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NDSIB Fee Analysis – Fiscal Year 2012

Pension Trust & Insurance Trust

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Initial Notes and Comments

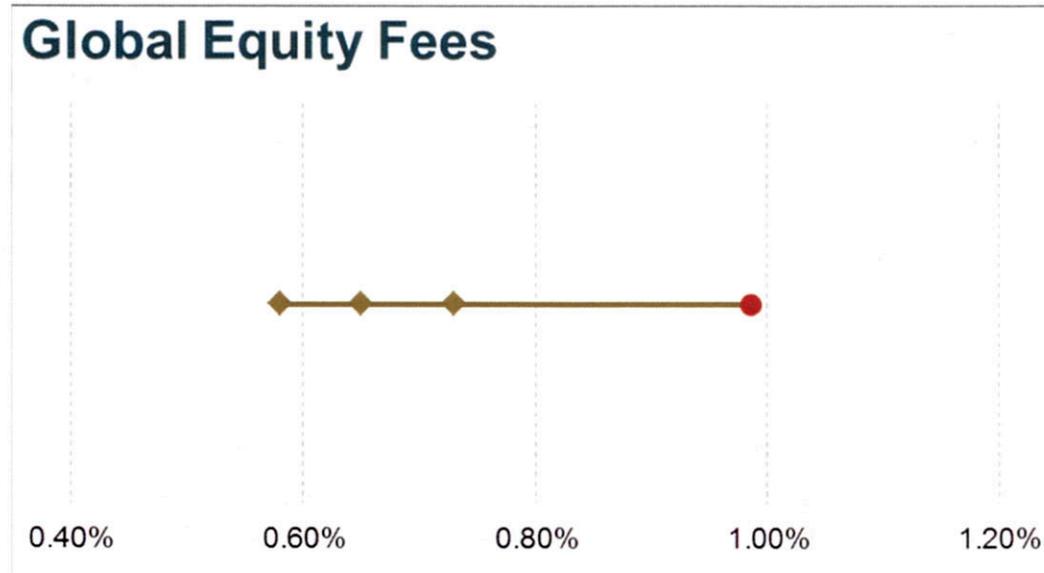
NDSIB – Pension Trust and Insurance Trust

- All market values, fee data, and other information is for the year ending 6/30/2012
- Fee information was provided by NDSIB
- Average account sizes are measured by using the balances at quarter end for each quarter in fiscal year 2012*
- Some funds charge fees based on commitment size rather than market value of assets under management. For these funds the fee percentage shown is measured against actual market value. To accomplish this we used the dollar amount of the fee for the 4 quarters ending 6/30/2012, and divided by the average market value of the portfolio for the 4 quarters ending 6/30/2012.
- The red dot on each of the fee charts represents NDSIB's weighted average fee for that particular asset class. The green diamonds represent industry fees for the 25th, median, and 75th percentiles.
- Industry fees represent *actual* fees charged when such data was available. Otherwise, *published* fees were used, which is noted.

* To avoid skewing the data adjustments were made when portfolios were either significantly funded or defunded at the beginning or end of a quarter.

Global Equity

Pension Trust



- North Dakota's average account size: \$101M
- Red circle is NDSIB Pension Trust's weighted average global equity management fee of 0.99%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M (published fees)

Investment Strategies – Global Equity

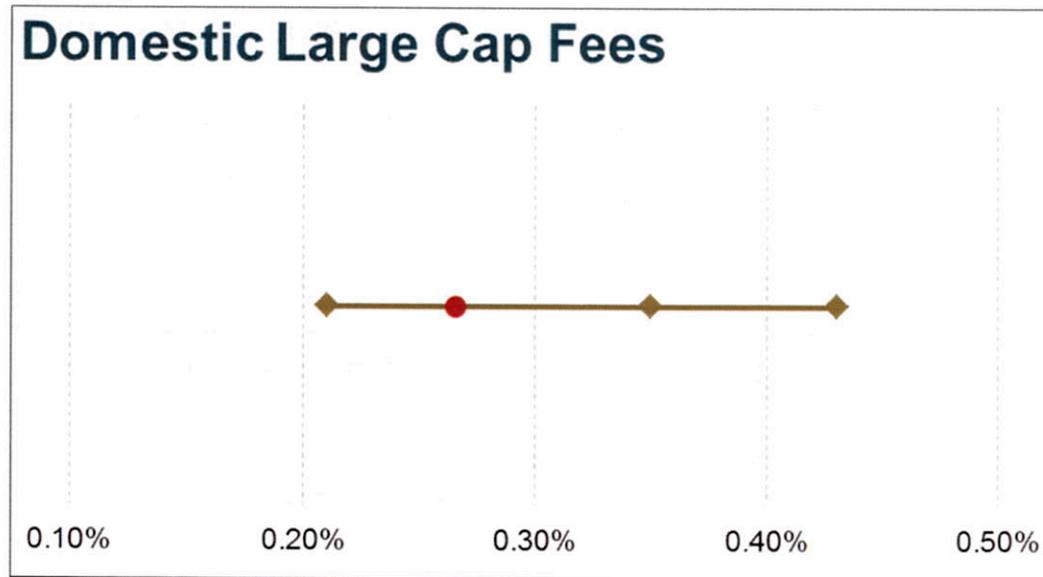
Pension Trust

Global Equity	
Conventional Strategies	Fee %
EPOCH Inv. Partners	1.02%
Calamos	0.73%
Weighted Average Fee	0.99%
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Industry Fee - 25 th Percentile	0.73%
Industry Fee - Median	0.65%
Industry Fee - 75 th Percentile	0.58%

- Epoch's mandate was changed on 1/1/12 from the Global Absolute Return strategy to the Global Choice strategy. This change resulted in a significant fee reduction. Going forward fees will be in the 70 to 80 basis point range.
- The Calamos mandate was changed from a convertible bond strategy to the Global Opportunity strategy on 3/1/12.

