



## **Investment Policy Statement**

*Approved July 13, 2020*

### **Introduction**

The purpose of this document is to outline the investment objectives and investment practices of Dwight Foster Public Library's (DFPL) investment portfolio. Since this document is intended to provide guidelines for managing the portfolio's assets, this document creates certain specific investment guidelines that will govern how the goals are to be achieved. This statement:

1. Defines the responsibilities of the Library Board (Board), Board Delegates and other parties responsible for the management of the portfolio's assets.
2. Establishes investment guidelines regarding the selection of investment Advisor(s), mutual funds, permissible securities, and diversification of assets.
3. Specifies the criteria for evaluating the performance of the investment Advisor and the portfolio as a whole.
4. Describes an appropriate risk posture for investment of the portfolio's assets.
5. Assists the Board in the monitoring and evaluation of the investment of DFPL's assets.

DFPL Board believes that the investment guidelines described in this statement should be dynamic. They should reflect DFPL's mission, financial position, philosophy, and responsibility to our community in regards to the investment of assets.

It is intended that the policy, philosophies and other guidelines stated herein will be reviewed by the Board at a minimum of every year and will be updated and modified as required to recognize current market and economic conditions, as well as the current needs of DFPL.

### **Duties and Responsibilities**

#### **Responsibilities of the Board**

Under Chapter 43 of the WI State Statutes the Board is responsible for the custody and continuous investment of DFPL's portfolio assets. To meet this responsibility the Board will:

1. Search for, research, interview and select the Advisor(s).
2. Monitor the performance of the Advisor.
3. Adopt appropriate benchmarks for the evaluation of investment Advisor(s), as well as determine the overall investment strategy.
4. Quarterly, review investment objectives and policies appropriate to DFPL's financial goals and policies. Such policies will include, but not be limited to, asset allocation and spending policy decisions.
5. Inform and educate the Advisor on overall policy, capital plans, liability structure and strategy issues so the Advisor(s) can assist with revisions to the Investment Policy Statement, asset allocation, fund selection, and performance monitoring and quarterly reporting.

6. The Board delegates to the Director and Board President the ability to execute transactions on behalf of the investment portfolio and act as the day-to-day contact for the Advisor.
7. Coordinate communications and meetings with Advisor and necessary parties.

**Responsibilities of the Advisor**

The role of the Advisor is to provide advice to the Board in all investment matters, which shall include recommending changes to the Investment Policy Statement, asset allocation, monitoring performance, assessing risks and opportunities and analyzing and reporting investment results.

The Board expects the Advisor to comply with the guidelines and mandates of the Board, as well as applicable legal and regulatory requirements. The Board expects that DFPL’s portfolio will be invested by the manner indicated in this document. The Board’s reasonable reliance on the Advisor shall be deemed to be satisfaction of its obligations under this Investment Policy Statement.

The Advisor will, at a minimum:

1. Know and comply with the policies as outlined in this document.
2. Manage the portfolio assets in accordance with investment guidelines, objectives and procedures set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Board.
3. Be responsible for identifying policies that may have an adverse impact on performance and initiating discussion with the Board regarding possible improvement of those policies.
4. Report to the Board any deviations or inconsistent applications of the investment policy or inappropriate practices in the implementation of the policy.
5. Maintain thorough and appropriate risk control policies. Oversight of compliance with these policies by the Advisor must be ongoing and independent of investment activities.
6. As needed, assist DFPL’s Director and Board President in resolving accounting, transaction and asset summary data with custodial valuations and communicate any significant discrepancies with the custodian.
7. Maintain frequent and open communication with the Director and Board on all significant matters pertaining to the investment policy including, but not limited to, the following:
  - a. Major changes in the Advisor’s investment outlook, such as investment strategy, investment process, sub-advisors, tactical approaches, organizational structure, financial condition, professional staff, ownership, SEC or other regulatory proceedings affecting the individual or firm, or portfolio structure.
  - b. All pertinent issues which the Advisor deems to be of significant interest or material importance.
8. Exercise investment discretion, including holding cash equivalents as an alternative, within the objectives and guidelines set forth herein.
9. Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the portfolio set forth herein. The Advisor shall keep detailed records of said voting of proxies and related actions and will comply with all related regulatory obligations.

