

DANIEL BOONE REGIONAL LIBRARY

SUBJECT: Retirement Investment

ADMIN 2-716

BOARD

SECTION: 700 – Fiscal Management

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I. THE PLAN

The Board of Trustees of the Daniel Boone Regional Library (DBRL) sponsors a 401(k) Defined Contribution Plan (Plan) for the benefit of its eligible employees. It is intended to provide eligible employees with the long-term accumulation of retirement savings through a combination of employee and employer contributions to individual participant accounts and the earnings thereon.

The Plan is a qualified employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended. The Plan is also intended to comply with the Employee Retirement Income Security Act of 1974 (ERISA), as amended, although the Plan is exempt from such compliance and compliance shall not be required. The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the options and assets mixes that they select.

II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement is intended to assist the Plan's fiduciaries by ensuring that they make investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investment options to be utilized by the Plan's registered investment advisor (RIA). Specifically, this Investment Policy Statement:

1. Defines the Plan's investment objectives;
2. Defines the roles of those responsible for the Plan's investments;
3. Describes the criteria and procedures for selecting investment options;

4. Establishes investment procedures, measurement standards and monitoring procedures;
5. Describes ways to address investment options and RIA's that fail to satisfy established objectives; and
6. Provides appropriate diversification within investment vehicles.

This Investment Policy Statement will be reviewed at least annually by staff and the RIA, and, if appropriate, can be amended to reflect changes in the capital markets, plan participant objectives, or other factors relevant to the Plan.

III. INVESTMENT OBJECTIVES

The Plan's investment options will be selected to:

1. Maximize return within reasonable and prudent levels of risk;
2. Provide returns comparable to returns for similar investment options;
3. Provide exposure to a wide range of investment opportunities in various asset classes.; and
4. Control administrative and management costs.

IV. ROLES AND RESPONSIBILITIES

The DBRL Board of Trustees (Board) is the plan sponsor and trustee;

The DBRL Finance Committee (Committee) is the Board's representative. The Committee is set up by the Board's bylaws to oversee employee benefits including the retirement plan.

Sundvold Financial (RIA) is the registered investment advisor and co-fiduciary;

The Recordkeeper is the provider of investment options and record keeper;

Reliance Trust Company (Custodian) is the Plan custodian.

Those responsible for the management and administration of the Plan's investments include, but are not limited to:

1. The **Board** or its Committee is responsible for selecting and monitoring the performance of the RIA, the Recordkeeper and the Custodian and for establishing and maintaining DBRL's Investment Policy Statement. The Committee shall report to the Board all actions taken.
2. The **RIA** is responsible for:
 - a. Assisting with development of the Investment Policy Statement.
 - b. Selecting investment options the employees have to choose from with the approval or review of the Board or its Committee.
 - c. Monitoring the Plan's investment performance and recommending investment option changes to Board or its Committee.
 - d. Providing Plan participant investment education and communication.

3. The **Recordkeeper** is responsible for implementing investment changes and will provide services in connection with Plan establishment, recordkeeping, allocations, client services, reporting, disclosures, consulting and distributions in accordance with its Service Agreement.
4. The **Custodian** is responsible for holding Plan assets in accordance with the terms of the Custodial Agreement.
5. All parties defined in Section IV are responsible for operating the 401(k) plan in accordance with the Plan document.

V. SELECTION OF INVESTMENT FUNDS

The selection of investment options offered under the Plan is among the RIA's most important responsibilities. Set forth below are the considerations and guidelines employed.

Investment Selection

The Plan intends to provide an appropriate range of investment options that will span the risk/return spectrum. Further, the Plan investment options will allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. Major asset classes to be offered will include:

Fixed Account: Benchmark = Three (3) -Month T-Bill Index

- The fund is designed to provide current income from a diversified, professionally managed portfolio of high quality money market instruments and/or stable value funds with the primary objective being preservation of principal and liquidity.

Bond: Benchmark = Barclay's Capital Aggregate Bond Index

- The fund will seek to maximize monthly income and relative stability of principal through investment in high quality government and corporate debt securities. The goal is to reduce overall portfolio volatility through investments that can provide a high yield and more current income than a fixed price U.S. government money market fund.

Balanced Fund: Benchmark = 60% S&P 500, 40% Barclay's Capital Aggregate Bond Index

- The fund's investment objective is to emphasize current income while secondarily striving to attain capital growth. The portfolio is managed to earn current income on, and to anticipate long-term capital growth of the portfolio as a whole rather than any individual security in it. The fund may invest in common and preferred stocks, straight debt securities (including government securities) or debt securities with equity conversions or purchase rights, and cash and cash equivalents. The mix of these securities is determined on the basis of existing and anticipated conditions. The relative percentages of each type of security in the portfolio may be expected to fluctuate.

Large Cap: Benchmark = S&P 500 Index

- The fund will seek to provide long-term capital growth by investing primarily in

large-cap domestic common stocks and securities convertible into common stocks. Growth may be realized through the security price along with dividends being received. These funds will be designed primarily for long-term investment.

Mid Cap: Benchmark = Russell MidCap Index

- The fund will seek to provide long-term capital growth by investing primarily in mid-cap domestic common stocks and securities convertible into common stocks. Growth may be realized through the security price along with dividends being received. These funds will be designed primarily for long-term investment.

Small Cap: Benchmark = Russell 2000 Index

- The fund will seek to provide long-term capital growth by investing in small-cap domestic common stocks and securities convertible into common stocks. Growth may be realized through the security price along with dividends being received. These funds will be designed primarily for long-term investment.

