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MEMORANDUM

To: North Dakota State Investment Board
LeRoy Gilbertson, Acting Chief Investment Officer

From: Paul Erlendson

Date: August 26, 2010

Subject: Asset management fee review

Purpose

This report is the second component of the investment fee survey commissioned by the North Dakota State Investment Board (“SIB”) in June. The first part of our study, delivered in July, assessed the SIB’s private equity asset management fees. This final segment reviewed fee arrangements with investment managers in the other asset classes for the one-year period ended March 31, 2010. The subject asset classes include domestic and non-US equity; domestic and non-US fixed income; and real estate in relation to the SIB’s Pension and Insurance Trusts.

The purpose of our analysis was to answer two primary questions for the SIB:

- A. What is the amount and rate of fees paid by the Pension and Insurance Trusts for the one-year period ended March 31, 2010?
- B. How do the fees paid by the SIB compare with those paid by other large institutional investors?

Background

The SIB approached the investment structure of various investment pools—e.g., large cap equity, small cap equity, fixed income, real estate—with an objective of enhancing expected return. In addition to using traditional investment strategies and products, the SIB sought to improve returns through the introduction of investments purporting to produce excess returns through the following techniques:

- “Porting” an alpha source from a different asset class (e.g.—the ECL European bond results “ported” atop an S&P 500 Index futures contract);
- Populating asset classes with investment strategies exhibiting characteristics unlike those of more “traditional” strategies (e.g.—the Toreda and Springbank timber portfolios within the Pension Trust’s fixed-income allocation); and
- Employing strategies that invest in private market securities within an asset class that is benchmarked to a public market index (e.g.—Goldman Sachs’ mezzanine debt limited partnerships within the high yield allocation).

To differentiate investment strategies that are commonly employed within a given asset class from those that fit the “return enhancement” profiles listed above, our study introduces a naming convention. We refer to the former group of strategies as “traditional” and to the latter group as “special.” We found this to be a useful device as the fee levels between the two groups differ dramatically, making “apples-to-apples” comparisons quite challenging if not entirely inappropriate.

In general, the “traditional” strategies bill for their services using what is known as “asset-based” fee models. The SIB’s “special” strategies tend to use “incentive fee” arrangements, also known as “performance fees.” We describe the key features and characteristics of these two approaches in the following paragraphs.

Asset-based fees

The investment manager is paid according to a fee schedule that is applied to the amount of assets invested by the client. Typically, asset-based fee schedules have breakpoints whereby progressively lower fees are applied as the amount of assets under management increase. For example, a manager using an asset-based fee might charge clients 0.75% on the first \$20 million in an account; 0.60% on the next \$30 million; and 0.40% on amounts over \$50 million. The two factors that affect asset-based fees are the rates in the fee schedule and asset size. Investment performance, per se, is not a factor in the calculation of an asset-based fee.

Incentive (or “performance”) fees

Incentive fees allow the manager to “share in the profits” if certain performance objectives are met. These arrangements generally have five key components: a base fee; an investment period; capital commitment; a hurdle rate (also known as a preferred return); and the incentive fee. The structure and application of incentive fees varies dramatically even within strategies. Further, because “incentive” payments typically don’t occur until after the third year in the life of an investment, the timing of actual payments can distort the perception of the manager’s fee rate.

By way of explanation, the *base fee* provides a level of income to the manager until such time as incentive fees are earned and paid. The strategies employed by the SIB have base fees ranging between 0.00% and 1.75%. The base fee is paid during the *investment period* (generally between three and four years). It is frequently calculated on the investors’ entire *capital commitment* (i.e.—the amount of investment capital the investor is contractually obligated to provide whereas the timing of when the capital is called resides exclusively with the manager). During the investment period, the base fee will typically be assessed on the greater of invested capital or the capital commitment.

The *hurdle rate* is a preferred or target rate of return that the manager has to achieve before he is entitled to earn the incentive fee. Within the SIB array of managers, hurdle rates range from 0.00% to 10.0%. The *incentive fee*, also known as “carried interest,” is the percentage of realized earnings above the hurdle rate that will be paid to the manager. The SIB’s incentive fee rates range from 20% to 35% of profits above the relevant hurdle rate.

Investment results matter

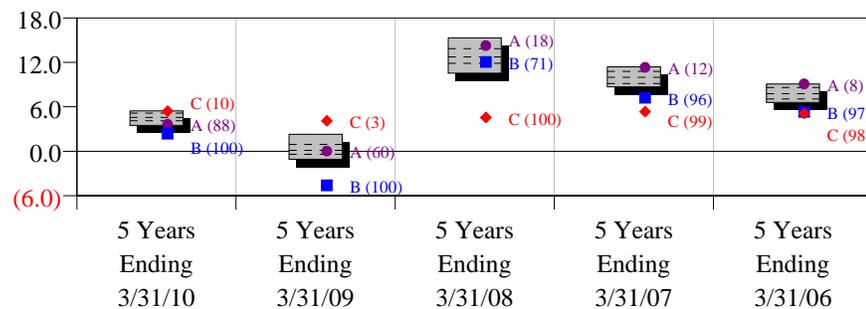
As noted above, the SIB has implemented a number of special strategies across the investment platform that may entitle the respective investment manager to incentive fee payments. The basis for these selections was the belief that these more complex investments would enhance the returns of the Trust funds. While increasing the level of fees paid by SIB, Callan has determined through separate analysis that they have also enhanced the overall funds' market sensitivity. In other words, the special strategies contributed to better than average returns during periods of capital market strength as well as lower than average returns in periods of market weakness.

The chart below illustrates the SIB's Pension Trust's returns for five-year periods ending March 31. The Pension Trust's returns are represented by the purple dot and letter A. A broad US stock market index, the Russell 3000, is represented by the blue box and letter B. The investment grade US bond market is represented by the Barclay's Aggregate Bond Index: red diamond and letter C. The bars represent the Callan universe of public pension funds with greater than \$1 billion in assets.

This exhibit provides one element of context in which to evaluate the relative value of active management fees paid by the Pension Trust. The more aggressive orientation of the overall SIB Pension Trust has resulted in relatively poor rankings during recent periods of market distress (see the two columns on the left side of the chart which capture the 2008 market decline and ensuing credit crisis). However, during strong market environments (see the three columns to the right), the SIB's Pension Trust has done very well over rolling five-year periods; rankings were in the top 20% of other large pension funds.

Returns for Periods Ended March 31, 2010

Group: CAI Public Fund - Large (>1B)



	5 Years Ending 3/31/10	5 Years Ending 3/31/09	5 Years Ending 3/31/08	5 Years Ending 3/31/07	5 Years Ending 3/31/06
10th Percentile	5.45	2.33	15.32	11.42	9.10
25th Percentile	5.17	0.94	13.88	10.79	8.62
Median	4.58	0.16	12.74	10.00	7.78
75th Percentile	4.15	(0.38)	11.90	9.16	7.07
90th Percentile	3.52	(1.06)	10.58	8.72	6.59
Member Count	78	57	60	64	38
ND Pen - Total Fund	● A 3.66	● A 0.04	● A 14.28	● A 11.35	● A 9.12
Russell:3000 Index	■ B 2.39	■ B (4.59)	■ B 12.07	■ B 7.23	■ B 5.33
BC:Aggr Bd	◆ C 5.44	◆ C 4.13	◆ C 4.58	◆ C 5.35	◆ C 5.10

Conclusions

The following paragraphs highlight our findings. The attached PowerPoint presentation provides the detailed results of Callan's analysis of investment fees within the asset groupings as defined and structured by the SIB.

1. Fee schedules for North Dakota's *conventional strategies* tend to be near or below industry average for accounts of similar size.
 - Pension Trust Large Cap conventional fees are slightly above median, chiefly due to the higher than average fees paid to Epoch and Wells Capital.
 - Insurance Trust Large Cap conventional fees are below median.
 - Pension Trust Small Cap conventional fees are below median.
 - Fixed income conventional fees are below median.
 - Insurance Trust TIPS conventional fees are below median.
 - High yield conventional fees are below median.
 - International equity conventional fees are below median.
 - Emerging markets conventional fees are below median.
 - International fixed income conventional fees are median.
 - Real estate conventional fees are above median.