Domestic Large Cap Equity

Pension Trust



- North Dakota's average account size: \$139M
- Red circle is NDSIB Pension Trust's weighted average domestic large cap equity management fee of 0.27%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M

Investment Strategies – Large Cap Equity

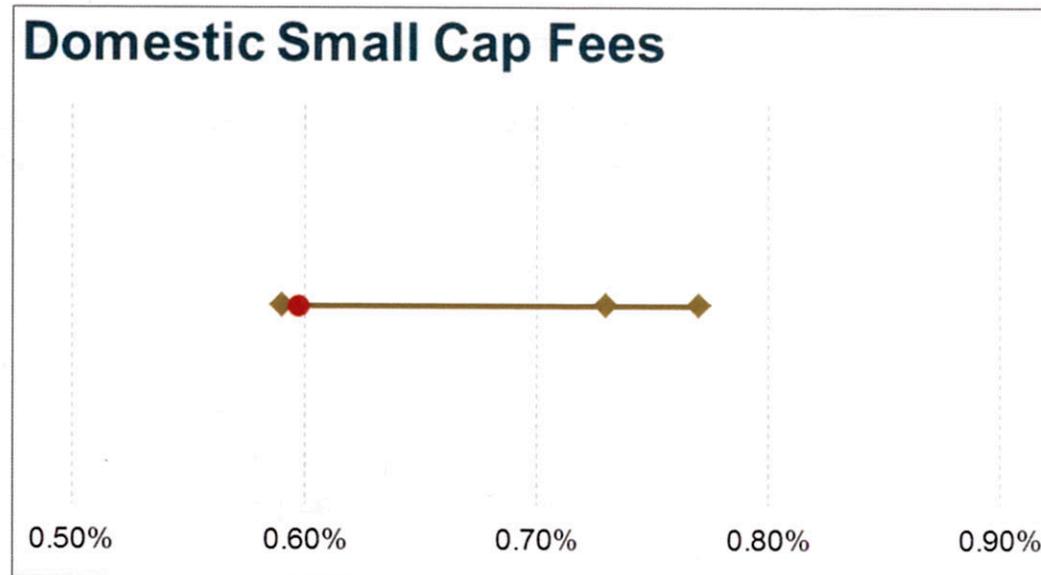
Pension Trust

Domestic Large Cap Equity	
Conventional Strategies	Fee %
L.A. Capital	0.22%
L.A. Capital Enhanced Index	0.21%
LSV Asset	0.30%
Northern Trust	0.41%
Clifton Enhanced S&P	0.26%
Weighted Average Fee	0.27%
Industry Fee - 25 th Percentile	0.43%
Industry Fee - Median	0.35%
Industry Fee - 75 th Percentile	0.21%
Other Strategies	Fee %
Prudential Pru-Alpha Fund	0.16%
Declaration Mgmt/Clifton TALF	1.78%

- Declaration Management/Clifton TALF matured in the third quarter of 2011.
- Clifton Enhanced Enhance S&P charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.
- Northern Trust charges no base management fee. The only fee charged is 25% of the excess return generated. Fees are calculated and paid quarterly.

Domestic Small Cap Equity

Pension Trust



- North Dakota's average account size: \$85M
- Red circle is NDSIB Pension Trust's weighted average domestic small cap equity management fee of 0.60%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$50M-\$100M

Investment Strategies – Small Cap Equity

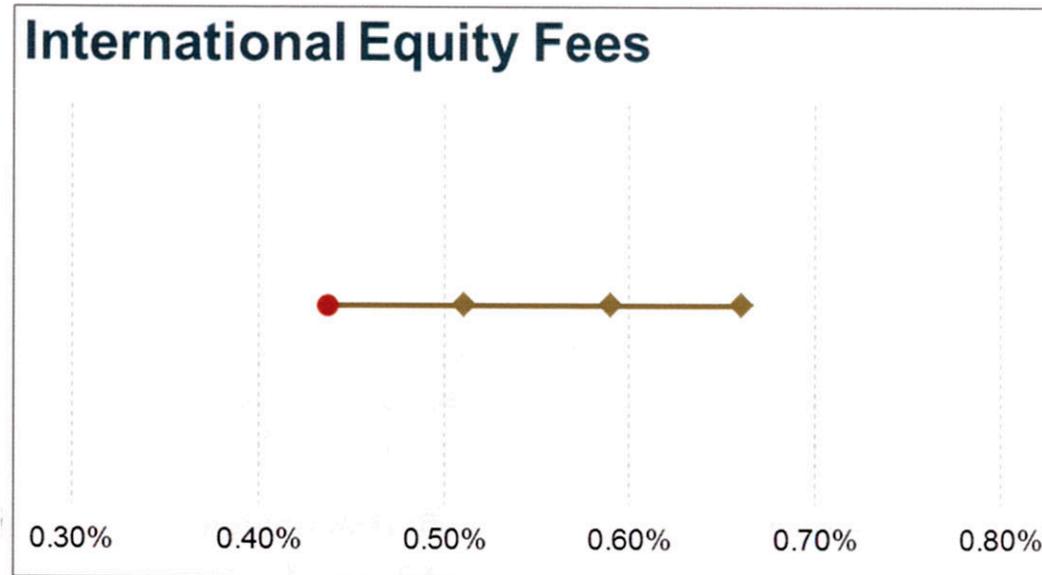
Pension Trust

Domestic Small Cap Equity	
Conventional Strategies	Fee %
Callan Diversified Alpha Group Trust	0.76%
SEI Composite	0.00%
Clifton Enhanced Small Cap	0.43%
Weighted Average Fee	0.60%
<hr/>	
Industry Fee - 25 th Percentile	0.77%
Industry Fee - Median	0.73%
Industry Fee - 75 th Percentile	0.59%

- Clifton Enhanced Small Cap charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.
- SEI Composite had average quarterly assets under management of only \$791K for the fiscal year.

