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THE FUND

The School and Public Lands Fund (SPL), sometimes referred to as the Permanent Trust Fund, was established by the South Dakota Constitution. Under S.D. Const. art. VIII, § 3, all interest and income the fund generates must be faithfully used and applied each year to benefit the state's public schools. The principal is constitutionally protected and may not be diverted by legislative action for any purpose. Income from the fund is distributed annually to support South Dakota's public schools, universities, and other endowed institutions. The fund's principal was built primarily through the sale of land over many decades.

In November 2000, voters approved Constitutional Amendment E, which expanded the fund's investment authority to include stocks, bonds, mutual funds, and other financial instruments. South Dakota Codified Law (SDCL) 5-10-18 provides that the South Dakota Investment Council (Council) shall invest the monies of the common school permanent fund and other educational funds in accordance with the prudent-person standard set forth in SDCL 4-5-27. The amendment also requires that sufficient income be retained to offset the effect of inflation[23] ensuring the fund will grow at least at the rate of inflation. Realized capital gains may be used to meet this inflation-protection requirement. While the shift from a focus solely on current income initially reduced distributions to schools, it has supported increased payouts over time. The transition to the asset allocation policy was phased in over several fiscal years following the amendment's adoption.

OBJECTIVES AND COMPONENTS

The objectives of SPL are: 1) to provide a distribution of income to support education, and 2) to promote long-term, inflation-adjusted growth of the fund to support a steadily growing distribution amount.

SPL assets were invested in diversified portfolios during fiscal year 2025, as detailed on the following page. Before adopting Constitutional Amendment E in 2000, the fund was invested primarily in U.S. Treasury and mortgage-backed securities. Since then, the Council has gradually shifted the fund's asset allocation to be more like that of the South Dakota Retirement System.

As of June 30, 2025, SPL's long-term expected return was 5.8%, with a volatility of 13.6%. This means that, with 68% confidence, the fund's annual return is expected to fall within a range of (7.8%) to 19.4%, and, with 95% confidence, within a broader range of (21.3%) to 32.9%.

INVESTMENT PERFORMANCE

At the end of fiscal year 2025, SPL had a fair value of $430,690,564. Per the constitutional amendment, the fund's principal is adjusted annually by an inflation factor. For the fiscal year, the fund achieved a total return of 6.0% net-of-fees. This performance is compared to the Capital Markets Benchmark[24] return of 11.8%. The underperformance was primarily due to the fund's lower exposure to equities, weaker performance in real estate and private equity limited partnerships, and underperformance of the internal public equity portfolio.

Over the ten-year period ending June 30, 2025, SPL's annualized total return was 6.3% compared to 7.5% for the Capital Markets Benchmark. In fiscal year 2025, the fund distributed $15,590,738 to the common schools in February 2025 and $4,000,581 to the schools of higher education in June 2025.

The Office of School and Public Lands' annual report provides additional information regarding all forms of distributable income.

Cash Flows and Fair Value Changes

Beginning Fair Value 6/30/24			$ 416,674,467
Increases/Decreases			
Net Contributions/Withdrawals		$ (10,881,757)	
External Management Fees		(906,712)	
Total Increases/Decreases			$ (11,788,469)
Investment Income			
Securities Income			
Interest Income	$ 11,423,024		
Dividend Income	2,218,071		
Securities Lending Income	2,574		
Real Estate Income	17,000		
Change in Accrued Income	(80,433)		
Total Securities Income		$ 13,580,236	
Capital Gain/Loss Income			
Change in Unrealized Gain/Loss	$ 3,122,369		
Realized Gain/Loss	9,101,961		
Total Capital Gain/Loss Income		$ 12,224,330	
Total Investment Income			$ 25,804,566
Ending Fair Value 6/30/25			$ 430,690,564