

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 22, 2016, BOARD MEETING**

MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair (TLCP)
Mike Sandal, Vice Chair
Lance Gaebe, Commissioner of Trust Lands
Mike Gessner, TFFR Board
Rob Lech, TFFR Board
Mel Olson, TFFR Board
Yvonne Smith, PERS Board
Cindy Ternes, WSI designee
Kim Wassim, PERS Board

MEMBERS ABSENT: Adam Hamm, Insurance Commissioner
Kelly Schmidt, State Treasurer
Tom Trenbeath, PERS Board

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Ops Mgr
Bonnie Heit, Assist to the SIB
David Hunter, ED/CIO
Bradley Kasper, Intern
Fay Kopp, Dep ED/CRA
Terra Miller Bowley, Supvr Audit Services
Cody Schmidt, Compliance Officer
Susan Walcker, Invt Acct

GUESTS PRESENT: Mike Burton, TFFR Board
Jeanna Cullins, Aon Hewitt
Jeff Engleson, Dept. of Trust Lands
Levi Erdmann, Dept. of Trust Lands
Toni Gumeringer, TFFR Board
Lynn Hart, HRMS
Bryan Kilpfel, WSI
Jan Murtha, Attorney General's Office
Bryan Reinhardt, PERS

CALL TO ORDER:

Mr. Mike Sandal, Vice Chair, called the State Investment Board (SIB) meeting to order at 8:37 a.m. on Friday, July 22, 2016, at Bismarck State College, National Energy Center of Excellence, Bismarck, ND.

AGENDA:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JULY 22, 2016, MEETING AS DISTRIBUTED.

AYES: MS. TERNES, MR. OLSON, COMMISSIONER GAEBE, MS. WASSIM, MR. LECH, MR. SANDAL, MS. SMITH, AND MR. GESSNER

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

MINUTES:

IT WAS MOVED BY MR. LECH AND SECONDED BY MR. OLSON AND CARRIED ON A VOICE VOTE TO ACCEPT THE MAY 27, 2016, MINUTES AS DISTRIBUTED.

AYES: MS. TERNES, MR. OLSON, MR. SANDAL, MR. GESSNER, MS. SMITH, COMMISSIONER GAEBE, MR. LECH AND MS. WASSIM

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

AUDIT COMMITTEE MEMBERSHIP:

RIO requested the reappointment of the following Audit Committee members for the period of July 1, 2016 - June 30, 2017: Ms. Rebecca Dorwart, Ms. Cindy Ternes, Mr. Mike Sandal, and Mr. Michael Gessner. Staff also recommended that Mr. Joshua Wiens be appointed as a new member of the Audit Committee to replace the position previously held by Ms. Karol Riedman, who no longer wishes to serve on the Committee.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE MEMBERSHIP OF THE STATE INVESTMENT BOARD AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2017.

AYES: MR. LECH, MR. OLSON, COMMISSIONER GAEBE, MS. WASSIM, MR. SANDAL, MR. GESSNER, MS. SMITH, AND MS. TERNES

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER HAMM, AND LT. GOVERNOR WRIGLEY

INVESTMENTS:

Public Employees Retirement System (PERS) - PERS recently conducted an asset liability study and RIO personnel recommended approval of their revised investment policy statement, which reflects a revised asset allocation in which equity and fixed income are increased by 1% each and real assets and cash are both reduced by 1%.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE PERS INVESTMENT POLICY STATEMENT AS DISTRIBUTED.

AYES: MS. TERNES, COMMISSIONER GAEBE, MR. GESSNER, MS. SMITH, MS. WASSIM, MR. SANDAL, MR. LECH, AND MR. OLSON

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

Legacy Fund and Budget Stabilization Fund - RIO personnel recommended the approval of revised investment policy statements for the Legacy Fund and Budget Stabilization Fund. The revised policies incorporate the previously discussed transfer of the Bank of North Dakota Match Loan CD Program to the Legacy Fund from the Budget Stabilization Fund. The governing bodies of the Legacy Fund and Budget Stabilization Fund approved the recommendations on June 15, 2016.

IT WAS MOVED BY MS. TERNES AND SECONDED BY COMMISSIONER GAEBE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE LEGACY FUND AND BUDGET STABILIZATION INVESTMENT POLICY STATEMENTS AS DISTRIBUTED.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MS. SMITH, MR. LECH, MR. OLSON, MS. WASSIM, MR. SANDAL, AND MS. TERNES

NAY: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER HAMM, AND LT. GOVERNOR WRIGLEY

GOVERNANCE:

Code of Conduct - The SIB was provided a copy of their Governance Process Policy B-8, Board Members' Code of Conduct. As outlined in the policy, board members are annually required to affirm their understanding of the policy by signing and dating the acknowledgement.

