

**SOUTH DAKOTA INVESTMENT COUNCIL  
INVESTMENT POLICY FOR  
EDUCATION ENHANCEMENT TRUST FUND ASSETS  
(South Dakota Codified Law 4-5-28)**

**1. PURPOSE**

The purpose is to define the objectives and policies related to the Education Enhancement Trust Fund investment assets. The investment policies conform with laws governing the investment assets of the fund.

**2. PRUDENCE**

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

**3. OBJECTIVES**

The investment objectives are:

**A. Return**

Assets are invested with the return objective to achieve and exceed the rate of return of the benchmark over the long term to:

- 1) provide a distribution for the State's education enhancement programs (SDCL 4-5-29.2) and
- 2) promote inflation-adjusted growth of the fund with a steadily growing distribution amount.

**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 the trust fund assets. (SD Const. art. XII §6) 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 trust fund assets is subject to a prudent person standard. Financial derivatives use is permitted for hedging and asset category exposure adjustments.

## **8. INTERNAL CONTROLS/ANNUAL REPORT**

The Council and staff are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the fund are protected from loss by fraud, theft, or misuse. The Auditor General is responsible for conducting an audit of investments and will submit an annual audit report to the Council. (*SDCL 4-5-35*)

## **9. PERFORMANCE STANDARDS**

Benchmarks for the fund are established 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*)

Statute 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.