2. Fee schedules for North Dakota's *"special strategies"*—that is, those that invest in private markets; use leverage; incorporate performance fees—increase the fees paid within the asset classes to which these strategies have been assigned.
 - Total Pension Trust Large Cap fees are above median due to fees earned by the two TALF managers, Alliance Bernstein and Declaration—both of whom have generated significant excess return.
 - Total Pension Trust Small Cap fees are above median due to the higher fee rates of the private equity managers, North Dakota Investors and Corsair.
 - Total Fixed Income fees are above median due to the higher market rates paid for PIMCO's distressed mortgage strategy; the JPMorgan infrastructure fund, and the timberland investments.
 - Total Pension Trust High Yield fees are above median due to the higher fees for private market investments with Goldman Sachs, PIMCO, and TCW.
 - Total Pension Trust Emerging Market fees are above median due to a private market fee schedules with Capital Guardian, and the JPMorgan Asian Infrastructure fund.
 - Total Pension Trust Real Estate fees are above median due to private market investments in a series of JPMorgan real estate and infrastructure funds.
 - Total Insurance Trust Small Cap fees are above median due to an incentive fee payment to Clifton for significant excess performance.
 - Total Insurance Trust TIPS fees are above median due to private market fee schedules in the JPMorgan infrastructure fund and a timberland investment.

3. SIB Pension Trust's plan level fees are higher than average; the Insurance Trust's overall fees are generally competitive with exceptions noted above.



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North Dakota State Investment Board Pension Trust & Insurance Trust Fee Analysis

August 26, 2010

Paul Erlendson
Senior Vice President



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The following report was prepared by Callan Associates Inc. (“CAI”) using information from sources that include the following: investment managers; CAI software; CAI investment manager and fund sponsor database; third party data vendors; North Dakota Retirement & Investment Office; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with the North Dakota State Investment Board’s investment policies and guidelines nor has it assumed any responsibility to do so.



Initial Notes and Comments

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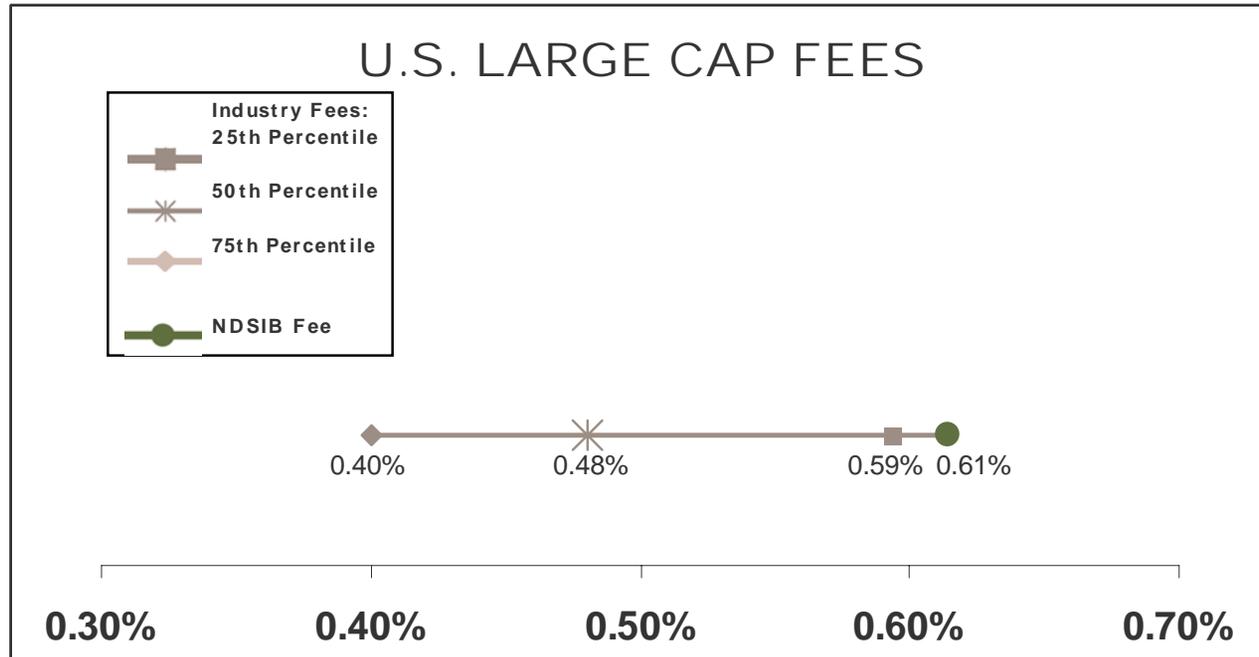
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- All market values, fee data, and other information is for one year ending 3/31/2010, unless otherwise noted.
- All fee information comes from the managers' fee schedule and questionnaire data, unless otherwise noted.
 - One asterisk * denotes fee data provided by the North Dakota State Investment Board.
 - Two asterisks ** denotes fee data directly from the investment manager.
- “Net Excess Return” is calculated as follows: Time weighted investment return, minus benchmark return, minus fees as a percentage of market value.
- Net IRR (internal rate of return) numbers were provided directly by the investment managers and are measured since inception.



Pension Trust – U.S. Large Cap

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- North Dakota's average funded account size is: \$76M
- Circle is NDSIB Pension Trust's weighted average US large cap management fee of 0.61%.
- Industry fees represent the active management fee from Callan's 2009 Investment Management Fee Survey, using a mandate size of \$50M-\$100M.



Investment Strategies – U.S. Large Cap

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Conventional Strategies	Fee %	Net Excess Return
EPOCH Inv. Partners	1.19%	-8.21%
L.A. Capital	0.23%	-2.17%
LACM Enhanced Index Alpha Fund	0.32%	-0.72%
LACM Enhanced Index ex Alpha Fund	0.23%	-0.63%
LSV Asset	0.42%	4.13%
Northern Trust	0.06%	2.10%
Wells Capital	0.75%	87.16%
Weighted Average Fee - Conventional	0.52%	
Industry Fee - 25 th Percentile	0.59%	
Industry Fee - Median	0.48%	
Industry Fee - 75 th Percentile	0.40%	

Special Strategies	Fee % - MV	Net Excess Return	Net IRR	Alpha Source Description
Alliance Bernstein*	4.88%		25.88%	Hurdle Rate: 8% - Invests in securities through the TALF program (Inception Date: 6/1/09)
European Credit Management	0.50%	101.92%		European bond strategy ported onto an S&P 500 swap contract
Prudential Pru-Alpha Fund*	0.12%	31.94%		Long corp bonds combined with buying CDS protection; Long positions in undervalued structured products
Declaration Mgmt/Clifton TALF*	2.02%	8.98%		Invests in securities through the TALF program

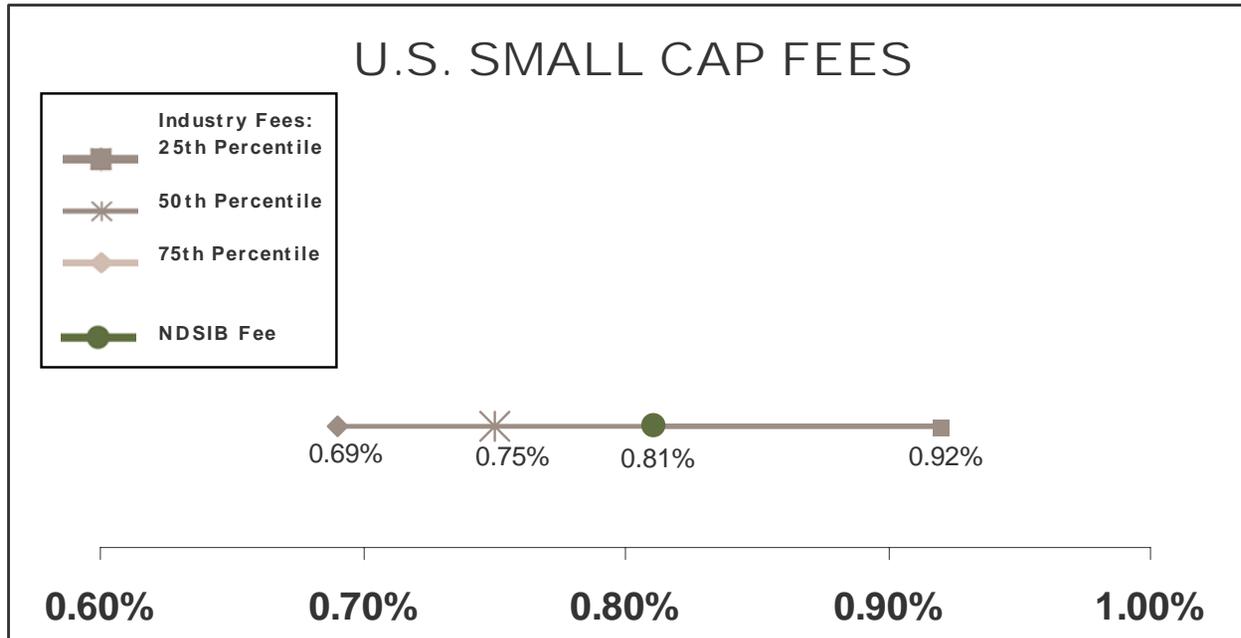
- Declaration Management/Clifton TALF: \$332,806 of estimated carried interest has not been included because it has not yet been realized. If included this would raise the average fee shown by 3.7 bps. This account was funded with \$25M on 7/27/09 and another \$25M on 8/31/09.

