



INTERSTATE COMMISSION FOR  
ADULT OFFENDER SUPERVISION

# 02-2020 - INVESTMENT POLICY

POLICY NUMBER

02-2020

ISSUED

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## **I. Purpose**

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This policy provides a clear statement of the Commission's investment objective and defines responsibilities for managing the Commission's investments with target asset allocations, including permissible investments and diversification requirements.

## **II. Authority**

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ICAOS Bylaws, Article III, Section 2(d); ICAOS Bylaws, Article VII, Section 2; ICAOS Bylaws, Article VIII, Section 3

## **III. General Provisions**

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- A. All transactions shall be for the sole benefit of the Commission.
- B. Investments shall be diversified to maximize income within an appropriate risk mitigation strategy similar to other public and non-profit institutional strategies.
- C. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- D. Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Executive Committee.

## **IV. Duties and Responsibilities**

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- A. The Executive Committee has the final responsibility for the management of the Commission's investment assets.
- B. The Finance Committee will evaluate the performance of the investment portfolio and make recommendations for Executive Committee action as needed.
- C. The Commission must operate the investment program in compliance with all applicable state, federal and local laws and regulations concerning the management of investment assets.
- D. The Commission shall vest ultimate responsibility and custody of investment accounts with the Commission treasurer who may utilize the executive director or their designee to execute this Policy and hire a qualified investment manager(s) to maintain the Commission's portfolio.

## V. Investment and Distribution Guidelines

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- A. Upon a majority vote of the Executive Committee, the distribution of funds may occur as required to accommodate the Commission's annual budget.
- B. Unless required by an emergency as defined by a vote of the full Commission, distributions from invested funds may not reduce the fund's real assets below a threshold equivalent to 20 percent of the Commission's total annual expenses
- C. Permitted investments include: cash, cash equivalents, marketable securities, money-market accounts (AAA), short-term securities (A1/P1), and investment-grade (BBB/Baa) fixed income securities.
- D. Non-permissible investments include non-negotiable securities, derivatives, junk bonds, short-sales, commodities, precious metals, straddles, warrants, real estate backed securities, life insurance contracts, private placements, or leveraged stock.

## VI. Allocation

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- A. The Commission will maintain a reasonable diversification of investment assets between asset classes and investment categories.
- B. Unless included within an index or passively managed funds not subject to direct manipulation of individual assets, investments in the equity securities of any one company shall not exceed 5% of the portfolio nor shall the direct total securities position (debt and equity) in any one company exceed 20% of the portfolio. This policy shall not apply to fixed-income investments directly guaranteed by the US Government.
- C. Except for passively managed funds, no more than 25% of the total portfolio under management may be invested in securities of any single sector.
- D. Under normal circumstances, Commission assets should be allocated across a broad spectrum of asset and sub-asset classes per the following limits:

Asset Class	Target	Limits
<i>Cash &amp; Equivalents</i>	5%	0-5%
<i>Fixed Income</i>	30%	20-50%
<i>Equities: Domestic Large Cap</i>	25%	20-40%
<i>Equities: Domestic Small/Mid Cap</i>	30%	10-25%
<i>Equities: International</i>	10%	5-15%

## **VII. Rebalancing**

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- A. Incoming contributions or outgoing disbursements from invested assets shall be realigned to bring current weighting closer to referenced limit weighting.
- B. Rebalancing should occur annually within 60 days of a fiscal year's end.
- C. Asset rebalancing may occur and be managed by the Investment Manager(s) or by the direct action of the executive director in consultation with the treasurer.