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

November 2019
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, 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.
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.