* denotes fee data provided by the North Dakota State Investment Board



Pension Trust – U.S. Small Cap

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- North Dakota's average funded small cap account size is: \$47M
- The circle in chart above shows the Pension Trust's weighted average US small cap management fee of 0.81%.
- Industry fees represents the active management fee from Callan's 2009 Investment Management Fee Survey, using a mandate size of \$25-\$50M.
- Weighted average fee excludes Clifton Small Cap Overlay.
- Clifton Enhanced Small Cap has been excluded because it has only been in the portfolio for five months as of 3/31/2010 and they are paid only once a year on 6/30.



Investment Strategies – U.S. Small Cap

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Conventional Strategies	Fee %	Net Excess Return
Callan Diversified Alpha Group Trust**	0.70%	5.61%
Clifton Enhanced Small Cap	N/A	N/A
SEI Composite*	0.75%	-13.09%
Weighted Average Fee - Conventional	0.71%	
Industry Fee - 25 th Percentile	0.92%	
Industry Fee - Median	0.75%	
Industry Fee - 75 th Percentile	0.69%	

Special Strategies	Fee % - MV	Net IRR	Alpha Source Description
North Dakota Investors**	1.00%	N/A***	Direct investment in a small cap domestic financial institution (Inception Date: 3/07/08)
Cors Air III**	7.74%	N/A	Hurdle Rate: 8% - Invests globally in public & private financial companies, as well as in structured products (Inception Date: 3/16/06)

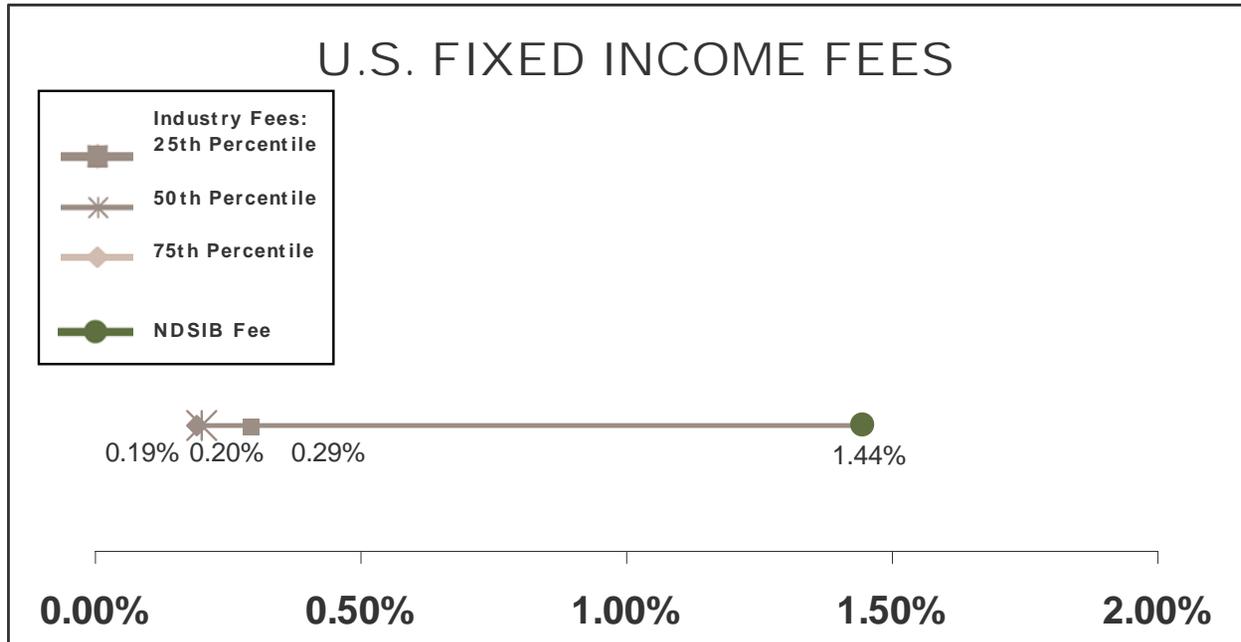
- Clifton Enhanced SC has only been in the portfolio for approximately eight months as of 6/30/10. The fee is 35% of excess return. The fee and average market value used are as of 6/30/2010.
- SEI Composite is being liquidated.
- For CorsAir III we used calendar year 2009 for both expenses and average market value.
- Clifton Enhanced Small Cap has been excluded because it has only been in the portfolio for five months as of 3/31/2010 and they are paid only once a year on 6/30.

*denotes fee data provided by the North Dakota State Investment Board; ** denotes fee data directly from the investment manager; ***CorsAir III gross IRR since inception is 4.0%



Pension Trust – Fixed Income

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- North Dakota’s average funded account size is: \$69M
- Circle is NDSIB Pension Trust’s weighted average domestic fixed income management fee of 1.44%.
- Industry fees represent the active management fee from Callan’s 2009 Investment Management Fee Survey, using a mandate size of \$50M-\$100M.
- Weighted average fee excludes Clifton Overlay.



Investment Strategies – Fixed Income

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Conventional Strategies	Fee %	Net Excess Return
Bank of North Dakota	0.06%	3.65%
Prudential PRIVEST	0.29%	13.84%
SEI Fixed-Income	0.39%	5.54%
Wells Capital	0.17%	0.64%
Western Asset Management	0.19%	12.61%
Weighted Average Fee - Conventional	0.19%	
Industry Fee - 25 th Percentile	0.29%	
Industry Fee - Median	0.20%	
Industry Fee - 75 th Percentile	0.19%	

Special Strategies	Fee % - MV	Fee % - Commit.	Net Excess Return	Net IRR	Alpha Source Description
Calamos Investments	0.72%	N/A	-17.44%		Search for undervalued issues in ML All Convertible Index & determine where the most value lies in the corporate structure of these securities
JP Morgan Infrastructure Inv. Fund*	1.61%	1.63%		-2.11%	Invests in toll roads, bridges, tunnels, energy related projects; targets 75% leverage; exposed currency markets (Inception Date: 5/01/07)
PIMCO DiSCO**	8.70%	9.68%		22.40%	Hurdle Rate: 6% - Invests in senior positions of mortgage backed obligations (Inception Date: 7/07/08)
TIR - Toledo**	1.48%	1.77%	9.81%		Adds value by determining when to harvest trees; may sell land to developers; unlevered
TIR - Springbank**	1.06%	2.57%	-6.31%		Adds value by determining when to harvest trees; may sell land to developers; unlevered