10. Utilize the same care, skill, prudence and due diligence under the circumstances prevailing that experienced investment professionals acting in a like fiduciary capacity and fully familiar with such matters would use in like activities for like funds with the aims in accordance and compliance with applicable laws, rules and regulations from local, state and federal entities as it pertains to fiduciary duties and responsibilities.

### **Responsibilities of the Library Director**

The library director has two primary responsibilities:

1. Provide a list of trust fund, specific and separate from the library budget, contributions and expenditures at the regularly scheduled Board meetings.
2. Provide a summary of the year's trust specific expenditures and contributions to the Board when the DFPL budget for the following year is prepared. (December Board meeting) *Note: See "Liquidity"*

### **Investment Objectives**

These investment objectives are intended to summarize an investment philosophy that provides guidance for the Board and other parties involved in the management of the DFPL portfolio. It is understood that there can be no guarantees about the attainment of the goals or investment objectives outlined herein.

The investment of the portfolio's assets should have sufficient liquidity and a long-term focus. The portfolio's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. Under no circumstances may the Advisor(s) use futures or derivatives to leverage the return of the portfolio. The investment objectives for the portfolio's assets are:

1. To earn long term returns that match or exceed DFPL's desired rate of return.
2. To provide for asset growth at a rate that exceeds the rate of inflation.
3. To diversify the portfolio's assets in order to lower volatility from year to year.
4. To achieve investment results that compare favorably with those of other tax-exempt organization portfolios with the same credit profile and appropriate market indices.
5. To maintain the flexibility to liquidate assets in times of financial need.

### **Performance Expectations**

The Board realizes that market performance varies and the desired rate of return may not be achievable during some periods. Accordingly, expectations for relative performance benchmarks for the Advisor above the median over a complete market cycle, are set forth in the policy. Investment performance will be reviewed semi-annually (January, July) to determine the continued feasibility of achieving DFPL's desired rate of return and the appropriateness of stated goals.

### **Risk Tolerances**

The Board recognizes the difficulty of achieving the portfolio's investment objectives due to the complexities of investment markets and also recognizes that a reasonable amount of risk must be assumed to achieve the portfolio's long-term investment objectives.

## **Time Horizon**

These investment guidelines and asset allocations are based upon an investment horizon of greater than five (5) years.

## **Designation**

Trust fund expenditures shall be for special projects, programs or resources, and building expenditures that supplement and do not replace regular city or county operating or capital improvement budget appropriations as deemed appropriate by the board. Gifts may fall into any of the following categories.

- \* The donor may designate the specific purpose for which the gifts, or the earnings from the gift, are to be used.
- \* Donations to an endowment, where the principal remains intact and only income may be spent.
- \* Undesignated gifts enable the library to use the trust funds in the manner most beneficial to current and/or long term needs.

## **Liquidity**

The board of trustees shall consider the performance of the investments of the trust when establishing budget guidelines. On the first business day of June the total value (holdings) of the trust shall be noted. This figure, minus gifts and non-investment contributions to the trust, will be compared to the trust account, also minus gifts and contributions, from one year prior to establish a percentage increase/decrease. This amount, smoothed (averaged) over a five year period and combined with guidance from the fund advisor with respect to the fund performance for the year ahead, is the amount that may be used in annual budget expenditures. This amount, not to exceed 4% of the average for the five years, may be exceeded only with board approval by two-thirds vote when an expense is deemed to save money (i.e. cost savings over a specified period of time) and/or meets an exigency.

A two-thirds vote of the Board is required for a resolution authorizing expenditure of any trust funds that exceed \$750 for one item or project.

