Interstate Commission for Juveniles	Policy Number: 01-2023	Page Number: 1
ICJ Administrative Policy Investment Policy		Dated: April 27, 2023

I. Authorization

Article IV (6) and (13) of the Interstate Compact for Juveniles (ICJ) provides that the Commission has the power and duty to "purchase and maintain… bonds and "establish a budget and make expenditures."

Article V (1)(f) of the Interstate Compact for Juveniles (ICJ) states that the Commission's By-laws provide "a mechanism for concluding the operations of the Interstate Commission and the return of any surplus funds that may exist upon the termination of the Compact after the payment and/or reserving of all of its debts and obligations."

Article III (2)(d) of the Commission's By-laws states that, "The treasurer, with the assistance of the Commission's executive director, shall act as custodian of all Commission funds and is responsible for monitoring the administration of all fiscal policies and procedures set forth in the Compact or adopted by the Commission."

Article VIII of the Interstate Compact for Juveniles (ICJ) outlines the financial management of the Commission, including the requirement to "keep accurate accounts of all receipts and disbursements."

II. Policy

This policy establishes investment objectives, distribution policies, and investment guidelines for the management of the Commission's investment portfolio.

A. All transactions shall be for the sole benefit of the Commission.

B. The Commission shall invest in a consolidated fund through Vanguard or other investment management company.

C. Investments shall be diversified to maximize income within an appropriate risk mitigation strategy similar to other public and private non-profit institutional strategies.

D. The investments portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

E. Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Executive Committee.

III. Responsibility

A. The Executive Committee acts in a fiduciary capacity when approving all investment objectives, distributions, capital spending, and guidelines that govern the financial investments of the Commission.

B. The Finance Committee monitors the Commission's budget and financial practices, including the collection and expenditure of Commission revenues and investments and recommends investment objectives, distribution policies, and investment guidelines that govern the financial investments of the Commission. The Finance Committee will review the Investment Policy on an annual basis to ensure it is consistent with current investment objective and spending needs. The Finance Committee will make recommendations for Executive Committee action as needed

C. The Commission Treasurer acts to oversee of all Commission funds and is responsible for monitoring the administration of all fiscal policies and procedures set forth in the Compact or adopted by the Commission. The Treasurer may utilize the executive director or their designee to execute this Policy and engage a qualified investment manager(s) to maintain the Commission's investment portfolio.

IV. Investment Objectives

Funds are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Commission. The total value of fixed income assets shall be maintained at a value no less than the operating budget for one year.

V. Distribution Policies

A. All Dividends and Capital Gains will be reinvested in the consolidated fund, except as describe below.

B. Upon a majority vote of the Executive Committee, the distribution of funds may occur as required to accommodate the Commission's annual budget.

C. For the purpose of making distributions, the portfolio shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

D. The distribution of assets will be permitted to the extent required to meet the annual budget and/or support emergent needs of the Commission, so long as approved by the Executive Committee.

VI. Investment Guidelines

Periodic cash flow, either into or out of the portfolio, will be used to better align the investment portfolio to the investment goals outlined in the asset allocation, diversification, and rebalancing policies:

A. Asset Allocation

1. The Commission will maintain a reasonable diversification of investment assets between asset classes and investment categories.

2. The Commission expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Commission wishes to retain flexibility with respect to making periodic changes to the portfolio's asset allocation, it expects to do so only in the event of material changes to the fund, to the assumptions underlying fund spending policies, and/or to the capital markets and asset classes in which the portfolio invests.

3. Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of equity investments will be to maximize the long-term real growth of portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of equity investments.

4. Cash investments will, under normal circumstances, only be considered as temporary portfolio holdings and will be used for fund liquidity needs or to

facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.

5. Outlined below are the long-term strategic asset allocation guidelines determined by the Commission to be the most appropriate, given the fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset classes in accordance with the following guidelines:

Asset Class	Target Allocation
Equity (stocks)	60%
Fixed Income (bonds)	40%

B. **Diversification**

1. Diversification across and within asset classes is the primary means by which the Commission expects the portfolio to avoid undue risk of large losses over long time periods. To protect the portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Commission will take reasonable precautions to avoid excessive investment concentrations.

2. The consolidated fund shall be managed in a manner that seeks to provide capital appreciation, as well as a low to moderate level of current income. The consolidated fund shall invest in four funds to produce a highly diversified portfolio that is made of the following asset classes:

Total Stock Market Index Fund	36%
Total Bond Market II Index Fund	28%
Total International Stock Index Fund	24%
Total International Bond Index Fund/Total International Bond II Index Fund	12%

C. **Rebalancing**

1. The Commission's investments will be managed through a consolidated-fund solution in order to ensure timely rebalancing. The consolidated fund will rebalance its target asset allocation on a daily basis as part of the fund's

investment management. Purchases and/or Redemptions will be treated as additions or deductions from the consolidated fund assets.

2. It is expected that the portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset classes.