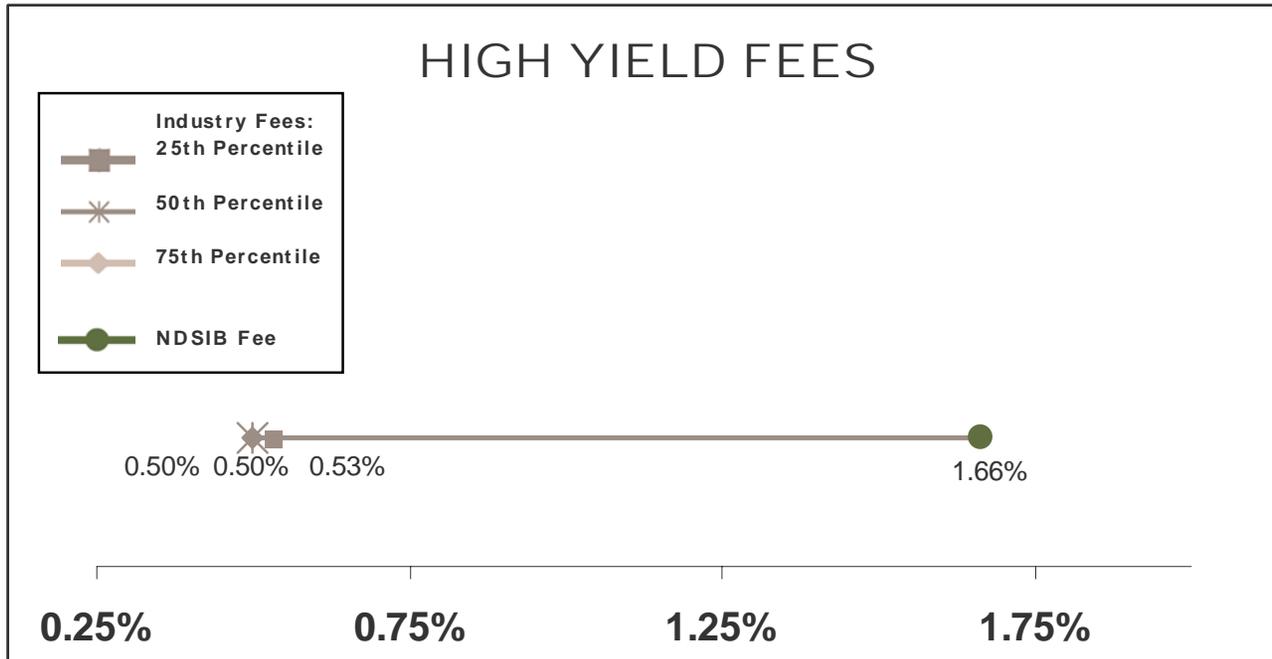
- JP Morgan Infrastructure Inv. Fund calculates fees based on commitments. To calculate a fee determined by market value, we used the dollar amount in the last four (4) quarters ending 3/31/10, and divided by the average market value of the portfolio for the four (4) quarters ending 3/31/10.
- The high level PIMCO DiSCO fees relative to market value and commitments is due to carried interest.
- TIR Toledo and TIR Springbank calculate fees based on commitments. To calculate a fee determined by market value, we used the dollar amount in the last four (4) quarters ending 3/31/10, and divided by the average market value of the portfolio for the four (4) quarters ending 3/31/10.

*denotes fee data provided by the North Dakota State Investment Board; ** denotes fee data directly from the investment manager



Pension Trust – High Yield

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- North Dakota’s average funded account size is: \$35M
- Circle is NDSIB Pension Trust’s weighted average high yield management fee of 1.66%.
- Industry fees represent the active management fee from Callan’s 2009 Investment Management Fee Survey, using a mandate size of \$25-\$50M.
- Weighted average fee excludes the Declaration High Yield account, which has been liquidated.
- Includes Sutter (Wells Cap), which is being liquidated.



Investment Strategies - High Yield

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Conventional Strategies	Fee %	Net Excess Return
Loomis Sayles	0.50%	5.42%
Sutter (Wells Cap)	0.50%	-37.34%
Weighted Average Fee - Conventional	0.50%	
Industry Fee - 25 th Percentile	1.66%	
Industry Fee - Median	0.53%	
Industry Fee - 75 th Percentile	0.50%	

Special Strategies	Fee % - MV	Fee % - Commit.	Net IRR	Alpha Source Description
Goldman Sachs 2006 Offshore**	6.29%	2.14%	-5.52%	Hurdle Rate: 6% - Selects large (\$100M-\$1B) mezzanine investments comprised of fixed income securities with an equity component (Inception Date: 3/22/06)
Goldman Sachs V Offshore**	8.73%	2.58%	9.24%	Hurdle Rate: 6% - Selects large (\$100M-\$1B) mezzanine investments comprised of fixed income securities with an equity component (Inception Date: 10/15/07)
PIMCO Distressed Mortgage**	2.84%	2.10%	5.20%	Hurdle Rate: 8% - Security & loan level analysis, with U.S. residential RE research, invest in mortgage related securities (Inception Date: 10/31/07)
TCW Energy Fund XIV**	4.92%	2.57%	15.50%	Hurdle Rate: 8% - Mezzanine debt & equity positions in energy related projects generating strong current cash flows & have long useful lives (Inception Date: 12/21/2007)

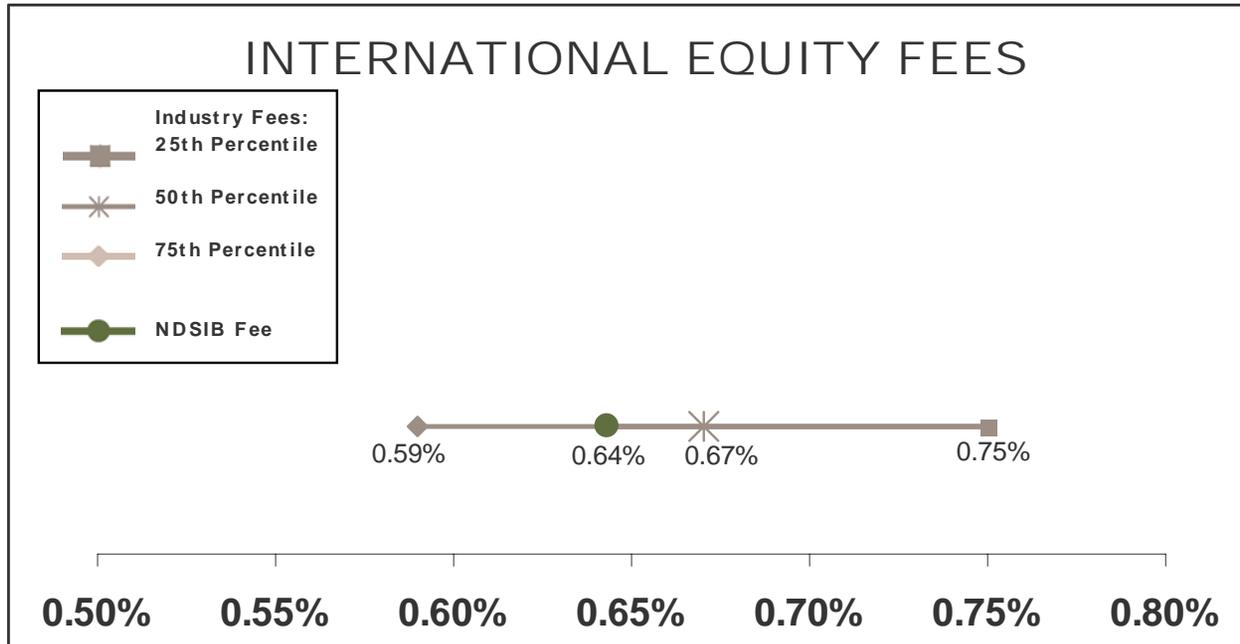
- All four (4) funds listed in the Special Strategies table calculate fees based on commitments. To calculate a fee determined by market value, we used the dollar amount in the last 4 quarters ending 3/31/10, and divided by the average market value of the portfolio for the four (4) quarters ending 3/31/10.
- Sutter (Wells Cap) was terminated on 3/31/2010 and is in liquidation.

** denotes fee data directly from the investment manager



Pension Trust – International Equity

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- North Dakota’s average funded account size is: \$49M
- Circle is NDSIB Pension Trust’s weighted average international equity management fee 0.64%.
- Industry fees represents the active management fee from Callan’s 2009 Investment Management Fee Survey, using a mandate size of \$25M-\$50M.
- Does not include Clifton EAFE or Clifton EAFE Overlay. Clifton EAFE funded 3/31/10.



