



Keene Public Library Policies

Appendix to Finances – Investment Policy	Adopted: 06/22/21 Revised:
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Appendix to Finances Policy

Keene Public Library Trustees’ Funds Investment Guidelines and Goal Statement

Adopted June 22, 2021

Investments shall be held and invested in accordance with RSA 31:25. The Keene Public Library’s Trust Funds consist of both permanently restricted funds, which are administered subject to the Prudent Person Rule, and unrestricted funds, administered subject to the Prudent Investor Rule. Performance results and the investment policy will be reviewed annually by the Finance Committee and reported to the full Board of Trustees. The investment policy will be approved by the Board of Trustees at the annual meeting.

The Chair of the Finance Committee and the Treasurer acting together, or the President of the Board of Trustees in the absence of either, may authorize investment decisions for amounts of \$2,000 or under in keeping with the investment policies.

Investment Guidelines and Goal Statement

The Keene Public Library’s Trust Funds consist of both permanently restricted and unrestricted funds.

Permanently Restricted (Income only) Trust Funds are invested under the following guidelines:

Permanently restricted funds are to be held in a separate account from unrestricted funds.

Principal and all capital gains in permanently restricted (income only) funds remains restricted and cannot be expended. Only the income from these funds may be spent.

The Trustees of Keene Public Library have determined that Permanently Restricted Funds of Keene Public library will be administered subject to the Prudent Person Rule, RSA 31:25-b. Under the Prudent Person Rule each investment is considered and judged on its individual merits and must be of the highest investment quality with little or no risk to the preservation of principal.

Permanently Restricted funds with limitations as to what they may be spent for may be accumulated by type of limitation and may be grouped into a single investment to facilitate record keeping.

Performance Measurement:

Performance results for the Permanently Restricted Funds will be measured annually by the Finance Committee and reported to the full Board of Trustees. The returns will be compared to the Morningstar Moderate Target Risk Index.



Keene Public Library Policies

Unrestricted Funds are invested under the following guidelines:

Principal, capital gains and income from unrestricted funds may be expended. Nevertheless, except for exceptional circumstances, it is our goal to obtain a total real return (adjusted for inflation and including realized and unrealized capital gains/losses and income) on invested assets so as to grow the asset base at least in line with inflation after meeting budgeted and/or other Trustee approved expenditures. For example, if the total return is 8% and inflation is 3%, a spending rate below 5% will allow the asset base to grow. Meeting this goal should allow expenditures from the Trustees' Funds to at least keep pace with inflation as well. The full Board of Trustees by majority vote may from time to time liquidate securities to provide more funding for special projects.

The Trustees of Keene Public Library have determined that unrestricted funds of Keene Public library will be administered subject to the Prudent Investor Rule. As such it is required by law that the trustees hire or employ the trust department of a bank or brokerage firm to provide investment advice and assistance. Under the Prudent Investor Rule, suitability to the overall portfolio's goals and objectives is considered to be the determining factor in allowing an investment.

Constraints:

The investment asset allocation process will be influenced by operational considerations, in addition to the normal investment environment expectations that impact the asset deployment process.

- **Income requirements** - While the overall emphasis is upon total return, a stable source of investment income from yield-oriented investments is desired to support the majority of the Trustee's expenditures.
- **Safety** - Safety is enhanced by diversifying the invested assets across a broad spectrum of companies, industries and funds with limited concentration.
- **Time Horizon** - The ability to directly control disbursements, the ability to withstand market value fluctuations and the desire to provide a perpetual source of funding to the Library gives the Trustee's Funds a long-term horizon.
- **Liquidity** - To the extent that disbursements are normally budgeted for, and will be supported by a stable investment income stream, liquidity is not a major concern. Since the income stream will normally be supplemented by new contributions, only a small amount of cash need be held to make the budgeted distributions. The intent is to make the disposal of held marketable securities an alternative source of liquidity only as a last resort.
- **Taxes and Regulations** – The Trustees will comply with all taxes and other regulations pertaining to the oversight of their Funds.



Keene Public Library Policies

Asset Investment Guidelines:

- Assets will be balanced between fixed income and equity investments to ensure a steady stream of income to support planned expenditures, and grow the Funds as practical. With the long-term horizon and the goal to protect the funds against inflation, a heavier weighting toward equity investments is appropriate.
- A diversified mix of mutual funds is acceptable.
- Fixed Income securities rated BBB or better are permitted.
- The concentration of assets in any one security will be limited to 10% of the Funds.
- The concentration of assets in any one mutual fund will be limited to 20% of the Funds.
- At least annually (or more often as necessary), the Finance Committee may recommend to the full Board of Trustees a re-balancing of the portfolio.
- The following table will generally be used as a guideline for asset allocation:

Asset Allocation	Minimum	Target	Maximum
Cash	0%	0%	15%
Bonds/Fixed Income Oriented	30%	40%	60%
Common Stocks/Equity Oriented	40%	60%	70%

Spending Guidelines:

Spending guidelines are formulated to further the long-term preservation of the purchasing power of Trustees' Unrestricted Funds, as measured on an inflation-adjusted basis. The guidelines operate in conjunction with a total return-based concept as stated in the investment policy document. Total return includes current yield (interest and dividends) plus realized and unrealized capital gains and losses. For example, if the total return is 8% and inflation is 3%, the spending rate must be limited to less than 5% to realize a real return that meets inflation.

Unrestricted funds with limitations as to what they can be spent for can be accumulated by type of limitation and may be grouped into a single investment to facilitate record keeping.

Performance Measurement:

Performance results for the unrestricted funds will be measured annually by the Finance Committee and reported to the full Board of Trustees. The returns will be compared to the Morningstar Moderate Target Risk Index.