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Aldrich Public Library Investment Policy

Approved By: Aldrich Public Library Board of Trustees
Adopted: August 10, 2026
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Review Schedule: August 2029

Introduction

The Aldrich Public Library is deeply grateful for the generosity of its donors. This Investment Policy Statement ("IPS") sets forth the principles, objectives, constraints, and governance framework for the management of the Library's investment accounts in a manner intended to preserve purchasing power, provide a prudent and reasonably consistent stream of support for the Library's mission, and steward assets for future generations. Accounts covered by this IPS are listed in Appendix A.

Purpose of the Funds

- Provide a consistent income stream to support the Library's mission.
- Fund renovations, equipment, programs, book acquisitions, and general operations, subject to donor restrictions and Board direction.
- Honor donor intent, whether gifts are restricted or unrestricted, and preserve the long-term purchasing power of the funds.

Source of Funds

Funds may originate from:

- Existing trusts and investments.
- Gifts and bequests from donors.
- Dividend and interest income.
- Net capital gains.

Fiduciary Standard of Care

The Board of Trustees and any appointed Investment Manager (the "Manager") shall act as fiduciaries to the Library. In accordance with the Vermont Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), 14 V.S.A. Chapter 101, all investment actions must be taken:

- In good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
- Solely in the best interest of the Library and its charitable mission.
- With an obligation to minimize and monitor reasonable costs. The Manager must provide an annual written disclosure of all direct and indirect costs, including the management fee and the internal expense ratios of all underlying mutual funds and ETFs.
- With a duty to diversify assets unless it is clearly prudent not to do so.
- After considering relevant prudence factors, including general economic conditions, the possible effects of inflation or deflation, the role of each investment within the overall portfolio, expected total return, liquidity needs, and any special relationship of an asset to the Library's charitable purposes.

Governance and Oversight

The Board of Trustees retains full oversight of the Library's investment program and shall:

- Define investment objectives and risk parameters.
- Approve and periodically review this IPS, any strategic asset allocation targets, and any spending or distribution policy.
- Appoint one or more Managers, each of whom shall acknowledge in writing its fiduciary status and agreement to manage covered assets in accordance with this IPS and applicable law by signing the acknowledgment at the end of this IPS or an equivalent onboarding document approved by the Board.
- Review written performance reports at least quarterly and meet with each Manager at least annually, or more frequently as the Board deems appropriate.
- Monitor compliance with this IPS, including fees, expenses, conflicts disclosures, and reporting obligations.

Discretionary Authority

The Manager may operate in a discretionary manner with respect to the selection, retention, sale, and timing of individual securities and pooled investment vehicles, provided that all actions remain consistent with this IPS and applicable law. The Manager may rebalance the portfolio and make tactical implementation decisions within the approved asset-allocation targets and ranges set forth below. The Manager may not materially alter the strategic target allocation, exceed the permitted allocation ranges, change the spending policy, or invest in a prohibited asset category without prior Board approval reflected in formal Board action and written direction.

Investment Objectives

Primary objectives include:

- Preservation of capital on a real (inflation-adjusted) basis over time.
- Generation of income to support prudent annual distributions, with a long-term spending target of 4%.
- Long-term growth through prudent risk-taking, diversification, and disciplined implementation.

Given the Library's tax-exempt status, tax considerations do not drive the investment strategy except to the extent relevant to cost, liquidity, or operational efficiency. Short-term speculation and market timing are prohibited.

Distribution Policy

Distributions from Library investment accounts shall be directed by the Board of Trustees in compliance with 14 V.S.A. § 3414 and any applicable donor restrictions, with the objective of balancing current spending needs against preservation of the portfolio's long-term purchasing power.

Distribution Policy (Smoothing Clause)

To reduce the effect of market volatility on annual spending, the Board adopts a twelve-quarter rolling average methodology. The annual distribution target shall be 4% of the average market value of the portfolio over the previous twelve (12) consecutive calendar quarters, unless the Board determines that circumstances warrant a different prudent appropriation.

