

Merrimack Public Library  
Board of Trustees

**Library Trust Fund Investment Policy**

**Purpose**

The purpose of the policy is to invest trust fund monies in a manner that preserves trust fund capital by investing in a prudent and conservative manner while allowing for growth of the principle and to ensure income derived from the trust funds is spent according to a trust fund's requirements.

**Policy**

The LBOT manages trust fund money by investing in investment instruments that preserve the trust fund capital and oversees how trust fund monies are expended.

**Guidelines**

1. The LBOT shall determine which investment option is appropriate and invest accordingly.
2. The LBOT shall approve investments in one or more of the following investment options:
  - a. Money Market Funds
  - b. Savings Account
  - c. Certificates of Deposit
  - d. Bonds or Bond Funds
    1. Bonds and bond funds shall be invested in investment grade bonds of U.S. Government and agencies, U.S. based corporations, mortgage and asset backed securities.
  - Note: Since bond fund values decrease as interest rates increase, it is usually not appropriate to hold bond funds in a period of rising interest rates. It should be noted that while the value of individual bonds remains fixed if held to maturity, bond funds fluctuate in value as interest rates vary.
  - e. Treasury Notes
  - f. Conservative Mutual Funds
3. The LBOT shall review investments at minimum every three years for effectiveness. At this time the LBOT may determine if the monies are to be reinvested in the same investment, change the investment option or use the money to spend for library use according to the requirements of the trust.
4. Accounts that mature before three years shall be evaluated by the board at the time of maturity and managed according to guideline number 2.
5. Income received from the trust shall be according to the terms of the trust or invested in one of the options listed in guideline number 2.
6. If allowed by the requirements of the trust, up to 10% of the income may be retained at the time of disbursement and invested in a more aggressive manner. (See policy for non-trust fund investments.)
7. Income received from any trust shall be transferred to the "special" checking or savings account for current or future use.