

**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 man 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 of 4% of fair value 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

Council staff will adhere to *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.

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 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, 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.

Public Records and Files laws exempt the Council from disclosure of financial and proprietary information. *(SDCL 1-27-1.6(5) and 1-27-30)*

11. POLICY AMENDMENT

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