Investment Manager Catalog - Board members were provided a separate listing of each of the current investment managers and their mandates as well as closed accounts.

Planning Cycle/Meeting Schedule - The board was provided a planning calendar for Fiscal Years 2016 and 2017, the 2016-17 meeting schedule, and board education plan for 2016-17 for planning and reference purposes. Discussion was held on bringing the Callan College to a future board meeting. The Board concurred to bring the Callan College to either the February or the March 2017 meetings. Mr. Hunter will coordinate with Callan personnel.

Strategic Investment Beliefs - Mr. Hunter reviewed RIO's mission statement and the 2015-17 strategic investment plan.

Governance Education - Ms. Jeanna Cullins, Partner-Fiduciary Services Practice, Aon Hewitt Investment Consulting, presented an educational session on board governance and governance models.

The Board recessed at 10:35 a.m. and reconvened at 10:45 a.m.

Open Records - Ms. Murtha presented an educational segment on North Dakota open meetings laws.

Lt. Governor Wrigley participated by teleconference at 10:47 a.m.

The Board discussed election of officers for the period of July 1, 2016 - June 30, 2017. After discussion,

IT WAS MOVED BY COMMISSIONER GAEBE AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO CONTINUE WITH LT. GOVERNOR WRIGLEY AS CHAIR AND MR. SANDAL AS VICE CHAIR FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2017.

AYES: MR. OLSON, MR. GESSNER, MR. SANDAL, MS. SMITH, MS. WASSIM, MS. TERNES, COMMISSIONER GAEBE, MR. LECH, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT

Lt. Governor Wrigley reappointed Mr. Lech as Parliamentarian for the period of July 1, 2016 - June 30, 2017.

Lt. Governor Wrigley exited the meeting at 10:57 a.m.

Ms. Murtha continued with her presentation on open records.

INVESTMENTS:

Private Equity - Mr. Hunter stated RIO personnel would begin to implement the revised asset allocations to private equity for PERS and Teachers' Fund for Retirement (TFFR). Recently, the TFFR board approved a 6% target allocation to private equity and the PERS board approved a 7% target allocation. RIO intends to split future private equity commitments equally between Adams Street and BlackRock. The size of

private equity commitments to Adams Street and BlackRock will effectively increase up to \$100 million per annum because of the higher strategic asset allocations.

Mr. Hunter also informed the board RIO personnel will be proposing a new fixed income manager framework for the Pension Trust given the fixed income market climate and breadth of investment options that has evolved over the past several years. Additionally, as part of a search for alternative credit managers to diversify and enhance returns within the fixed income allocation, staff will be bringing forward finalist candidates for consideration as part of the implementation of the new framework.

Mr. Hunter also updated the board on staff's search for risk management providers that would develop and implement a comprehensive risk management solution for the SIB. Following a rigorous due diligence process for the past year and a half, staff has determined that BlackRock Solutions offers the combination of sophisticated risk analytics, data management capabilities, and advisory services that best meets RIO's technological, intellectual, and operational demands.

Litigation - Ms. Murtha updated the board on the Volkswagen Securities Fraud Litigation. The Board elected to participate in the litigation and the Emergency Commission has approved the contingency fee arrangement. The Attorney General's Office has appointed Special Assistant Attorney's General in Germany and the US firm Grant and Eisenhofer. The Attorney General's Office is in the process of finalizing the paperwork.

General Motors Litigation - The defendants group, which the SIB is a part of, filed a motion to dismiss based on the lack of notice to the defendants within the group. The motion to dismiss was denied by the bankruptcy judge. The group of defendants is in the process of filing a motion to appeal that decision.

OTHER:

The next meeting of the SIB is scheduled for August 26, 2016, at 8:30 a.m. in the Peace Garden Room at the State Capitol.

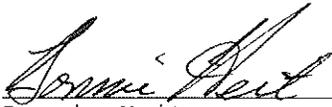
The next meeting of the SIB Audit Committee is scheduled for September 23, 2016, at 1:00 p.m. in the Peace Garden Room at the State Capitol.

ADJOURNMENT:

With no further business to come before the SIB, Mr. Sandal adjourned the meeting at 11:40 a.m.



Mr. Mike Sandal, Vice Chair
State Investment Board



Bonnie Heit
Assistant to the Board