



Tolland Public Library Foundation, Inc.

Endowment Spending Policy - Revised October 5, 2009

I. Statement of Purpose and Objectives

The purpose of this Endowment Spending Policy is to establish the procedures and rules applicable to the annual - and overall - spending from the Tolland Public Library Foundation, Inc Endowment.

The objectives of the Endowment Spending Policy in priority order (highest first) are:

- to enable growth of the endowment funds and therefore provide higher future income.
- to insure that the principal of restricted Endowment funds remains in the portfolio and only the income is withdrawn;
- to preserve the long term purchasing power of the Endowment by limiting spending ; and
- to provide a reasonably stable and predictable revenue stream to support the planned grants to the Tolland Public Library.

II. Purpose of the Endowment

The purpose of the Endowment is to provide the Tolland Public Library funding, in accordance with the terms stipulated by estate or restricted gifts, for resources and activities to enhance the Library's role as a public literary resource.

III. Definition of the Endowment

The Board of Directors of the Tolland Public Library Foundation, Inc will determine whether funds received by the Foundation from donors are intended as contributions to an unrestricted "general" Endowment account, a donor restricted endowment account, or the Foundation's operating account. The Board will recognize and respect the requests of individual donors that may dictate the specific purpose for which funds are received to the extent that such instructions are provided.

IV. Spending

The general spending policy of the Endowment is based on a total return policy in which most capital gains, interest and dividends are reinvested in the Endowment with allowance for planned income to be provided to meet planned spending. The Spending Rate (the annual amount withdrawn from the Endowment to support the planned giving) is determined as a percentage of the three-year moving average of the market value of the Endowment taking into consideration the prior year level of gifting and the financial needs of the Library, subject to the limitations established by the terms of a bequest to not drop below the initial endowment principal.

The spending rate shall be recommended to the Board each year by the Board's Finance Committee in consultation with the Investment Adviser and considering the size, growth, and performance (past and projected) of the Endowment and the financial needs of the library as communicated by the library director. By working with our Investment Adviser the Board will attempt to moderate changes in the year to year spending rate to provide a smoothing mechanism.



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A target Spending Rate of 5 %, with a range of 3.5% to 6.5%, is appropriate for an Endowment that has a 50-75% allocation to equities and a 25-50% allocation to fixed income. Historically this combination of asset allocation and spending rate has enabled endowments to maintain their real value against inflation. A higher spending rate will begin to erode the basis over time. A lower spending rate will enable the real value of the endowment to grow over time. A higher allocation to equities enables the Board to have a slightly higher spending rate while retaining the real value of the endowment, but provides more fluctuation in market values. A lower allocation to equities may require the Board to reduce the spending rate to avoid eroding the real value of the endowment.

V. Amendment

The Foundation Board reserves the right to amend this Endowment Spending Policy at any time.

Adopted by the Board of Directors of the Tolland Public Library Foundation, Inc October 5, 2009.