

## Annual Meeting

Jones Library Board of Trustees

Trustees' Room, Jones Library

April 14, 2009

Present: Trustees McKee, Hoffmann, Gray, Holland, Greenbaum, and Wang

Also Present: Library Director Bonnie Isman, Kay Moran (Finance Committee), Bob Saul (Finance Committee), public, Scott Merzbach (Press)

The meeting was called to order at 7:10 p.m. with Ms. Wang chairing the meeting.

Bob Saul, attended as a concerned citizen (not as a member of the Finance Committee); he is a fiduciary for Grantham, Mayo and Van Otterloo. He respects Vanguard and John Vogel. His opinions are his own. He wants to add an alarmist's perspective regarding the endowment, saying many of his clients are converting their investments to cash. He manages timber resources. He says the stock market is in transition and it will resurrect itself, but its current "death" could last for decades. He pointed to artificial inflation of the stock market since the 1980's. Twice he referred to Japan's failing stock market. He told the Trustees that they need to avoid the temptation that 'you can become rich again.' He said, 'Wait, decide, act, and don't look back.' He advises the Trustees to tell Vanguard to move the entire portfolio to cash. At that point, the Trustees must decide what to do with that cash. He suggested.' ... crossing the psychological barrier that brings the narcotic of hope. ' Mr. Saul discussed the debt overhang which is about 55 Trillion Dollars in the US (with a \$14 Trillion economy).

Rich Spurgeon arrived at 7:25 pm. He apparently manages a hedge fund.

Mr. Spurgeon promoted relatively safe bond portfolios. He suggested not getting more than 4% return will be the norm. He suggested reducing the risk in the portfolio because the risk in the market right now is too high. He doesn't agree with 100% cash, but suggests relatively safe investments with short maturity and high quality investments. When asked what the draw rate should be, he feels if there will be no addition to the principle, then it should be a low draw rate. If a capital campaign would add to the principle, then more can be withdrawn from the endowment. Mr. Saul noted that he is suggesting a very high risk strategy (cash) whereas Mr. Spurgeon is suggesting a more varied and lower risk strategy. He pointed out that the Trustees must decide whether to ride with the vagaries of the market or radically change investment strategies.

Ms. Gray asked about 'broadening the pie' through the use of annuities. She spoke of libraries in California that offer annuities. A person would make a donation to the Library and they would receive income in the form of an annuity. Mr. Saul reiterated that the Trustees must decide what they will spend so that they will not bleed the principle of the endowment. Mr. Spurgeon said he feels the Town's budget situation will not get better soon and there will always be pressure to spend the endowment. Ms. Isman told the group that the actual legal principal is less than \$1,000,000 and the majority of the endowment is from investment returns. Currently, we refer to the market value of the endowment. Mr. Greenbaum said the Trustees must protect "our heritage, our legacy, and the endowment." He noted that other towns such as Andover spend \$1,000,000 more on their libraries than Amherst spends. He said the Town is accustomed to seeing the Trustees' contribution of \$400,000 and they would miss it if the Trustees no longer contributed this amount. Mr. Saul left at 8:10 pm.

Ms. Holland spoke of a letter from Peter Shea, former Trustee and currently treasurer of Amherst College. Mr. Shea advised prudent spending from the endowment and cutting services rather than taking more from the endowment to fund current shortfalls. Ms. Wang proposed asking Vanguard to run some models for lowering the equities percentage. Ms. Isman referred the Trustees to the Vanguard risk table. Ms. Wang wants to hear Vanguard suggest alternative strategies. Ms. Gray wants to hear what other libraries do. Ms. Gray suggested a strategy of having stages such as if this happens, then do this. Mr. Hoffmann agreed that a plan is necessary. Ms. McKee suggested protecting the endowment now through a realistic plan. Mr. Spurgeon reminded the Trustees that they must decide if they are comfortable with the current level of volatility of the invested funds. He also said if the Trustees continue to withdraw \$400,000 yearly from the endowment (to give to the Town), it could disappear. Mr. Spurgeon left at 8:47 pm. Ms. Holland will contact Jim Gorman of Vanguard and ask him about reallocation with specific percentages for the endowment. He will be invited to speak at the next Trustees' meeting.

Nominate Patricia Holland for President. Nomination by Kathleen Wang, second by Carol Gray. Vote: Unanimous

Nominate Kathy Wang for Vice President. Nomination by Patricia Holland, second by Louis Greenbaum. Ms. Wang declined the nomination.

Nominate Carol Gray for Vice President. Nomination by Kathy Wang, second by Chris Hoffmann.

Vote: Unanimous

Nominate Hoffmann for Treasurer. Nomination by K. Wang, second by L. Greenbaum. Vote: Unanimous

Nominate Sarah McKee for Clerk. Nomination by C. Gray, second by K. Wang. Vote: Unanimous

Nominate Louis Greenbaum for Assistant Treasurer. Nomination by K. Wang, second by C. Gray.

Vote: Unanimous

Committees: Budget Coordinating Group – Chris Hoffmann, Patricia Holland

Joint Capital Planning Committee — Carol Gray, Sarah McKee

Personnel Board –Patricia Holland

Burnett Gallery Committee —Louis Greenbaum

Friends of the Jones Library System —Chris Hoffmann

Trustees' Fund Raising—Kathy Wang, Sarah McKee, Chris Hoffmann

Café Sub Committee—Carol Gray

The meeting adjourned at 9:10 p.m.

Submitted, Tina Swift