

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
APRIL 25, 2014, BOARD MEETING**

BOARD MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair
Mike Sandal, Vice Chair
Clarence Corneil, Parliamentarian, TFFR Board
Lance Gaebe, Land Commissioner
Mike Gessner, TFFR Board
Rob Lech, TFFR Board
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, WSI designee
Kim Wassim, PERS Board

BOARD MEMBERS ABSENT: Adam Hamm, Insurance Commissioner

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Op Mgr
Bonnie Heit, Assist to the SIB
David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Cody Schmidt, Compliance Officer
Darren Schulz, Deputy CIO
Susan Walcker, Invt Acct

OTHERS PRESENT: Jeff Engleson, Deputy Land Commissioner
Levi Erdmann, Land Dept.
Jan Murtha, Attorney General's Office

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, April 25, 2014, at the State Capitol, Peace Garden Room, 600 E Boulevard, Bismarck, ND.

A quorum was present for the purpose of conducting business.

Commissioner Hamm was absent for business travel.

AGENDA:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO ACCEPT THE REVISED AGENDA FOR THE APRIL 25, 2014, MEETING.

AYES: MS. TERNES, MR. CORNEIL, TREASURER SCHMIDT, MS. WASSIM, MR. LECH, MR. SANDAL, MR. SAGE, MR. GESSNER, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, COMMISSIONER HAMM

MINUTES:

The minutes were considered from the March 28, 2014, meeting.

IT WAS MOVED BY MR. CORNEIL AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO ACCEPT THE MARCH 28, 2014, MINUTES AS WRITTEN.

AYES: MS. TERNES, MR. CORNEIL, MR. SANDAL, TREASURER SCHMIDT, MR. GESSNER, MR. SAGE, MR. LECH, MS. WASSIM, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, COMMISSIONER HAMM

INVESTMENTS:

Asset and Performance Review - Mr. Hunter reviewed SIB assets under management. Between June 30, 2013, and for the period ending February 28, 2014, client assets grew by \$1.35 billion and approached \$8.8 billion based on preliminary valuations. Gains from net investment income of over 11% (\$475 million) were recognized for the Pension Trust. The Insurance Trust benefitted from investment gains of 5.5% (\$180 million). Legacy Fund assets grew by over 55% (\$660 million) between June 30, 2013 and February 28, 2014, largely as a result of new deposits, although investment income of approximately 4% exceeded the policy benchmark.

Mr. Hunter also updated the SIB on pending projects with Callan; emerging market equity search, expansion of performance reporting for the SIB's five largest clients, The Northern Trust custody review, replacement for the WAMCO Mortgage Backed Securities mandate, and Callan College educational opportunities.

Staff will also be working with Callan to review the private capital structures to maximize the opportunities in each of the mandates and also the fixed income strategies to confirm sector allocations relative to long-term strategic goals and performance.

Mr. Hunter also stated Loomis, PIMCO, and WAMCO will remain on the Watch List. Staff as well as Callan are monitoring each manager's status and will provide updates to the SIB as conditions improve.

Workforce Safety & Insurance (WSI) Asset Allocation Study - Mr. Hunter stated Callan completed an asset allocation study for WSI and reviewed the results and options with the WSI Board of Directors on April 16, 2013. The WSI Board of Directors approved the study and requested the SIB's acceptance and subsequent implementation.

For the record, the results of the asset allocation study were previously reviewed and approved by the Governor.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. LECH AND CARRIED ON A VOICE VOTE TO ACCEPT THE WSI ASSET ALLOCATION STUDY.

AYES: MR. LECH, TREASURER SCHMIDT, MR. CORNEIL, COMMISSIONER GAEBE, MS. WASSIM, MR. SANDAL, MR. GESSNER, MR. SAGE, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

Westridge/WG Trading - Ms. Murtha requested the SIB enter into Executive Session to discuss the tolling agreement with Deloitte.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. SAGE AND CARRIED ON A VOICE VOTE TO ENTER INTO EXECUTIVE SESSION PER NDCC §44-04-19.1(5) AND NDCC §44-04-19.2 FOR ATTORNEY CONSULTATION REGARDING THE WESTRIDGE/WG TRADING LITIGATION.