International Equity

Pension Trust



- North Dakota's average account size: \$81M
- Red circle is NDSIB Pension Trust's weighted average international equity management fee of 0.44%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$50M-\$100M

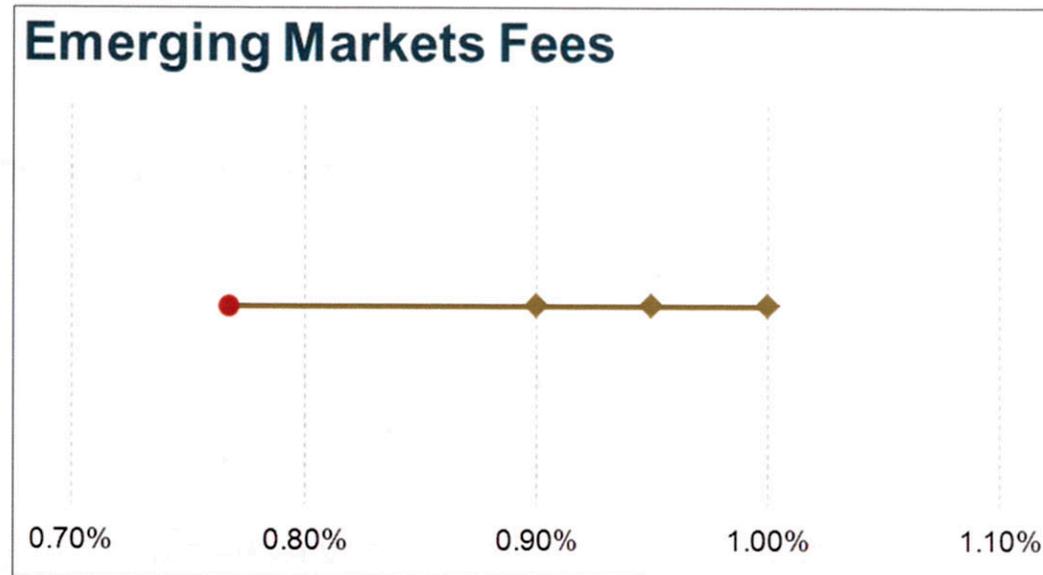
Investment Strategies – International Equity

Pension Trust

International Equity	
Conventional Strategies	Fee %
Capital Guardian Trust	0.54%
DFA International Small Cap Value	0.72%
LSV Asset	0.49%
State Street-Country Selection	0.74%
Wellington Intl SC Opp	0.91%
Clifton EAFE Index	0.09%
Weighted Average Fee	0.44%
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Industry Fee - 25 th Percentile	0.66%
Industry Fee - Median	0.59%
Industry Fee - 75 th Percentile	0.51%

Emerging Markets Equity

Pension Trust



- North Dakota's average account size: \$27M
- Red circle is NDSIB Pension Trust's weighted average emerging markets equity management fee of 0.77%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M (published fees)

Investment Strategies – Emerging Markets Equity

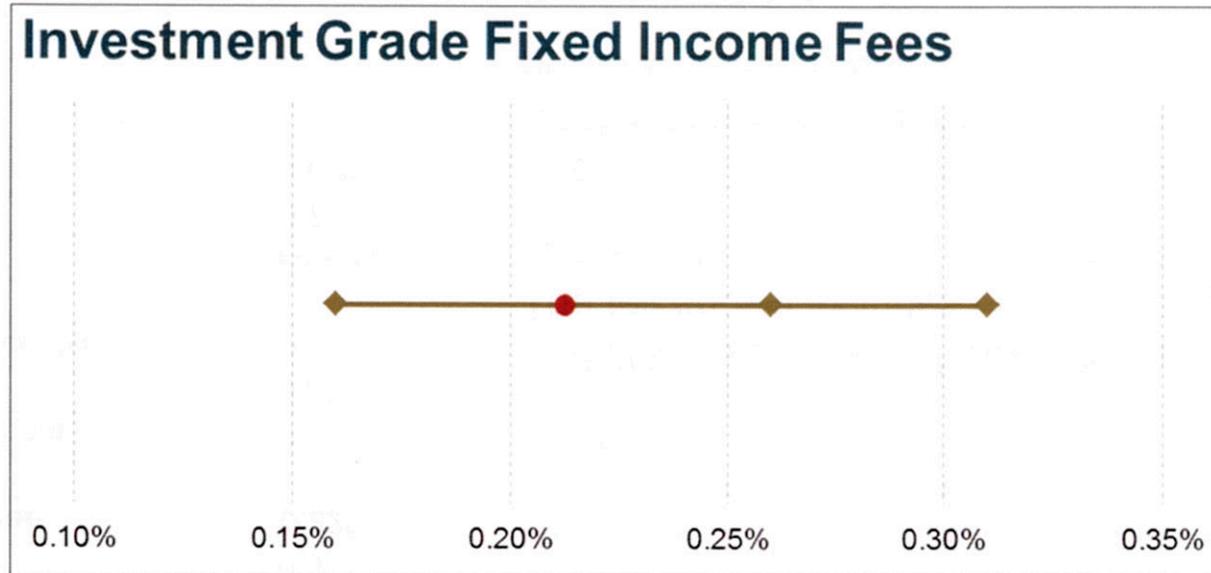
Pension Trust

Emerging Markets	
Conventional Strategies	Fee %
DFA Emerging	0.83%
JP Morgan Emerging	0.71%
PanAgora Emerging	0.82%
UBS Global Asset Emerging	0.76%
BlackFriars	0.73%
Weighted Average Fee	0.77%
<hr/>	
Industry Fee - 25 th Percentile	1.00%
Industry Fee - Median	0.95%
Industry Fee - 75 th Percentile	0.90%

- BlackFriars was liquidated in fiscal year 2012.