International/Global: Benchmark = MSCI EAFE Index and MSCI World Index (ACWINR USF)

- The fund will seek long-term growth through a policy of investing in stocks and debt obligations of companies and governments primarily outside of the United States. Any income realized will be incidental. The primary investment in the Plan should be common stock, but should the market or economics warrant a defensive strategy, the fund manager, at their discretion, may invest in U.S. government securities, bank time deposits or currency of any major nation.

Specialty: Benchmark = Not Applicable

Assuming the minimum criteria are met, the particular investment under consideration should meet the following standards for selection:

1. Performance should be equal to or greater than the median return for an appropriate, style-specific benchmark and peer group over a specified time period.
2. Specific risk and risk-adjusted return measures should be established and agreed to by the Board and the RIA within a reasonable range relative to an appropriate, style-specific benchmark and peer group.
3. The investment should demonstrate adherence to the stated investment objective.
4. Fees should be competitive compared to similar investments.
5. The RIA should be able to provide all performance, holdings and other relevant information in a timely fashion, with specified frequency.

VI. INVESTMENT MONITORING AND REPORTING

The ongoing monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment option selection process and confirming

that the criteria originally satisfied remain so and that an investment option continues to be a valid offering. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an ongoing process.

Monitoring should occur on a regular basis, occur no less than quarterly, and utilize the same criteria that were the basis of the investment selection decision. Staff will send a summary of this review to the Finance Committee. It should include a formal review annually. Further, unusual, notable or extraordinary events should be communicated by the RIA immediately to the Executive Director or Executive Director's designee.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, the RIA and Executive Director must take steps to remedy the deficiency. If over a reasonable period such parties are unable to resolve the issue, termination of the investment option may result.

VII. INVESTMENT FUND TERMINATION AND REPLACEMENT

Any RIA recommendation to terminate an investment fund or manager of an investment fund will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, material change to investment processes or style drift. Considerable judgment must be exercised in the termination decision process.

Replacement of a terminated fund shall follow the criteria outlined in Part V, Selection of Investment Funds.

The RIA can request DBRL staff schedule a Committee meeting whenever necessary. The RIA will select and recommend the addition or termination of investment options to the Board or the Committee. The Committee has the authority to make decisions related to the investments and shall report to the Board all decisions made. The Executive Director has the authority to take the RIA's recommendation directly to the Board.

Replacement of a terminated fund shall follow the criteria outlined in Part V, Selection of Investment Funds.

VIII. REGISTERED INVESTMENT ADVISOR (RIA) TERMINATION

The RIA shall be terminated when Board and/or the Executive Director has lost confidence in the RIA's ability to:

1. Achieve performance and risk objectives;
2. Comply with investment guidelines;
3. Comply with reporting requirements; or
4. Maintain a stable organization and retain key relevant investment professionals.

There are no hard and fast rules for RIA termination. However, if the RIA has consistently failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. The RIA may additionally be terminated as

otherwise allowed by RIA agreement. The Executive Director has the authority to retain and to terminate the RIA.

IX. PARTICIPANT EDUCATION AND COMMUNICATION

According to the Plan, DBRL management will communicate to employees that they control their own investments; permit investment changes at least daily; and provide effective educational materials annually allowing employees to make informed decisions.

The Plan allows DBRL to delegate the preparation and delivery of this type of communication to third party providers such as RIA and Recordkeeper experienced in providing such materials in either electronic or print format.

The RIA shall assist staff in enrolling new participants to the Plan.

The RIA shall provide education to the participants by holding at least one training seminar annually. The RIA shall also make themselves available at least quarterly to meet with DBRL employees.

The Recordkeeper shall make available to each participant an on-line account. The Recordkeeper shall offer assistance to participants in setting up and accessing the on-line account. The on-line account shall:

1. Report the participant's account information and the status of their investments.
2. List the investment options offered by the Plan and provide investment information on those funds
3. Provide participants the ability to make changes to their contribution rate, balances in their investment options, and/or change investment elections.'
4. Make available a resource center where participants can access information and calculators to educate them about planning for retirement.

X. COORDINATION WITH THE PLAN DOCUMENT

Notwithstanding the foregoing, if any term or condition of this investment policy conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

XI. FURTHER GUIDELINES

Self-Directed Brokerage

The self-directed brokerage option is not available within the DBRL 401(k) plan program. Individual participants have the ability to invest their contributions among the investment options available through the 401(k) plan.

Company Stock

DBRL is a tax-supported public library and has no stock to be offered as an investment option.

Advice and Considerations

As with any designation of a service provider to the Plan, the designation of a company or individual to provide investment advice to Plan participants and beneficiaries is an

exercise of discretionary authority and control with respect to management of the Plan. Therefore, DBRL, the Executive Director's or Executive Director's designee, and/or the RIA will act prudently and solely in the interest of the Plan participants and beneficiaries both in making such designation(s) and in continuing such designations(s).

At a minimum, the investment advice by the selected provider should be unbiased and be based on sound asset allocation theory and in-depth fund analysis. It should also be tailored to each participant's circumstances. Monitoring will occur on an annual basis and utilize the same criteria that were the basis of the investment advisor selection decision.

Procedures

1. The RIA shall forward all employee 401(k) retirement plan change forms to the DBRL staff in a timely manner.
2. DBRL staff shall process the change forms in a timely manner to be included in the payroll processing
3. DBRL staff shall report and remit retirement contributions to the Recordkeeper within the time frame specified by the Plan document
4. The Recordkeeper shall record employee contributions in a timely manner.