

Marmot Library Network

Investment Policy

Purpose

The purpose of the Investment Policy is to assist the Marmot Executive Board (Board), and the Finance Committee appointed by the Board President, in effectively supervising, monitoring and evaluating the organization's investment portfolio.

Investment Objective

The Marmot Library Network (Marmot) is a nonprofit 501(c)(3) corporation whose mission is to support information technology in educational institutions: public libraries, school districts, and colleges. Marmot investment goals are unlike those of most nonprofit organizations: Marmot is not intended to grow an endowment fund; Marmot is neither a private foundation nor a public charity. Member libraries participate in internet services that include a shared catalog of library collections to facilitate resource sharing. Marmot investments are accumulated solely for the purpose of purchasing hardware, software, and services as capital improvements, which may span 5-10 years. Marmot accumulates reserve funds to minimize the need for financing.

The investment objectives of Marmot have been established in conjunction with the comprehensive review of current and projected financial requirements. Funds will be broken into two sections for operating funds and investment purposes, both short term and long term. Operating funds will be kept in FDIC insured instruments to fund day to day operations of Marmot. The investment objectives for the long and short term pools are:

Short Term

- For such investments, the Finance Committee shall attempt to preserve principal while balancing the need for liquidity and return consistent with short term fixed income securities.

Long Term

- To preserve principal. Reasonable efforts should be made to preserve principal, but preservation of principal should not be imposed on each individual investment.
- To achieve a favorable long term, real rate of return.
- To reduce risk by diversifying markets, fund managers and maturities.

Time Horizon

The investment guidelines are based on an investment horizon of less than 5 years on the short term pool and greater than 5 years on the long term, so that the interim fluctuations should be viewed with appropriate perspective.

Marmot will have some short term liquidity requirements based on the amount of cash necessary to fund the Marmot budget for one year. As such, reserves will normally range between 3% and 5%.

Risk Tolerance

The Board recognizes the difficulty of achieving the organization's investment objectives in light of the uncertainty and complexities of the investment markets. The Board also realizes that some risk must be assumed to achieve the organization's long term investment objectives.

In establishing risk tolerance within the Investment policy, the Board considers the ability to withstand short and intermediate term variability. Factors considered are:

- Investment emphasis must reflect the need to provide income for capital expenditures
- The Board has the flexibility to adjust outflows in periods when markets under-perform and subsequently can tolerate some interim fluctuations in market values and rates of return in order to achieve its long term objectives.

Asset Allocation

Marmot's portfolio will follow in general a strategic asset mix of:

Short Term

100% Fixed Income and Cash Equivalents. Cash reserves shall be managed to assure the funding of the annual budget without unnecessary loss to the portfolios.

Long Term

55% equities and 45% fixed income. Due to uncertain economic or political forces, these proportions may be changed with an allowance of 15% in either allocation. Neither the equity nor the fixed position will exceed 70%.

Equities/Common Stocks

The portfolio shall be invested in equity funds with a Morningstar "high consistency rating" and an overall rating of 3 to 5 stars.

Fixed Income

Bond investments shall emphasize intermediate maturities (no more than 10 years) and possess a minimum credit quality of A.

For the short term pool, the following shall be considered:

- Certificates of Deposits
- Bank Savings Accounts
- Money Market Accounts
- Very short term bond funds averaging a duration of two years or less.
- A portfolio of individual bonds managed for the specific needs of the organization
- US Treasuries or Federal Agencies rated AAA
- Liquidity and ease of transfer shall also be considered for these funds

Selection of Investment Manager

The Finance Committee will select the investment manager based on the following criteria:

- Must be a trust company, bank, insurance company, or investment advisor as defined by the Registered Investment Advisors Act of 1940.
- The history of the firm, key personnel, key clients, fee schedules and support personnel.

Portfolio and Policy Review

The investment manager shall submit quarterly performance reports to the Finance Committee. The Finance Committee shall review these reports and suggest adjustments within the parameters of the Investment Policy approved by the Board.

The Board approved the first edition of this Investment Policy May 5, 2010. The Board approved this second edition (with terminology corrections) November 20, 2013.