Investment Grade Fixed Income

Pension Trust



- North Dakota's average account size: \$46M
- Red circle is NDSIB Pension Trust's weighted average investment grade fixed income management fee of 0.22%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M

Investment Strategies – Investment Grade Fixed Income

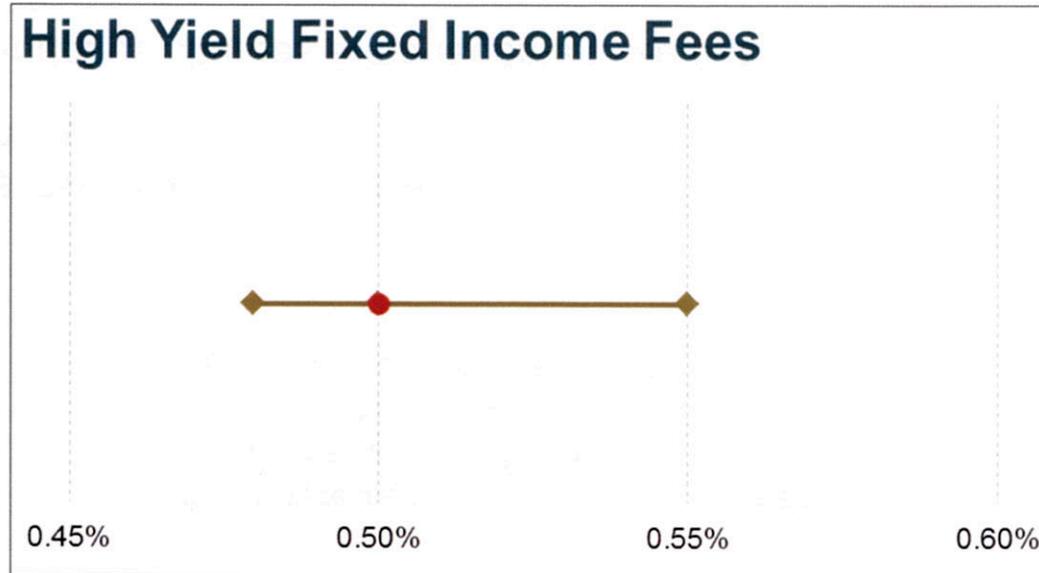
Pension Trust

Inv. Grade Fixed Income	
Conventional Strategies	Fee %
Bank of North Dakota	0.06%
Prudential PRIVEST	0.43%
SEI Fixed-Income	0.58%
Wells Capital	0.32%
Western Asset Management	0.18%
PIMCO MBS	0.18%
PIMCO Unconstrained	0.38%
Weighted Average Fee	0.22%
Industry Fee - 25 th Percentile	0.31%
Industry Fee - Median	0.26%
Industry Fee - 75 th Percentile	0.16%
Other Strategies	Fee %
Calamos Investments	0.72%
Declaration Total Return	0.60%
PIMCO DiSCO	1.30%
PIMCO DiSCO II	3.75%

- Calamos Investments was a convertible bond strategy. All of the funds in this mandate were used to fund the Calamos Global Opportunity (equity) strategy on March 1, 2012.
- PIMCO DiSCO did not earn performance based fees in fiscal year 2012. However, performance fees, which were accumulated over the life of the investment, were paid in the form of carried interest during the year. This investment matured in the fourth quarter of 2011.
- PIMCO DiSCO II was funded during the fiscal year. The fee shown includes both a management fee and carried interest earned during the fiscal year.
- The PIMCO MBS, PIMCO Unconstrained, and Declaration Total Return strategies were added to the portfolio during fiscal year 2012.
- Prudential Privest, SEI Fixed Income, and Well Capital were all liquidated during the fiscal year.

High Yield

Pension Trust



- North Dakota's average account size: \$147M
- Red circle is NDSIB Pension Trust's weighted average high yield fixed income management fee of 0.50%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M (published fees)