Investment Strategies – International Equity

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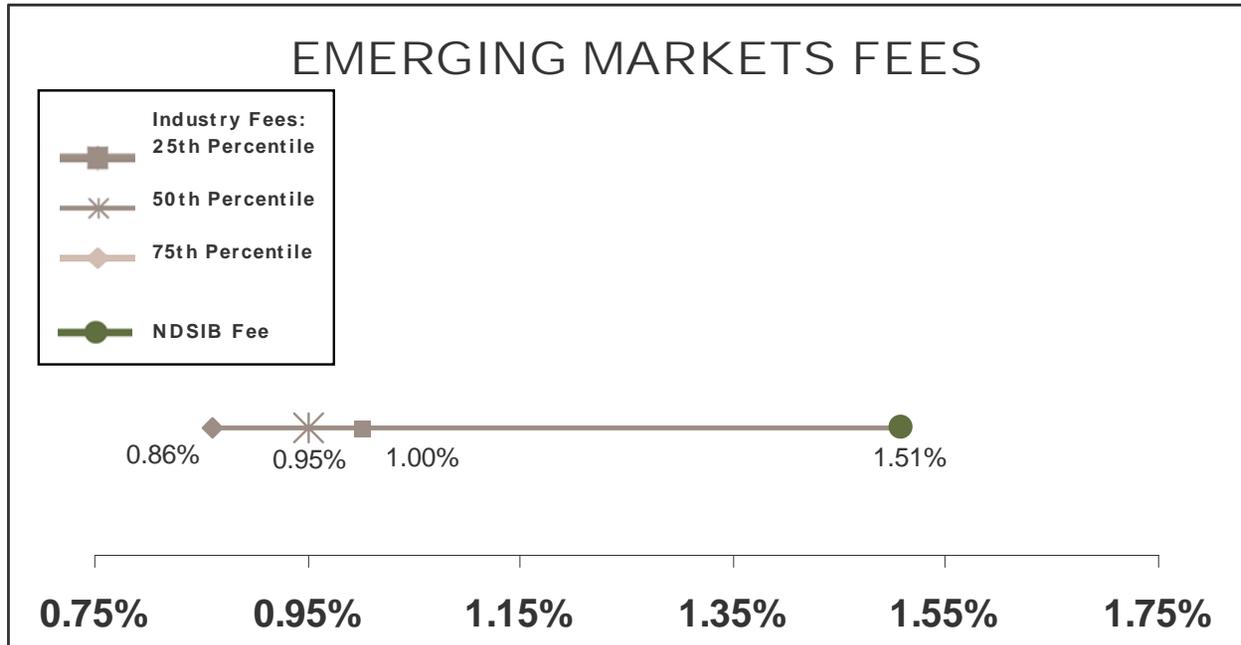
Conventional Strategies	Fee %	Net Excess Return
Capital Guardian Trust*	0.51%	-7.53%
DFA International Small Cap Value	0.71%	3.41%
LSV Asset	0.52%	11.53%
State Street-Country Selection*	0.62%	1.88%
Wellington Intl SC Opp	0.90%	-1.29%
Weighted Average Fee - Conventional	0.64%	
Industry Fee - 25 th Percentile	0.75%	
Industry Fee - Median	0.67%	
Industry Fee - 75 th Percentile	0.59%	

* denotes fee data provided by the North Dakota State Investment Board



Pension Trust – Emerging Markets

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- North Dakota's average funded account size is: \$24M
- Circle is NDSIB Pension Trust's weighted average emerging markets management fee of 1.51%.
- Industry fees represent the active management fee from Callan's 2009 Investment Management Fee Survey, using a mandate size of \$25-\$50M.



Investment Strategies – Emerging Markets

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Conventional Strategies	Fee %	Net Excess Return
DFA Emerging	0.80%	32.89%
JP Morgan Emerging	0.77%	-0.58%
PanAgora Emerging	0.70%	-0.39%
UBS Global Asset Emerging*	0.85%	4.83%
WestAM Emerging	0.65%	-4.26%
Weighted Average Fee - Conventional	0.76%	
Industry Fee - 25 th Percentile	1.00%	
Industry Fee - Median	0.95%	
Industry Fee - 75 th Percentile	0.86%	

Special Strategies	Fee % - MV	Fee % - Commit.	Net IRR	Alpha Source Description
JP Morgan Asian Infrastructure*	6.43%	2.00%	N/A	Invests in infrastructure related opportunities in the greater Asia Pacific region
Capital International**	5.33%	2.49%	1.80%	Hurdle Rate: 9% - Invests in buy-outs and expansion & replacement capital in global emerging markets (Inception Date: 3/30/07)

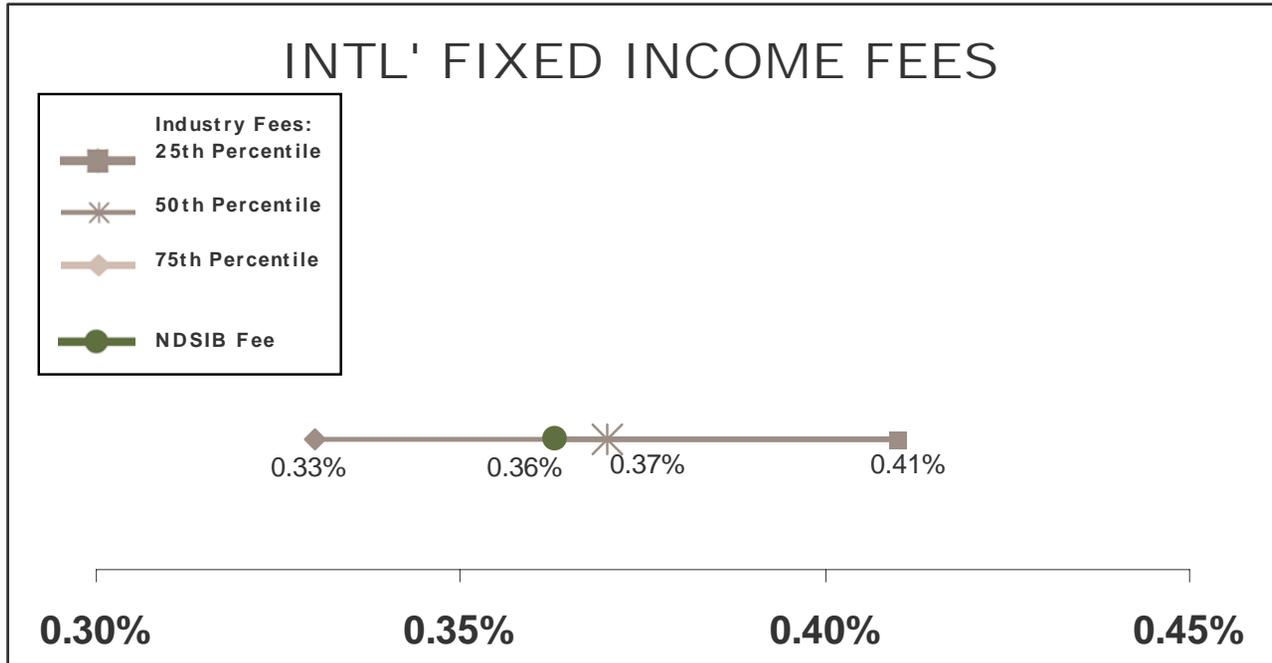
- Capital International is a private equity fund that calculates fees based on commitments. To calculate a basis point fee we used the dollar amount in the four (4) quarters ending 3/31/10, divided by the average market value of the portfolio for the four (4) quarters ending 3/31/10.
- JP Morgan Asian Infrastructure fund calculates fees based on commitments. To calculate a basis point fee we used the dollar amount in the last four (4) quarters ending 3/31/10, and divided by the average market value of the portfolio for the last 4 quarters ending 3/31/10.

*denotes fee data provided by the North Dakota State Investment Board; ** denotes fee data directly from the investment manager



Pension Trust – International Fixed Income

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- North Dakota's average funded account size is: \$97M
- Circle is NDSIB Pension Trust's weighted average international fixed income management fee of 0.36%.
- Industry fees are calculated from strategies in Callan's international fixed income database group, using an average asset range of \$90-\$100 million.



Investment Strategies – International Fixed Income

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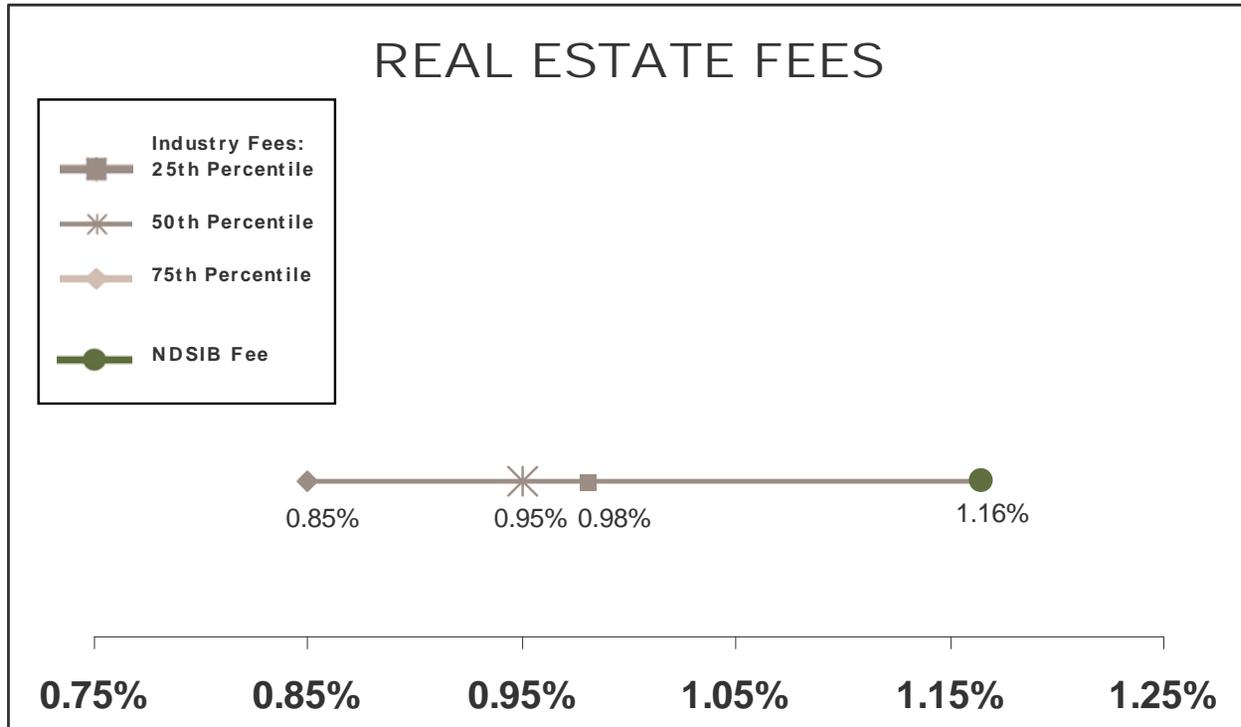
Conventional Strategies	Fee %	Net Excess Return
UBS Global Asset Management*	0.31%	1.94%
Brandywine	0.41%	16.37%
Weighted Average Fee - Conventional	0.36%	
Industry Fee - 25 th Percentile	0.41%	
Industry Fee - Median	0.37%	
Industry Fee - 75 th Percentile	0.33%	