## **Asset Allocation Guidelines**

The Board understands the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. Based on DFPL's time horizon, risk tolerances and performance expectations the following strategic asset allocation applies. While realizing that market conditions may affect the desired balance in the short term, it is understood that the goal of the percentages below is to provide a 60-40 (equity-fixed) balance in the portfolio.

Fixed income investments should comprise 35-45% of the portfolio. Of that, the majority (30-45%) will come from income categories such as U.S. investment grade bonds and certificates of deposit, U.S. high yield bonds, international bonds and international high yield bonds. Up to 5% may be kept in cash or money market funds. *\*Note: See the attached Investment Allocation Guidelines*

Equity investments should comprise 55-65% of the portfolio. Of that, the majority (40-55%) will come from U.S. large cap stocks, international large cap stocks and real estate to provide growth and income. Growth, 15-25% of equities, will be addressed by U.S. mid cap stock, U.S. small cap stock and international small cap stock. Up to 5% of growth may be addressed by aggressive investments including commodities and emerging markets. *\*Note: See the attached Investment Allocation Guidelines*

### **Rebalancing of Strategic Allocation**

The Board may change the asset allocation at any time after consultation with the Advisor.

The percentage allocation to each asset class may vary as much as plus or minus 5% of the total portfolio value, depending on market conditions.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the portfolio. If there are no cash flows, the allocation of the portfolio will be reviewed no less frequently than quarterly.

If the Board judges cash flows to be insufficient to bring the portfolio within the strategic allocation ranges, the Board, with consultation from the Advisor, shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges.

### **Advisor Selection**

It is the policy of DFPL to utilize the services of external Advisor(s) to assist in the investment of DFPL's portfolio. The number of Advisor(s) and the amount allocated to each shall be reviewed annually by the Board.

The Advisor(s) should have a history of meeting the return objectives and should be financially sound. The Board will review the performance of the Advisor on a quarterly basis. In order to optimize overall management fees, efforts will be made to invest through a reasonable number of Advisor(s) and investment vehicles as required to address DFPL's investment goals.

While it is the Board's intention to maintain long-standing relationships with its Advisor(s), from time to time, it may be necessary to terminate a relationship. Among other factors, the following three issues may result in termination:

- 1.** Failure to achieve expected performance results in the absence of overriding factors.
- 2.** A significant change in the structure, management style, personnel of the organization or new regulatory issues.
- 3.** A change in DFPL's circumstances or investment policy.
- 4.** A lack of appropriate communication and transparency on the part of the Advisor(s).

### **Evaluation and Review**

Quarterly performance will be evaluated by the Board to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which

performance deviates from market indices (below). During such times, greater emphasis shall be placed on peer-performance comparisons with Advisor(s) employing similar styles.

The Advisor will provide the Board, on a quarterly basis, with a written report on the performance of the portfolio, its compliance with the policies and progress towards the stated long term-goals.

Semi-annually, or at the request of the Board, the Advisor will present in-person, to the Board, the performance results of the portfolio.

<b><i>Asset Class</i></b>	<b><i>Benchmark/Index</i></b>
<b>DFPL Desired Rate of Return</b>	Long-term rate of inflation (rolling 10 years) plus fees and expenses
<b>Domestic Equity</b>	
Large Cap	Russell 1000
Small/Mid Cap	Russell 2000
<b>International Equity</b>	
Developed	MSCI All Country World Index ex U.S.
<b>Domestic Fixed Income</b>	
Intermediate Core	Barclays Intermediate Gov/Credit
<b>Alternative/Other</b>	
Commodities	Dow Jones UBS Commodities Index
Real Estate	S&P Developed Property Index
Multi Strategy	HFRI Fund of Funds Composite Index
<b>Cash</b>	90 Day T-Bill Index

**Approval and Adoption**

Approved and adopted:

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 President, Board of Trustees  
 Dwight Foster Public Library