Investment Strategies – High Yield

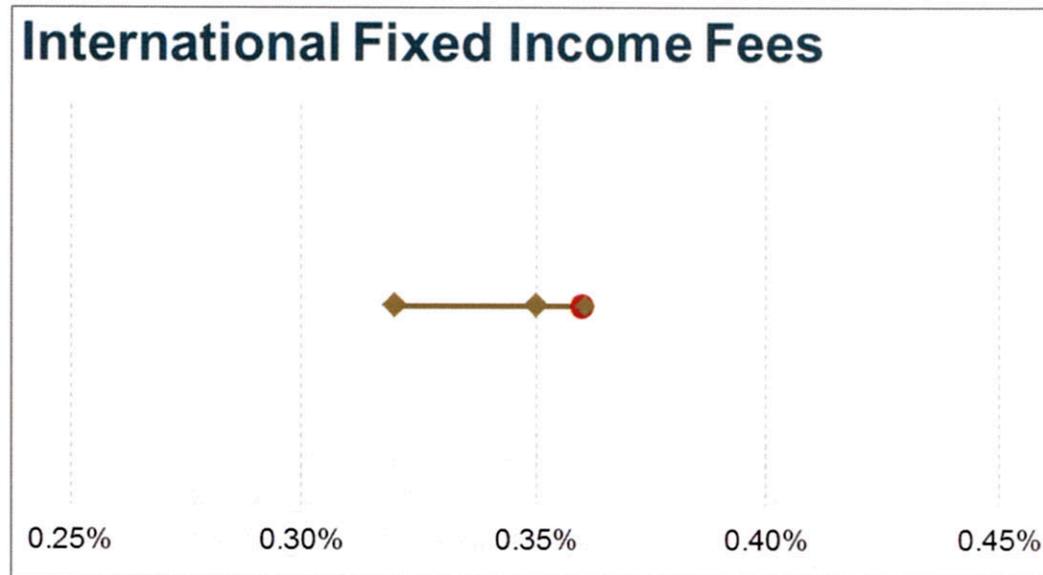
Pension Trust

High Yield	
Conventional Strategies	Fee %
Loomis Sayles	0.50%
Weighted Average Fee	0.50%
Industry Fee - 25 th Percentile	0.55%
Industry Fee - Median	0.50%
Industry Fee - 75 th Percentile	0.48%
Other Strategies	
	Fee %
Goldman Sachs 2006 Offshore	2.84%
Goldman Sachs V Offshore	4.60%
PIMCO Distressed Mortgage	1.51%

- Both Goldman Sachs investments charge a management fee of 1.5% based on commitments plus a performance based fee.
- PIMCO Distressed Mortgage charges a management fee based on commitments plus a performance based fee.

International Fixed Income

Pension Trust



- North Dakota's average account size: \$92M
- Red circle is NDSIB Pension Trust's weighted average international fixed income management fee of 0.36%
- Industry fees represent active management fee from Callan's Global Fixed Income Database as of December 31, 2011, using a mandate size of \$90M

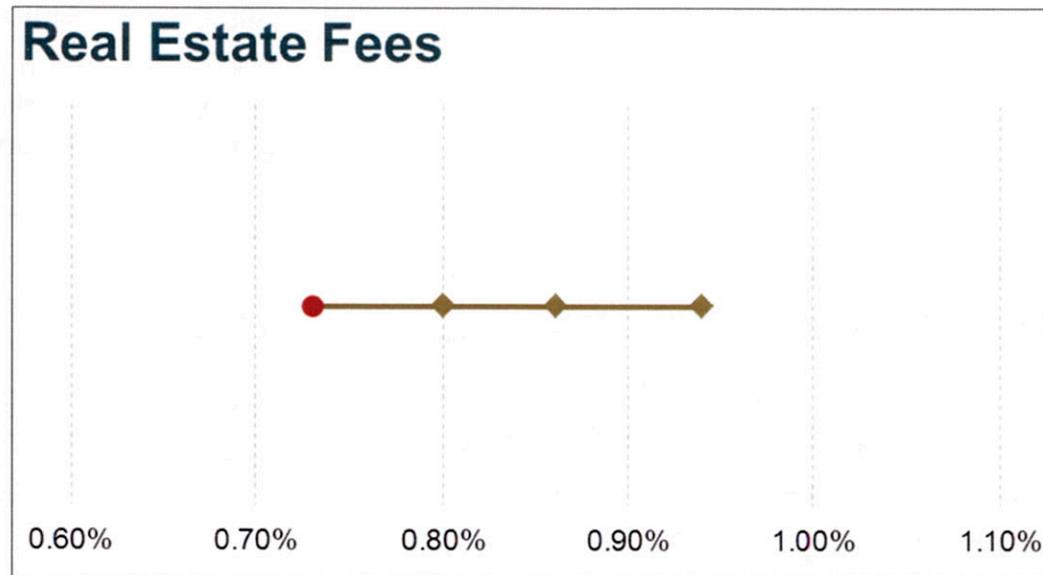
Investment Strategies – International Fixed Income

Pension Trust

International Fixed Income	
Conventional Strategies	Fee %
UBS Global Asset Management	0.30%
Brandywine	0.42%
Weighted Average Fee	0.36%
Industry Fee - 25 th Percentile	0.36%
Industry Fee - Median	0.35%
Industry Fee - 75 th Percentile	0.32%

Real Estate

Pension Trust



- North Dakota's average account size: \$52M
- Red circle is NDSIB Pension Trust's weighted average real estate management fee of 0.73%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a core open-ended strategy and a size of \$50M-\$100M (published fees)

Investment Strategies – Real Estate

Pension Trust

Real Estate	
Conventional Strategies	Fee %
INVESCO Realty	0.43%
INVESCO Real Estate Fund II	0.80%
INVESCO Real Estate Fund III	1.05%
J.P. Morgan	0.98%
J.P. Morgan Alternative Property Fd.	0.32%
JP Morgan Greater China Fund	1.27%
Weighted Average Fee	0.73%
Industry Fee - 25 th Percentile	0.94%
Industry Fee - Median	0.86%
Industry Fee - 75 th Percentile	0.80%
Other Strategies - Timber	Fee %
TIR - Teredo	0.91%
TIR - Springbank	0.25%
Other Strategies - Infrastructure	Fee %
JP Morgan Asian Infrastructure	3.18%
JP Morgan Infrastructure Inv. Fund	1.29%
Credit Suisse Cust. Infrastructure	3.35%
Other Strategies - Real Estate	Fee %
INVESCO Asia RE Feeder	3.18%
JP Morgan Greater European Opp	20.24%

- JP Morgan Alternative Property Fund is currently being wound down – the manager has instituted significant fee discounts for the remaining life of the fund.
- JP Morgan Asian Infrastructure Fund charges fees based on commitments.
- INVESCO Asia RE Feeder Fund charges 1.5% based on commitments and was added during the fiscal year.
- JP Morgan Greater European Opportunity Fund charges 1.5% based on commitments (37M Euro commitment, average account balance for FY12 was approximately \$3M).
- The Credit Suisse Infrastructure portfolio charges fees based on commitments was added during the fiscal year.

