Ad Hoc Jira Scholarship Committee Report

8/7/2014

This report requires Board action.

Investigation of an appropriate investment plan continued. Stacey contacted Andrew Paoni from Sikich, the firm that manages the Illinois Library Association’s endowments.

Andrew suggests a mutual fund portfolio.  The expense ratio for an actively managed portfolio at Sikich is .7%.  Passive portfolios are .35%.  On top of that is a 1.5% charge.  Andrew reports that stock funds are expected to return about 9.5% over 10 years, bonds at 2%-3%.  A balanced portfolio of stocks and bonds would bring about 6%-6.5%.

Stacey and Fran also examined offerings from Vanguard, including the following:

Vanguard 500 Index Fund Admiral Shares

https://personal.vanguard.com/us/funds/snapshot?FundId=0540&FundIntExt=INT#tab=0

We meet the minimum $10,000 deposit minimum so would have no annual fee. Additions to the fund must be at least $100. The expense ratio is 0.05%. Historical returns for this fund are 18.81% for five years and 7.77% over 10 years. The 10 year includes the crash in 2008, which brings down the average. If the market does not crash again, we could double the endowment in 10 years.

Vanguard Long-Term Bond Index Fund (VBLTX)

https://personal.vanguard.com/us/funds/snapshot?FundId=0522&FundIntExt=INT

Vanguard Prime Money Market Fund (VMMXX)

https://personal.vanguard.com/us/funds/snapshot?FundId=0030&FundIntExt=INT

Vanguard Short-Term Federal Fund Investor Shares (VSGBX)

https://personal.vanguard.com/us/funds/snapshot?FundId=0049&FundIntExt=INT

While there are advantages to having a professional fund manager, the expense ratio at Sikich (.35%-.7%) is much higher than Vanguard (.05%-.2%), and Vanguard does not charge any additional fees

Fran met with a financial advisor in August who agreed that HSLI’s best option is to self-manage our funds and that Vanguard is a good fit. Bob Doyle at ILA reported that ILA self-managed their funds for many years.

ACTION ITEM:

The Ad Hoc Jira Scholarship Committee recommends that the Jira Scholarship funds, currently being held in the HSLI checking account, be invested with Vanguard as follows:

Allocate most of the fund to Vanguard 500, MidCap index. The remaining portion to be invested in bonds or fixed income products, could be distributed with Vanguard options 1/3 international, 1/3 long term bond and 1/3 short term federal to diversify.