AYES: MS. TERNES, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MS. WASSIM, MR. SANDAL, MR. LECH, MR. CORNEIL, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSETN: COMMISSIONER HAMM

The SIB entered into Executive Session at 9:29 a.m. and exited at 9:56 a.m. The SIB, RIO staff, and Ms. Murtha were in attendance.

The SIB provided guidance to Ms. Murtha regarding the Westridge/WG Trading litigation strategy but did not find it necessary to take any formal action at this time after consulting with Ms. Murtha. Ms. Murtha will continue to provide updates as warranted.

The Board recessed at 10:00 am and reconvened at 10:08 am

EDUCATION:

Manager Searches - Mr. Hunter reviewed with the SIB Callan's manager search process, factors to consider, and the key players involved when a search takes place.

Securities Litigation - Ms. Murtha provided an educational segment on securities lending: what is securities lending; what the SIB's current practice is; and options to amend the current practice if so desired. The SIB and Ms. Murtha will continue to discuss and review this topic.

Cost of Doing Business - Mr. Hunter briefly reviewed a 2013 US Funds and Trust Cost of Doing Business Survey by Callan and compared some of the results to the SIB's program.

GOVERNANCE:

Staff Update - Mr. Hunter provided an update on office staff. Mr. Richard Nagel assumed the role of Information System's Supervisor effective April 1, 2014, and Mr. Michael DeWitt will assume the role of Data Processing Coordinator effective April 28, 2014.

Applications for the Audit Supervisor position were reviewed after the closing date of March 18, 2014. After reviews and interviews, the position will be posted again in June 2014.

The Investment Analyst position is scheduled to be posted in June.

Board of Medical Examiners - At the SIB's July 26, 2013, meeting, the Board gave staff preliminary approval to move forward with potentially contracting with the State Board of Medical Examiners for investment services. Staff has been working with the State Board of Medical Examiners in finalizing an investment policy statement for assets of approximately \$1.8 million. Mr. Schulz informed the SIB the Industrial Commission has approved allowing the State Board of Medical Examiners to join the SIB program and requested the SIB accept the investment policy statement as presented. Mr. Schulz also requested a waiver on the SIB's policy of allowing clients to enter the investment program only at quarter end. The State Board of Medical Examiners assets have been liquidated and the client would like the assets invested effective May 1, 2014.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. SAGE TO ACCEPT THE STATE BOARD OF MEDICAL EXAMINERS INVESTMENT POLICY STATEMENT AND ALSO APPROVE THE REQUESTED WAIVER.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, TREASURER SCHMIDT, MR. LECH, MR. CORNEIL, MS. WASSIM, MR. SANDAL, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

MONITORING:

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. WASSIM AND CARRIED BY A VOICE VOTE TO ACCEPT THE FOLLOWING MONITORING REPORTS: BUDGET/FINANCIAL CONDITIONS, EXECUTIVE LIMITATIONS/STAFF RELATIONS, INVESTMENT PROGRAM, RETIREMENT PROGRAM, AND THE WATCH LIST.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. SAGE, MS. WASSIM, MS. TERNES, COMMISSINER GAEBE, MR. LECH, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

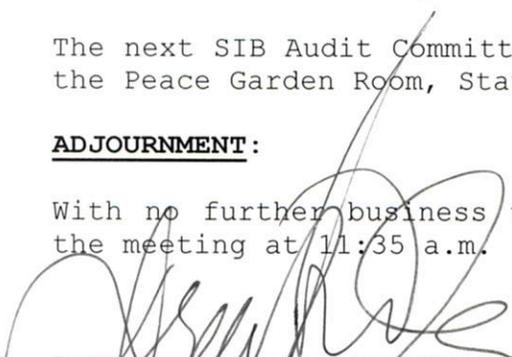
OTHER:

The next SIB meeting is scheduled for May 23, 2014, at 8:30 am in the Peace Garden Room, State Capitol, Bismarck, ND.

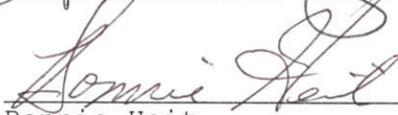
The next SIB Audit Committee meeting is scheduled for May 23, 2014, at 1:00 pm in the Peace Garden Room, State Capitol, Bismarck, ND.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 11:35 a.m.



Lt. Governor Wrigley, Chair
State Investment Board



Bonnie Heit
Assistant to the Board