Investment Strategies – Private Equity

Pension Trust

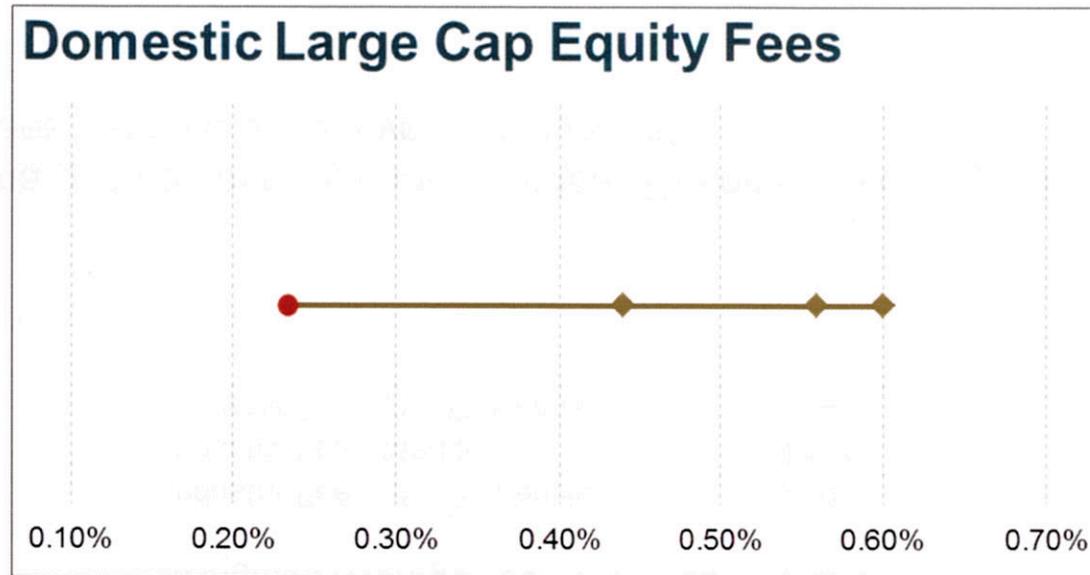
- At the end of fiscal year 2012 (which is the timeframe of this study) private equity accounted for 5.8% of Total Fund assets.
- As of June 30, 2012 only 6 of 39 funds in the private equity portfolio were new since the prior fee analysis was performed for fiscal year 2010.
- The fee study for fiscal year 2010 concluded that NDSIB was paying its private equity managers market rates for services provided.
- We found no evidence that management fees for NDSIB's private equity portfolio are above market levels or are out of line for industry standards.



Insurance Trust

Domestic Large Cap Equity

Insurance Trust



- North Dakota's average account size: \$37M
- Red circle is NDSIB Pension Trust's weighted average domestic large cap equity management fee of 0.23%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M

Investment Strategies – Domestic Large Cap Equity

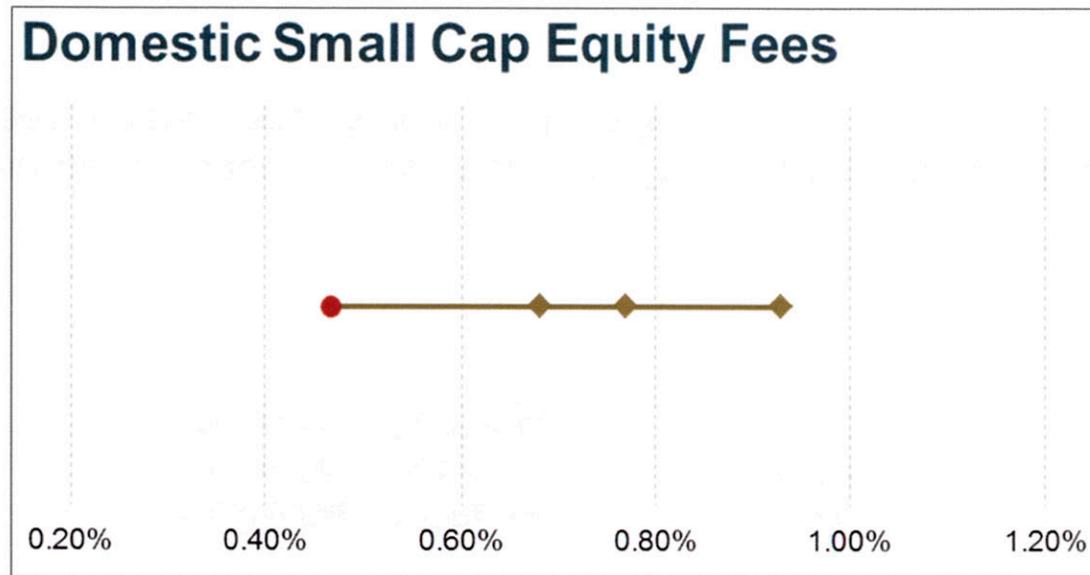
Insurance Trust

Domestic Large Cap Equity	
Conventional Strategies	Fee %
Clifton Large Cap	0.18%
L.A. Capital	0.22%
L.A. Capital Enhanced Alpha Fund	0.21%
LSV Asset	0.30%
Weighted Average Fee - Total Fee	0.23%
Industry Fee - 25 th Percentile	0.60%
Industry Fee - Median	0.56%
Industry Fee - 75 th Percentile	0.44%

- Clifton Large Cap charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.