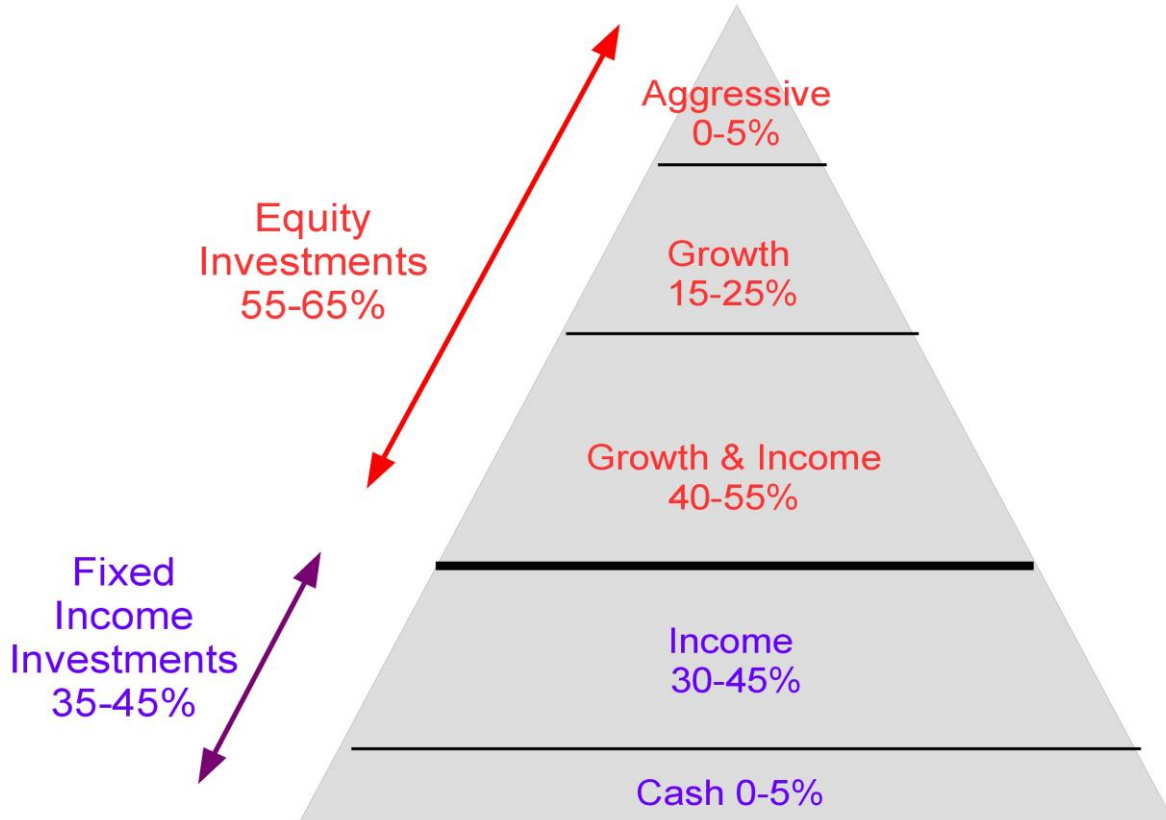
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 Library Investment Advisor

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 Signed \_\_\_\_\_ Date \_\_\_\_\_

# Investment Policy Statement - Supplement

## Asset Allocation Guideline



### *Equity Investments*

#### Growth and Income:

- U.S. large cap stocks
- international large cap stocks
- real estate

#### Growth

- U.S. small and mid cap stocks
- international small and mid cap stocks

#### Aggressive

- commodities and emerging markets

### *Fixed Income Investments*

#### Income

- U.S. investment grade bonds and CDs
- U.S. high yield bonds
- international bonds
- international high yield bonds

#### Cash

- cash and money market

## **Dwight Foster Public Library Trust Fund Policy**

It is the policy of the Dwight Foster Public Library to invest its trust funds in a manner that will emphasize preservation of principal, receive a reasonable income and gain capital appreciation while meeting cash flow demands without taking undue risks. The Board of Trustees is responsible for investment decisions and activities. The Board is authorized to make investments in conformance with this policy, the Board's Investment Policy Statement and in accordance with Wisconsin statutes.

*Approved May 2016*