* denotes fee data provided by the North Dakota State Investment Board



Pension Trust – Real Estate

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- North Dakota’s average funded account size is: \$37M
- Circle is NDSIB Pension Trust’s weighted average real estate management fee of 1.16%.
- Industry fees represent the active management fee from Callan’s 2009 Investment Management Fee Survey, for “Core Open-Ended” commingled accounts, using a mandate size of \$25M-\$50M.
- Does not include Invesco Asia Real Estate Fund, which has \$1 MV and a negative NAV.



Investment Strategies – Real Estate

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Conventional Strategies	Fee % - MV	Net Excess Return
INVESCO Realty**	0.59%	-16.24%
INVESCO Real Estate Fund II**	2.67%	-62.92%
J.P. Morgan*	1.01%	-7.80%
Weighted Average Fee - Conventional	0.85%	
Industry Fee - 25 th Percentile	0.98%	
Industry Fee - Median	0.95%	
Industry Fee - 75 th Percentile	0.85%	

Special Strategies	Fee % - MV	Fee % - Commit.	Net IRR	Alpha Source Description
J.P. Morgan Alternative Property Fund*	1.30%	0.87%	-15.74%	Invest in alternative real estate sectors, such as assisted living, student housing, self-storage, parking, for-sale housing, condominiums and land subdivisions in the North America. (Inception Date: 1/3/06)
JP Morgan Greater China Fund*	4.18%	1.75%	N/A	Invests in real estate related opportunities in the greater China region (Inception Date: 1/2008)
JP Morgan Greater European Opp*	5.70%	1.60%	N/A	Invests in real estate related opportunities in the greater European region (Inception Date: 9/2009)

- All three (3) “special strategy” funds calculate fees based on commitments. To calculate a fee determined by market value, we used the dollar amount in the last 4 quarters ending 3/31/10, and divided by the average market value of the portfolio for the four (4) quarters ending 3/31/10.

*denotes fee data provided by the North Dakota State Investment Board; ** denotes fee data directly from the investment manager



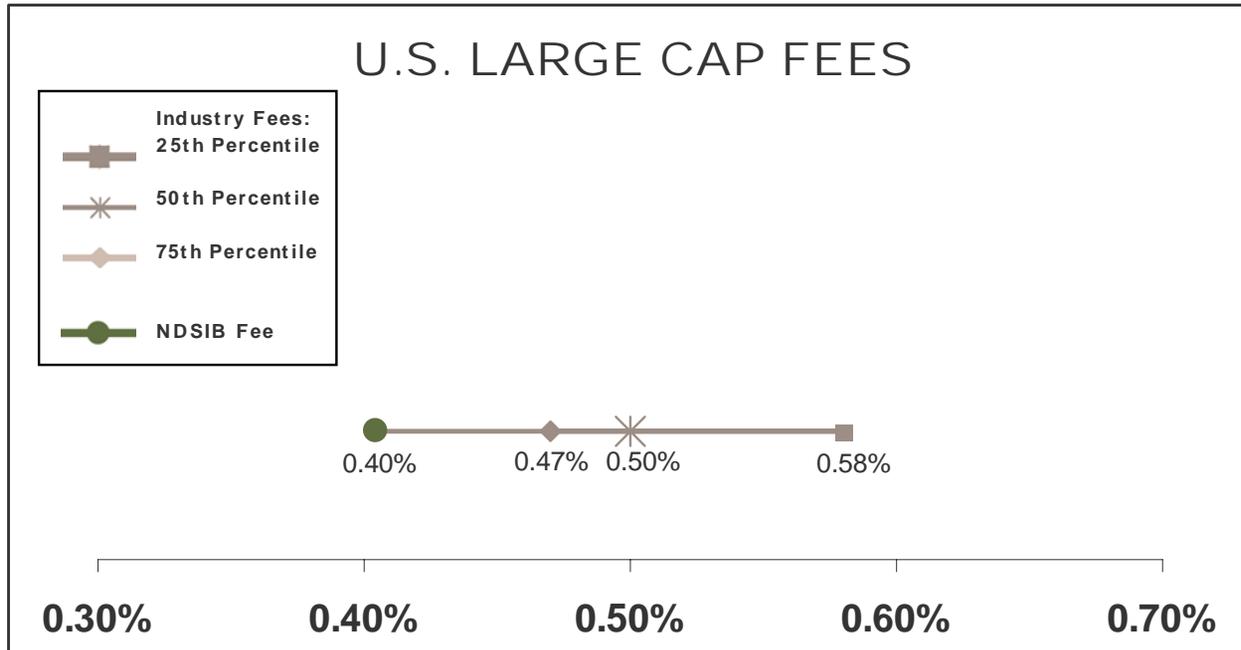
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Insurance Trust



Insurance Trust – U.S. Large Cap

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- North Dakota's average funded account size is: \$25M
- Circle is NDSIB Insurance Trust's weighted average US large cap management fee of 0.40%.
- Industry fees represent the active management fee from Callan's 2009 Investment Management Fee Survey, using a mandate size of \$25M-\$50M.
- Does not include WG Trading (Clifton Overlay).



Investment Strategies – U.S. Large Cap

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Conventional Strategies	Fee %	Net Excess Return
Clifton Large Cap**	0.90%	6.40%
L.A. Capital	0.23%	-1.22%
L.A. Capital Enhanced Alpha Fund	0.33%	-0.45%
L.A. Capital Enhanced ex Alpha Fund	0.23%	-0.35%
LSV Asset	0.42%	6.34%
Weighted Average Fee - Conventional	0.44%	
Industry Fee - 25 th Percentile	0.58%	
Industry Fee - Median	0.50%	
Industry Fee - 75 th Percentile	0.47%	

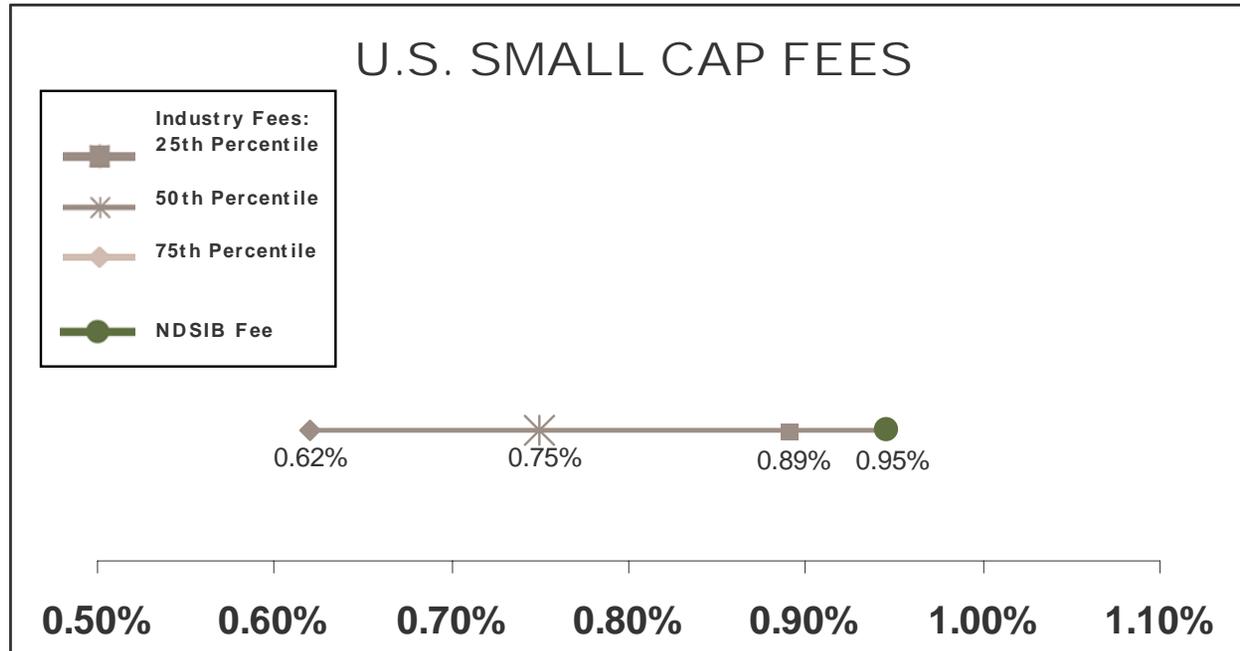
- Clifton Large Cap portfolio charges a 35% fee on excess performance. This portfolio used the four quarters ending 6/30/2010 as its measurement date for both fees and market value.

