

1 **DRAFT ENDOWMENT FUND POLICY – TEMPLATE / EXAMPLE**

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5 **PURPOSE**

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7 The purpose of this policy is to establish guidelines for investing and spending the Endowment  
8 Fund of the (\_\_\_\_\_) Library in a manner that allows the funds to be used to support  
9 the Library’s values, mission and vision.

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11 **ENDOWMENT FUND OBJECTIVES**

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13 The objectives of the Endowment Fund are to preserve the value of the assets of the Endowment  
14 Fund, provide a stable source of income to support the Library’s operational needs, achieve long-  
15 term growth of the Endowment Fund in accordance with the directions of the donors of the funds  
16 as stated in bequest documents and under the direction of the Board of Trustees, and to incur  
17 costs appropriate and reasonable in relation to the abovementioned.

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19 **ENDOWMENT AUTHORITY**

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21 The Trustees of the Library retain overall responsibility for maintaining and implementing this  
22 Policy. A Finance Committee of the Board, authorized by the Trustees, shall be comprised of the  
23 Board Treasurer, the library Director, and two Board members at large. The Committee shall  
24 identify, implement and monitor an investment and expenditure strategy for the Endowment  
25 Fund consistent with this policy and appropriate to the operational and long-term needs of the  
26 Library, taking into account recommendations from the asset manager(s) and other relevant  
27 factors such as economic conditions, expected income return, budget-to-actual operating  
28 projections, budgeted distribution, and preservation of the Endowment.

29 The Finance Committee shall;

- 30 • select and oversee one or more investment managers to directly manage Endowment  
31 Fund assets;
- 32 • retain the right to deny authority to the asset manager(s) to invest Library assets into such  
33 specific investments which the Committee believes is not consistent with the Library's  
34 values;
- 35 • at least semi-annually, review the investment portfolios of the Endowment Fund's assets,  
36 including a review of asset allocation and return;
- 37 • at least annually, meet with asset manager(s) to review investment strategy and portfolio  
38 performance;
- 39 • determine the allocation of Endowment Fund assets;
- 40 • work with the Board of Trustees and Library Director to recommend appropriate amounts  
41 of withdrawals from the Endowment to meet the budgetary needs of the Library as  
42 described in *endowment spending*;
- 43 • present reports to the Trustees at least semi-annually, providing an overview of  
44 investment strategy, asset allocation, and return

## 46 **INVESTMENT OBJECTIVES & STRATEGY**

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48 The Endowment Fund of the (\_\_\_\_\_) Library is a pool of permanently endowed funds  
49 intended to be "generation neutral" -- both a resource to benefit *present* users of the Library and  
50 a permanent fund that will be available to benefit *future* Library users. Fund assets may be  
51 invested in equities (stocks) and fixed income (bonds, CDs, et cetera) at the discretion of the  
52 Trustees. The asset allocation of the Endowment Fund, proportionally averaged across individual  
53 funds, will be maintained at a target rate of 60% equity securities and 40% fixed income  
54 securities, with ranges allowed, minimum to maximum, of 20% to 65% and 30% to 80%, equities  
55 and fixed income securities, respectively. Rebalancing will be completed on an annual basis no  
56 later than June 30.

57

58 While funds may be invested in common portfolios, the endowments are accounted for  
59 separately, sharing in the investment earnings and current value of the Endowment Fund based  
60 on their respective percentages of the Fund's total value.

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## 62 **SPENDING OBJECTIVES & STRATEGY**

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64 A distribution from the endowment funds shall be made annually to meet the needs of the Library  
65 and to fulfill its mission, but in an amount that permits the funds to be maintained over the long  
66 term. The restrictions imposed by the donors of the endowment funds will be honored to the  
67 fullest extent permitted by law.

68

69 It is the Library's objective to distribute annually not more than four percent (4%) of a trailing  
70 twelve-quarter average, as measured by the balance at the end of each of the proceeding twelve  
71 quarters, of the Endowment's total fair market asset value. If approved by the Trustees, a  
72 distribution in excess of the four percent (4%) amount may be made in a year where necessary  
73 to meet unusual or emergency expenses. The calculation shall be completed by October 1  
74 annually.

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## 76 **ANNUAL ENDOWMENT BUDGET**

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78 The Library Director shall develop an Endowment Fund Expenditure Budget and shall annually  
79 present it to the Library Board for adoption by November 1 for the following fiscal year. All  
80 expenditures from the Endowment Fund must be made in accordance with the adopted  
81 Endowment Fund Expenditure Budget unless otherwise specifically authorized by the Trustees.

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Draft for discussion