

The Lewes Public Library

Investment Funds Withdrawal Policy October 2, 2007; revised May 10, 2011

The purposes of the Investment Funds Withdrawal Policy are

- to preserve the long-term purchasing power of the investments,
- to provide a reasonably stable and predictable revenue stream to support the operating budget of the Library, and
- to protect investments from regular operating spending needs.

The policy states that:

- Enough of the total return is to be reinvested so that the market value of the Library's investments will grow at least as fast as inflation.
- Dividends and interest income from the Library's investments are reinvested when appropriate.
- Because of the volatility of financial markets, a smoothing mechanism is to be used in the determination of the amount each year that will be taken from the investments to support the operating budget of the Library.

In establishing the contribution to the operating budget for each fiscal year, the cash flow returns from investments will be measured against the operating needs. In the interest of determining a conservative withdrawal, two calculations will be made:

1. The 5% target withdrawal rate will be applied to the rolling five-year average of the June 30th market values of the investments as determined by the Board to provide a smoothing mechanism.
2. The second calculation will be a simple 5% of the previous quarter, which is January 1st through March 31st.

These calculations will be used as a guide but the Board will have discretion to determine the amount based on the needs of the Library in any particular year.

A higher allocation to equities enables a slightly higher spending rate while retaining the real value of the investment, but provides more fluctuation in market values. A lower allocation to equities requires reduction of the spending rate to avoid eroding the real value of the Library's investments.

The withdrawal rate shall be determined each year considering the size, growth, and performance (past and projected) of the investments and the needs of the operating budget. However, the withdrawal rate will remain within the range of plus or minus 1.5% of the targeted spending rate.

Adopted by the

Board of Commissioners
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