** denotes fee data directly from the investment manager



Insurance Trust – U.S. Small Cap

CALLAN
Associates



- North Dakota's average funded account size is: \$26M
- Circle is NDSIB Insurance Trust's weighted average US small cap management fee of 0.95%.
- Industry fees represent the active management fee from Callan's 2009 Investment Management Fee Survey, using a mandate size of \$25M-\$50M.



Investment Strategies – U.S. Small Cap

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Conventional Strategies	Fee %	Net Excess Return
Clifton Small Cap**	1.24%	8.03%
Research Affiliates	0.50%	12.06%
Weighted Average Fee - Conventional	0.95%	
Industry Fee - 25 th Percentile	0.89%	
Industry Fee - Median	0.75%	
Industry Fee - 75 th Percentile	0.62%	

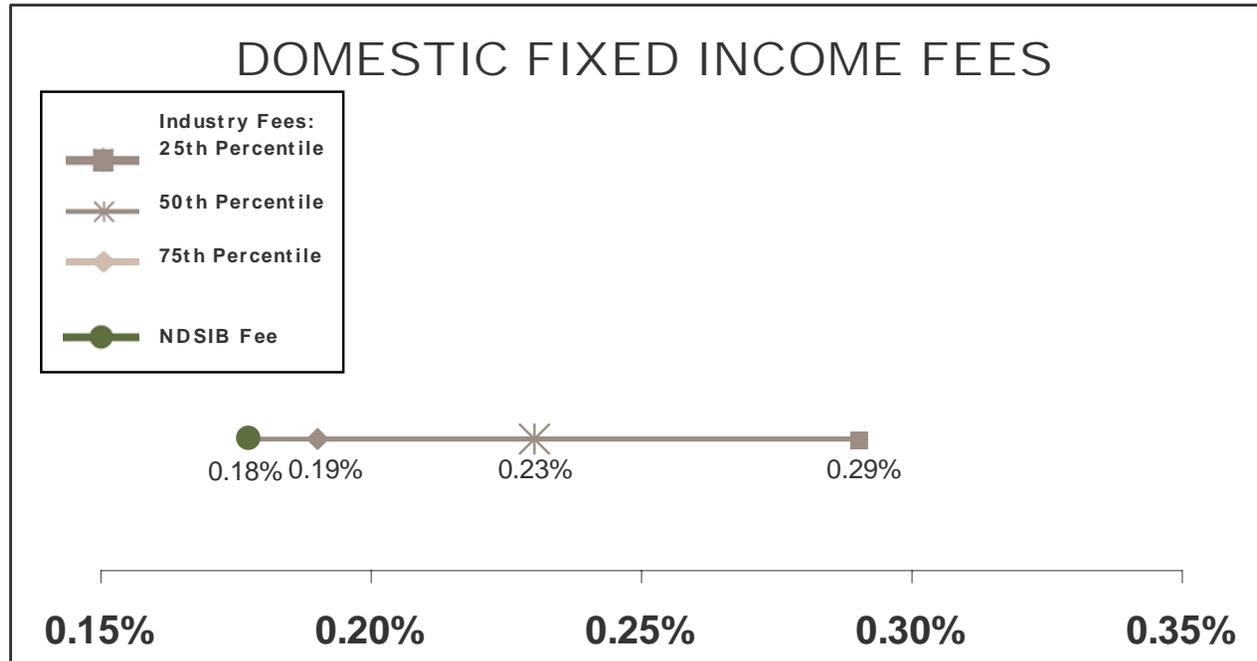
- Clifton Small Cap portfolio assesses a 35% fee to excess performance. This portfolio used the four quarters ending 6/30/2010 as its measurement date for both fees and market value.

** denotes fee data directly from the investment manager



Insurance Trust – U.S. Fixed Income

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- North Dakota's average funded account size is: \$122M
- Circle is NDSIB Insurance Trust's weighted average U.S. fixed income management fee of 0.18%.
- Industry fees represent the active management fee from Callan's 2009 Investment Management Fee Survey, using a mandate size of \$100M-\$200M.



Investment Strategies – U.S. Fixed Income

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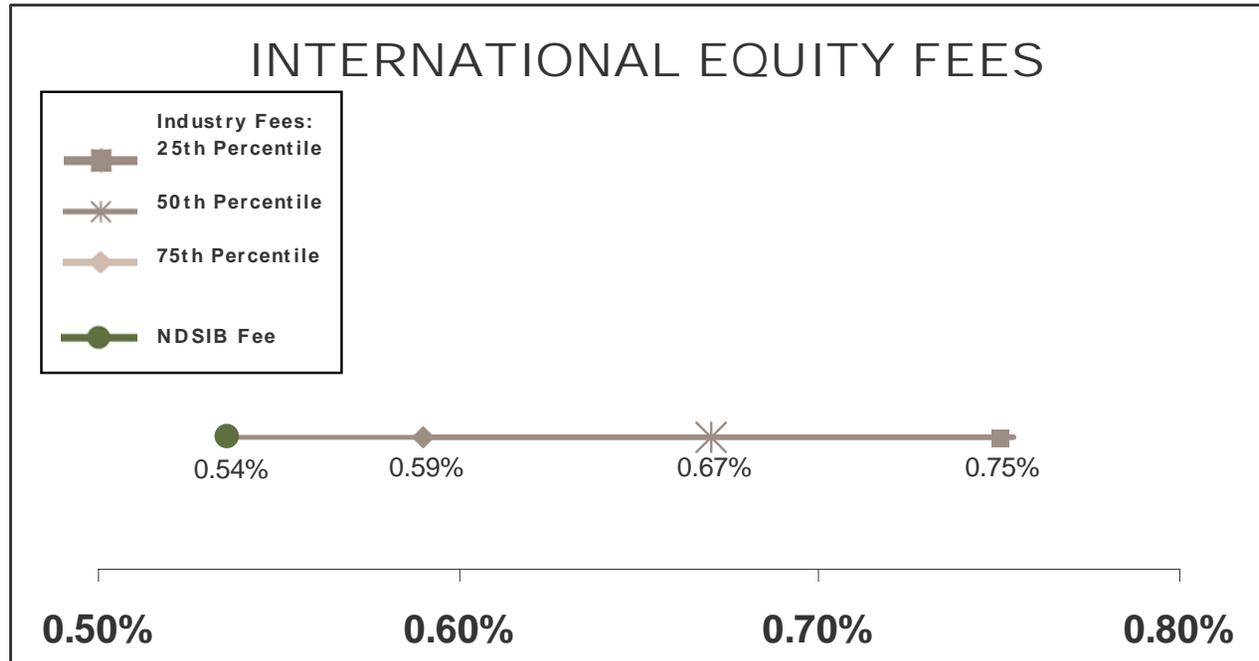
Associates

Conventional Strategies	Fee %	Net Excess Return
Bank of North Dakota	0.06%	-0.75%
Prudential	0.30%	12.98%
Wells Capital	0.17%	0.01%
Western Asset	0.19%	15.49%
Hyperion	0.25%	9.44%
Weighted Average Fee - Conventional	0.18%	
Industry Fee - 25 th Percentile	0.29%	
Industry Fee - Median	0.23%	
Industry Fee - 75 th Percentile	0.19%	



Insurance Trust – International Equity

CALLAN
Associates



- North Dakota’s average funded account size is: \$27M
- Circle is NDSIB Insurance Trust’s weighted average international equity management fee of 0.54%.
- Industry fees represent the active management fee from Callan’s 2009 Investment Management Fee Survey, using a mandate size of \$25M-\$50M.



