-end value.
- B. The Library Board may decline use of 4% withdrawal for a particular year and collect funds over subsequent years to fund a larger service or project.
- C. The Library Director will include anticipated Fund expenditures in the annual budget request. A draft will be presented to the Library Board by December of each year.
- D. New circumstances and situations may dictate desirable changes in the Trust Fund Investment Policy. Any change shall require approval of the Finance Committee and Library Board.

**VII. Investment Objectives and Management**

- A. It is the intention of the Sun Prairie Public Library board to grow the Investment Portfolio in order to allow the library to use annual distributions for projects that enhance public library service. Sun Prairie Public Library shall maintain a withdrawal rate as outlined in VI. A. above. The funds are to be utilized according to the Kind bequest.
- B. The investment objective of the Fund is a balance of growth in principal and current income, emphasizing preservation of capital. This goal is consistent with the guidelines set forth in this policy.

**VIII. Asset Allocation**

- A. In line with the Fund’s return objectives and risk parameters, the mix of assets should generally be maintained as follows:

<u>ASSET CLASS</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>TARGETED</u>
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Equities	50%	70%	60%
Fixed Income	20%	40%	30%
Cash	0%	10%	5%

- B.** The Fund should maintain an adequate degree of liquidity with a balance of investments in high quality equity and fixed income securities. Equities may include stocks and mutual funds.

Fixed income may include individual corporate or government bonds, bond funds and certificates of deposit. Bond types may include securitized mortgages, collateralized mortgage obligations (CMO's), asset-backed securities and preferred stock. Fixed income securities should have on average a credit rating of "BBB" or better and CMO's should be "AAA" or better. "BBB" rated bonds may not exceed 5% of the fixed income portion of the portfolio or a maximum of 2.5% of the total portfolio. Bond funds included in the portfolio will maintain an average rating of "BBB" or greater.

Cash may include money market investments in which the underlying securities are rated investment grade only.

- C.** A single security should be limited to no more than 5% of the total portfolio, except for certificates of deposit, which would be limited by FDIC requirements. No more than 15% of the portfolio may be invested in a single issue, except for securities issued by the U.S. government. Mutual funds are excluded from these limitations.
- D.** Deviations from this asset mix guideline may be authorized in writing by the Finance Committee when they determine that the aggregate deviation does not constitute a material departure from the spirit of the target allocation.
- E.** Since capital appreciation or depreciation may result in a deviation from these percentages, the Investment Manager will rebalance the Fund on a periodic basis to the target allocation.

**IX. Investment Advisor's Responsibilities**

- A.** The investment advisor's primary responsibility shall be to seek and obtain the best net price and execution for the Fund. Investment manager shall seek lowest share class for mutual funds.
- B.** Written performance reports to the Finance Committee will be provided not less than quarterly.
- C.** On an annual basis the advisor will review with the Finance Committee the realized and unrealized gains and losses incurred by the portfolio over the year.

**X. Performance Evaluation**

- A.** The Finance Committee and the advisor will monitor the Fund's performance on a quarterly basis, evaluating its success in achieving the investment objectives outlined in this document over a five-year time horizon and a full market cycle.
- B.** The Fund's performance will be reported in terms of rate of return and changes in dollar value. The returns should be compared to two or more appropriate market indices for each segment of the portfolio, citing the most recent quarter and annual and cumulative prior time periods. The Fund's asset allocation should also be reported on a quarterly basis.

## **XI. Approval**

This investment policy is to be reviewed periodically by the Finance Committee to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers. The investment policy must be approved by the Sun Prairie Public Library Board.

*Adopted February 11, 1999*

*Amended July 9, 2002*

*Amended June 15, 2006*

*Amended October 8, 2009*

*Amended October 15, 2015*

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