Domestic Small Cap Equity

Insurance Trust



- North Dakota's average account size: \$27M
- Red circle is NDSIB Pension Trust's weighted average domestic small cap equity management fee of 0.47%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M

Investment Strategies – Domestic Small Cap Equity

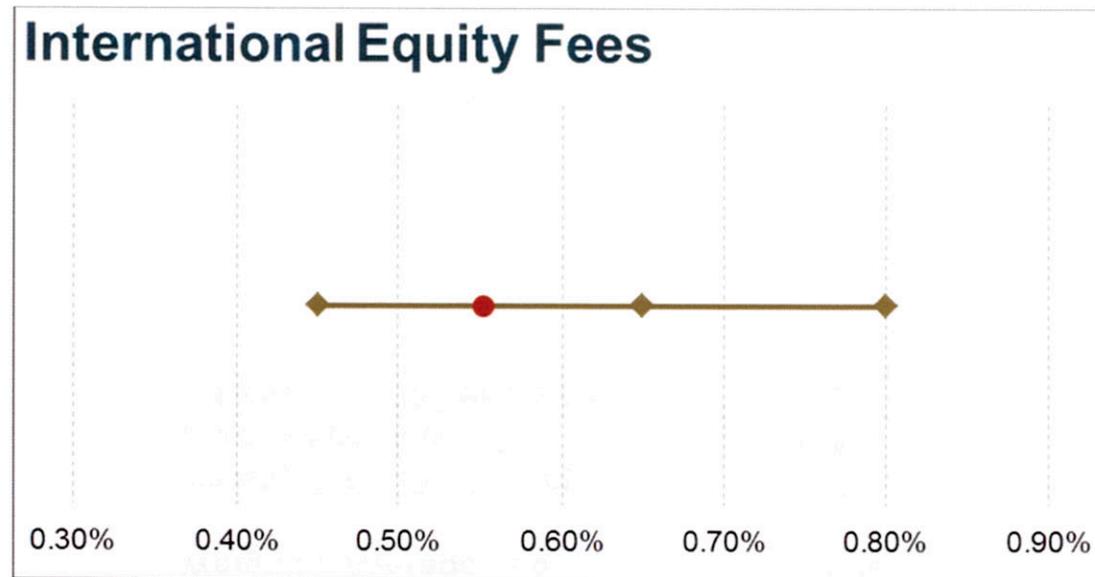
Insurance Trust

Domestic Small Cap Equity	
Conventional Strategies	Fee %
Clifton Small Cap	0.45%
Research Affiliates	0.49%
Weighted Average Fee	0.47%
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Industry Fee - 25 th Percentile	0.93%
Industry Fee - Median	0.77%
Industry Fee - 75 th Percentile	0.68%

- Clifton Small Cap charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.

International Equity

Insurance Trust



- North Dakota's average account size: \$22M
- Red circle is NDSIB Pension Trust's weighted average international equity management fee of 0.55%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$1M-\$25M

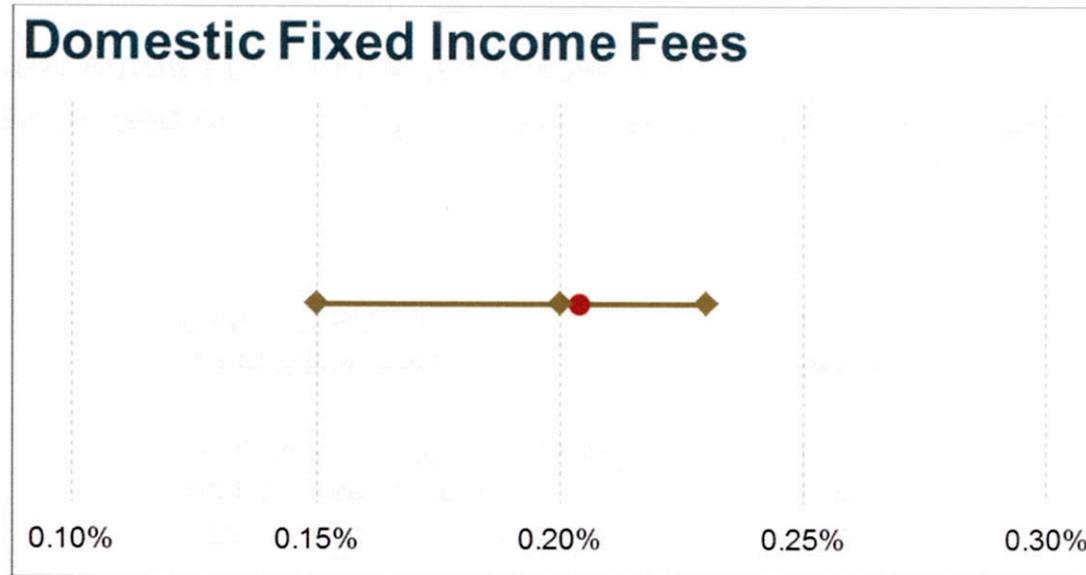
Investment Strategies – International Equity

Insurance Trust

International Equity	
Conventional Strategies	Fee %
Capital Guardian	0.61%
DFA International Small Cap Value	0.76%
LSV Asset	0.49%
Vanguard	0.42%
Weighted Average Fee	0.55%
Industry Fee - 25 th Percentile	0.80%
Industry Fee - Median	0.65%
Industry Fee - 75 th Percentile	0.45%