Investment Strategies – International Equity

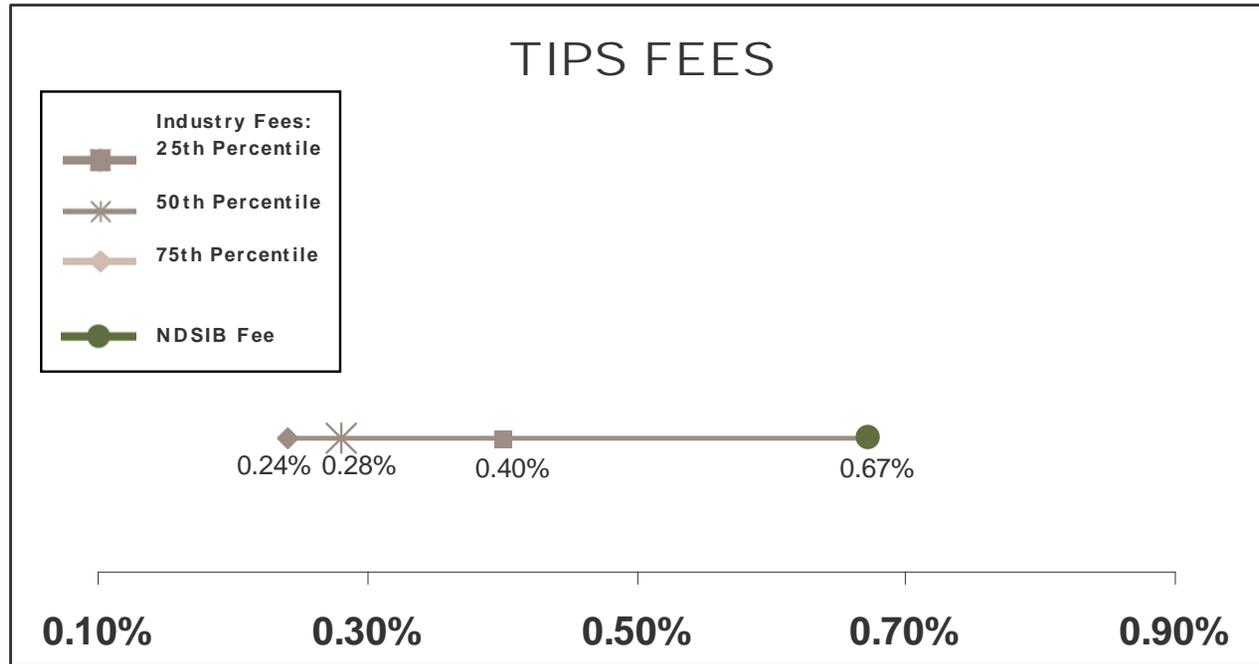
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Conventional Strategies	Fee %	Net Excess Return
Capital Guardian	0.53%	-6.67%
DFA International Small Cap Value	0.71%	4.51%
LSV Asset	0.52%	8.12%
Vanguard Intl Explorer	0.45%	3.79%
Weighted Average Fee - Conventional	0.54%	
Industry Fee - 25 th Percentile	0.75%	
Industry Fee - Median	0.67%	
Industry Fee - 75 th Percentile	0.59%	



Insurance Trust – TIPS

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Associates



- North Dakota’s average funded account size is: \$60M
- Circle is NDSIB Insurance Trust’s weighted average TIPS management fee of 0.67%.
- Industry fee are calculated from strategies in Callan’s TIPS database group, using a \$60-\$80 million mandate.
- 40% of NDSIB’s TIPS assets are passively managed at low fee levels.



Investment Strategies - TIPS

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Conventional Strategies	Fee %	Net Excess Return
Western TIPS	0.19%	2.29%
Northern Trust Global Investments	0.06%	0.76%
Weighted Average Fee - Conventional	0.14%	
Industry Fee - 25 th Percentile	0.40%	
Industry Fee - Median	0.28%	
Industry Fee - 75 th Percentile	0.24%	

Special Strategies	Fee % - MV	Fee % - Commit.	Net Excess Return	Net IRR	Alpha Source Description
JP Morgan Infrastructure	1.66%	1.90%		2.55%	Invests in toll roads, bridges, tunnels, energy related projects; targets 75% leverage; exposed currency markets (Inception Date: 1/01/09)
Eastern Timber Opps	1.56%	0.66%	5.11%		Adds value by determining when to harvest trees; may sell land to developers; unlevered; Eastern U.S. (Inception Date: 10/2008)

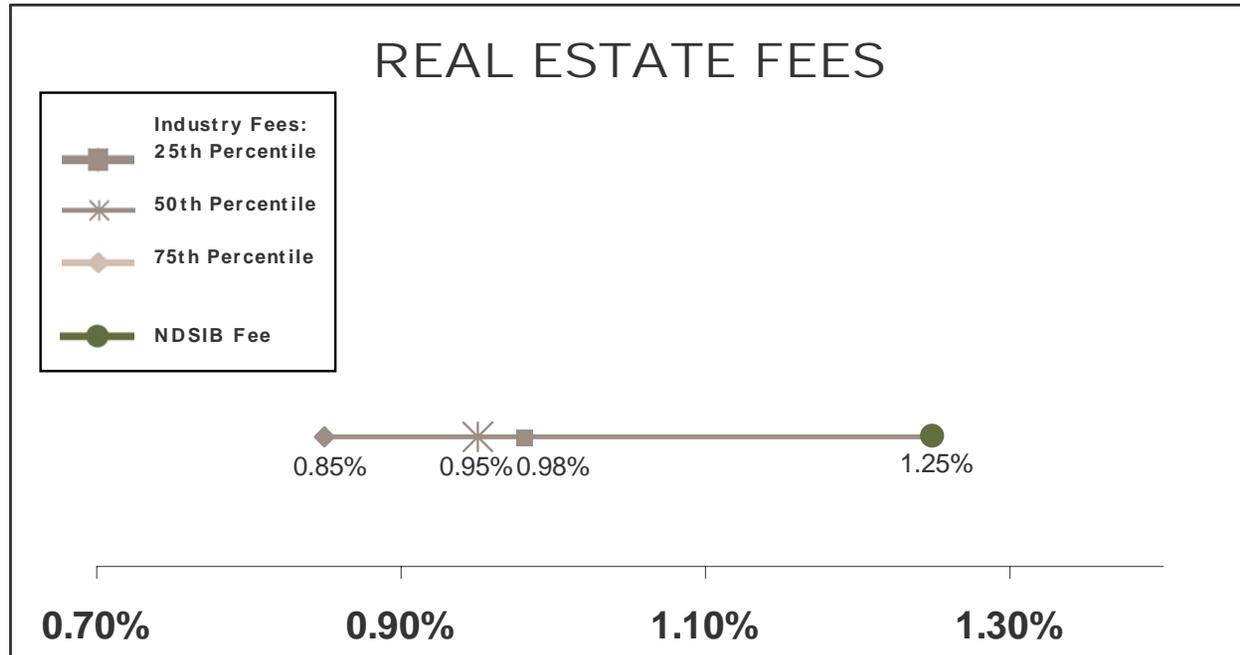
- JP Morgan Infrastructure and Eastern Timber Opps calculate fees based on commitments. To calculate a fee determined by market value we used the dollar amount in the last 4 quarters ending 3/31/10, and divided by the average market value of each portfolio for the four (4) quarters ending 3/31/10.

*denotes fee data provided by the North Dakota State Investment Board



Insurance Trust – Real Estate

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Associates



- North Dakota’s average funded account size is: \$39M
- Circle is NDSIB Insurance Trust’s weighted average real estate management fee of 1.25%.
- Industry fees represent the industry active management fee from Callan’s 2009 Investment Management Fee Survey, for “Core Open-Ended” commingled accounts, using a mandate size of \$25M-\$50M.



Investment Strategies – Real Estate

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Associates

Conventional Strategies	Fee %	Net Excess Return
JP Morgan Real Estate*	1.25%	-35.31%
Weighted Average Fee - Conventional	1.25%	
Industry Fee - 25 th Percentile	0.98%	
Industry Fee - Median	0.95%	
Industry Fee - 75 th Percentile	0.85%	

* denotes fee data provided by the North Dakota State Investment Board