

# **The Brookfield Library**

## **Policy 700: Endowment Fund Policy**

### ***Section 1: Purpose Of Policy***

The policy statement establishes responsibilities of the Board of Trustees of The Brookfield Library with the necessary rules and definitions the Board will use to establish goals, guidelines, measurement and procedures necessary for achieving the appropriate performance and use of the Endowment Fund.

Within the governing/management process will be the measurement reporting needed to monitor the Funds' performance. This data will be made available to the Library Board of Trustees.

The Library Board of Trustees, hereinafter referred to as "the Library Board," has responsibility for implementing these guidelines.

### **Section 2: "Endowment Fund" Defined**

The "Endowment Fund" of The Brookfield Library is composed of those donations and bequests and other assets conveyed to the library over time by various individuals and through various instruments, as documented in the files of the library and the Town of Brookfield's Finance Office.

### ***Section 3: Ownership And Management***

Ownership of the Endowment Fund lies with The Brookfield Library. Collectively, the Library Board is responsible for overseeing the proper investment of all fund assets. The Library Board alone holds the power to direct investment and to distribute moneys derived from the generation of income and sale from the investable assets of the fund.

To manage the day-to-day investment of the Endowment Fund, the Library Board may appoint, from time to time, a fund manager. Such fund manager will be a qualified investment management institution, such as a bank or a brokerage firm. Advice on this matter may be sought from the town's Finance Office.

The Brookfield Library, a wholly-owned department of the government of the Town of Brookfield, is exempt from the payment of income taxes.

### ***Section 4: Investment Objective***

The investment objective for management of the Endowment Fund is to maximize its long-term rate of return while minimizing the risk loss of capital.

Achieving these goals will require assuming a moderate level of risk, accepting a long-term investment horizon, and diversifying among assets. The fund will be invested to maximize total return (capital appreciation, plus interest and dividend income) consistent with a prudent level of risk.

***Section 5: Purpose Of The Endowment Fund***

The purpose of the endowment fund is to provide funds for projects approved by the Library Board.

***Section 6: Funding Of Withdrawals/Distributions***

If the library's funding requires liquidation and/or sale of an asset, that action will require a two-thirds (2/3) approval vote of the members of the Library Board.

Withdrawals are expected to be made on an as-needed basis.

***Section 7: Evaluation And Performance Criteria***

Although investment objectives are long-term, performance and activities of the fund manager will be evaluated at least annually.

It is the policy of the Library Board to utilize professional management services for the investment of the Endowment Funds. The Board will negotiate investment management contracts, where appropriate, and ensure that investment guidelines which the managers are to operate are established, communicated, understood, and followed by the professional manager.

The Board is responsible for the ongoing monitoring of the performance of the investment managers versus agreed benchmarks for periods of the most recent 12, 24, 36, and 60 months. Investment managers will report their performance quarterly.

Annually the Board will review

- a. the agreed-to strategic mix of funds, i.e., percentage of equities (publicly traded stock); fixed income (U.S. Government securities); and cash and cash equivalents (U.S. Treasury Notes)
- b. Benchmark measurement selection used to measure performance. Examples:
  1. Equities such as
    - S & P 500 Composite Index
    - Wilshire 5000 Index
  2. Fixed Income such as
    - Lehman Brothers Intermediate Govt/Corporate Bond Index

During the first quarter of each year, a committee chaired by the Treasurer will be appointed to prepare the above review for the Board, with recommendations.

The Library Board may employ a professional investment advisor or consultant to perform on-going, independent investment performance analysis.

### ***Section 8: Prohibited Transactions***

Investment activities in the following are prohibited:

- Margin purchases
- Private placements or other restricted securities
- Commodities
- Foreign issues, unless traded on U.S. exchanges or markets
- Any investment that is specifically prohibited by a majority vote of the Library Board

### ***Section 9: Communication And Review***

Periodic statements of activity are to be forwarded to the Library Board and the investment advisor, on a frequency to be negotiated between the Library Board and the investment manager. Such statements shall be at least quarterly.

The investment manager should expect to provide in-person presentations to the Library Board at least once per year. These presentations will include reports of portfolio status, time-weighted returns in accordance with Association for Investment Management and Research performance measurement standards, performance comparisons to appropriate benchmarks, economic outlook, investment strategy, and other related matters that would be of interest to the Board.

On-going communication by telephone, letter, personal consultation, and/or other means will be required, as deemed necessary by the investment advisor and/or the Library Board.

The Library Board places trust in and emphasis on the investment strategy employed by the fund's manager. Any material changes to or deviations from a manager's approach must be communicated and justified to the Board. The Board requires the manager to report any significant changes in management or investment personnel immediately.

### ***Section 10: Policy Review***

The Library Board shall review and re-adopt this policy annually.

The fund manager shall be responsible for reviewing this policy with the Library Board at least annually to ensure that it remains valid and relevant. Any recommendations as to changes should be submitted to the Board, through the Library Director, in writing.

**Note: "The Endowment Fund" should not be confused with "The Brookfield Library Foundation." The Foundation was granted 501(c)(3) status to receive funds. The Foundation, its Board, and its funds are not controlled by the Library Board of Trustees.**

*Adopted by the Library Board of Trustees, June 21, 1999; revised 9/24/03; revised 1/5/2011*