Asset Allocation Guidelines

Unless otherwise approved by the Board, the strategic allocation for the total portfolio shall be as follows:

- Equities: permitted range 40%–60% of total portfolio market value.
- Fixed Income: permitted range 40%–60% of total portfolio market value.
- Cash and Cash Equivalents: permitted range 0%–10% of total portfolio market value.

- More targeted allocation(s) can be recommended by the investment manager and implemented with Board approval.

The Manager may rebalance as needed to maintain the portfolio within these ranges. Any proposed change to the target allocation or permissible ranges requires prior Board approval.

Investment Guidelines

Cash and Cash Equivalents

Short-term investments may include:

- U.S. Government obligations.
- U.S. agency and corporate issues rated A or better with maturities of one year or less.
- Money market funds or comparable cash-management investments.

Fixed Income

- At the time of purchase, direct fixed-income investments must be rated A (or equivalent) or better by a major credit rating agency.
- Maximum maturity for any single direct fixed-income security: 15 years.
- Maximum ownership in any one direct issue (excluding U.S. Government obligations): 10% of the fixed-income portfolio at par value.
- ETFs and mutual funds may be used for diversification and implementation.
- If a direct fixed-income security is downgraded below A after purchase, the Manager shall promptly review the holding and determine whether continued retention remains prudent; if the Manager elects to retain the holding for more than ninety (90) days after downgrade, the Manager shall report the rationale to the Board in writing.

Equities

- No more than 10% of the total equity portfolio may be invested in any single company, excluding diversified mutual funds and ETFs.
- No more than 30% of the total equity portfolio may be invested in any single sector, excluding diversified mutual funds and ETFs.
- Mutual funds and ETFs are permitted for strategic diversification, including U.S.-listed diversified funds that may hold non-U.S. securities, unless the Board directs otherwise in writing.

Prohibited Investments and Transactions

Unless approved in writing by the Board, the following are prohibited:

- Non-U.S. dollar-denominated direct fixed-income investments.
- Commodities, precious metals, and gems, except to the extent indirectly held through a diversified Board-approved pooled fund.
- Private placements.
- Short selling and margin transactions.
- Speculative derivatives or any form of "soft dollar" compensation.

Performance Measurement and Reporting

The Manager shall provide written performance reports to the Board annually and statements to the board quarterly.

Annual reports should compare portfolio performance to appropriate benchmarks and include, as applicable, year-to-date, 1-year, 3-year, 5-year, and since-inception periods. At least annually, the Manager shall meet with the Board (or a designated committee) to review performance, compliance with this IPS, fees and expenses, material portfolio changes, and outlook. If the Manager believes any guideline in this IPS materially hinders the Manager's ability to fulfill its fiduciary obligations, the Manager must notify the Board promptly in writing.

Conflict of Interest

To ensure integrity and transparency:

- All individuals involved in investment oversight must avoid personal business activity that could conflict with their duties to the Library.
- The Manager must provide an annual written disclosure of any actual or potential conflicts of interest and must promptly disclose any material conflict arising between annual reporting dates.
- Any trustee, officer, employee, advisor, or Manager representative with a conflict must recuse himself, herself, or itself from related discussions or decisions as appropriate.

Investment Manager Acknowledgment and Acceptance

The undersigned, on behalf of the Investment Manager identified below, acknowledges receipt of this Investment Policy Statement, has reviewed and understands it, acknowledges that the Manager is acting as a fiduciary to the Aldrich Public Library with respect to the covered accounts assigned to it, and agrees to manage those accounts in accordance with this IPS, applicable law, and any written directions of the Board of Trustees, including the requirements relating to reporting, fee and expense disclosure, and conflicts disclosure.

Investment Manager/Firm: ____

Authorized Signatory: ____

Title: ____

Date: ____

Review and Amendments

This policy shall be reviewed at least every three years, and more frequently if circumstances warrant. Amendments require Board approval reflected in the minutes or other formal Board action.

Appendix A: Covered Accounts

- Aldrich Public Library Board Designated Account
- Aldrich Public Library Donor Restricted Account
- Aldrich Public Library Ronald York Account
- Aldrich Public Library Don Allen Board Designated Account
- Aldrich Public Library Don Allen Donor Restricted Account