

**SOUTH DAKOTA INVESTMENT COUNCIL
INVESTMENT POLICY FOR THE
SOUTH DAKOTA RETIREMENT SYSTEM
(South Dakota Codified Law 4-5-28)**

1. PURPOSE

The purpose is to define the objectives and policies related to the South Dakota Retirement System (SDRS) investment assets. The investment policies conform with laws governing SDRS investment assets.

2. PRUDENCE

Assets are invested according to a prudent person standard. (SDCL 4-5-27)

3. OBJECTIVES

The investment objectives are:

A. Return

The primary return objective is to achieve and exceed the rate of return of the benchmark over the long term. A secondary return objective is to achieve and exceed the median rate of return of peer funds over the long term.

B. Risk

The fund is focused on the long term and is tolerant of short-term volatility. Risk is managed through diversification across and within asset categories and by adjustments within ranges approved by the Investment Council (Council).

4. DELEGATION OF AUTHORITY

The Council, through the State Investment Officer and staff, is responsible for the investment of SDRS assets. (SDCL 3-12C-223) Assets are invested according to established written procedures and internal controls consistent with investment policies adopted by the Council. (SDCL 4-5-29)

5. ETHICS AND CONFLICT OF INTEREST

The Council members will adhere to the Code of Ethics and Personal Investing Guidelines South Dakota Investment Council and the South Dakota Investment Council Conflict Waiver Policy. (SDCL 4-5-14)

All Council staff will adhere to the Conflict Waiver Policy and *The Code of Ethics and Personal Investing Guidelines for SDIC Staff* which includes *The Code of Ethics and Standards of Professional Conduct* established by the CFA Institute for the investment staff members.

6. AUTHORIZED FINANCIAL DEALER AND INSTITUTION

Security transactions are executed with broker/dealers approved by the State Investment Officer. Safekeeping of securities is provided by a custodial agent selected by the state treasurer and approved by the Council. (SDCL 4-5-31)

7. AUTHORIZED AND SUITABLE INVESTMENTS

Investment of SDRS assets is subject to a prudent person standard. Financial derivative use is permitted for hedging and asset category exposure adjustments.

8. INTERNAL CONTROLS/ANNUAL AUDIT

The Council and staff are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of SDRS are protected from loss by fraud, theft, or misuse. The SDRS Board of Trustees is responsible for engaging an auditor to conduct an audit of investments and make the report available to the Council.

9. PERFORMANCE STANDARDS

Benchmarks for the fund are determined each fiscal year by the Council.

10. REPORTING

State statute requires that monthly transactions be provided to the Council on a timely basis. (*SDCL 4-5-32*)

Statue requires the Council to report annually to the Legislature with respect to a review of Council activities. (*SDCL 4-5-36*)

Other reports are provided to the Council for their information.

Open Records laws exempt the Council from disclosure of certain financial and commercial information relating to potential or existing investments and/or strategies. (*SDCL 1-27-1.6(5) and 1-27-30*)

11. POLICY AMENDMENT

This policy shall be periodically reviewed. Any changes require Council approval.