Domestic Fixed Income

Insurance Trust



- North Dakota's average account size: \$140M
- Red circle is NDSIB Pension Trust's weighted average domestic fixed income management fee of 0.20%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M

Investment Strategies – Domestic Fixed Income

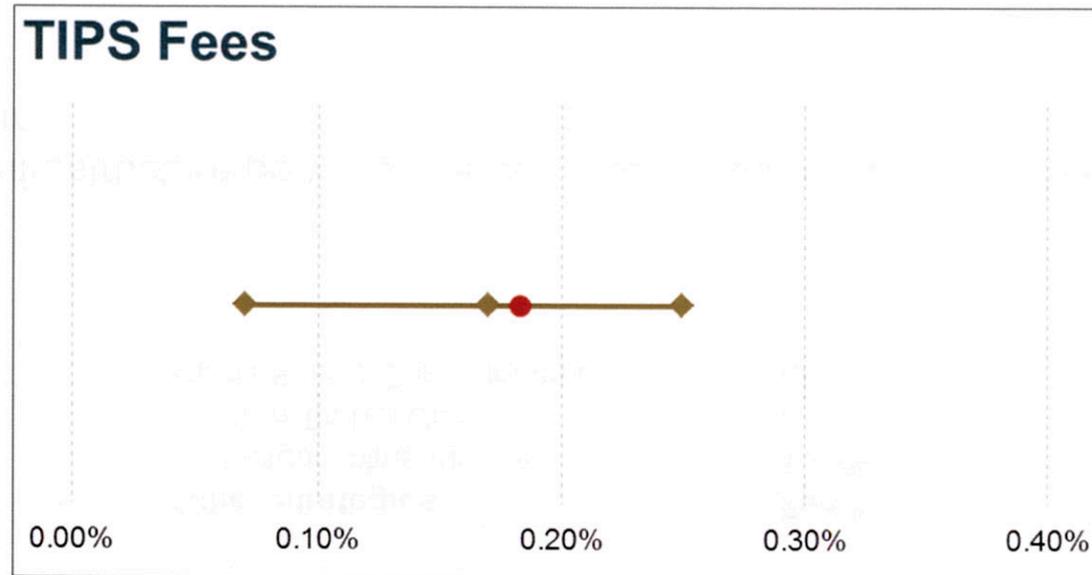
Insurance Trust

Domestic Fixed Income	
Conventional Strategies	Fee %
Bank of North Dakota	0.06%
Prudential	0.30%
Wells Capital	0.22%
Western Asset	0.18%
Declaration	0.50%
Weighted Average Fee	0.20%
Industry Fee - 25 th Percentile	0.23%
Industry Fee - Median	0.20%
Industry Fee - 75 th Percentile	0.15%
Other Strategies	Fee %
PIMCO DiSCO II	3.75%

- PIMCO DiSCO II was funded during the fiscal year. The fee shown includes both a management fee and carried interest earned during the fiscal year.

TIPS

Insurance Trust



- North Dakota's average account size: \$172M
- Red circle is NDSIB Pension Trust's weighted average TIPS management fee of 0.18%
- Industry fees are calculated from strategies in Callan's TIPS Database as of December 31, 2011, using a mandate size of \$175 million

Investment Strategies – TIPS

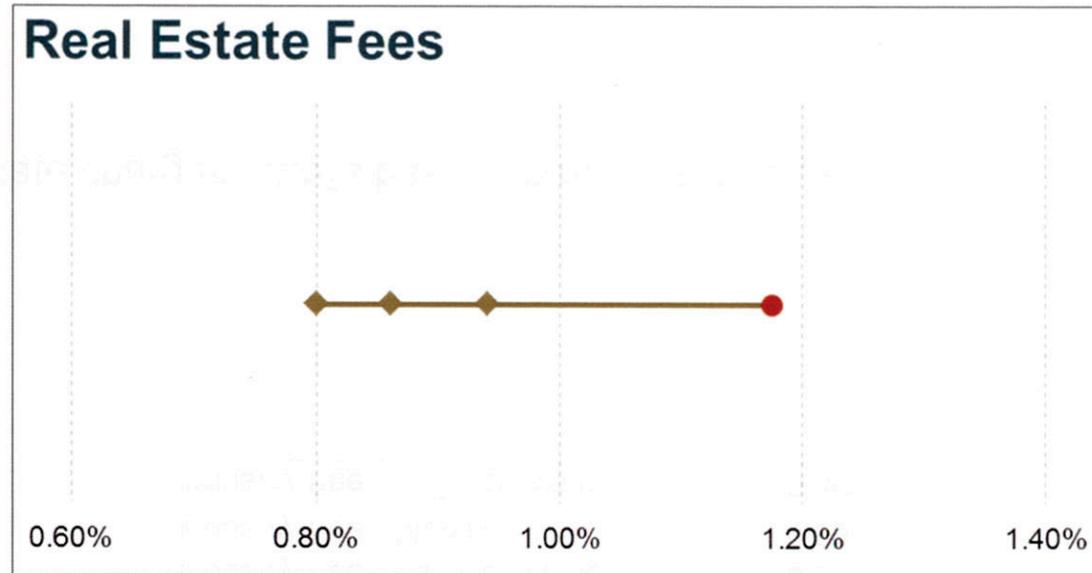
Insurance Trust

TIPS	
Conventional Strategies	Fee %
Western TIPS	0.18%
Weighted Average Fee	0.18%
Industry Fee - 25 th Percentile	0.25%
Industry Fee - Median	0.17%
Industry Fee - 75 th Percentile	0.07%
Other Strategies	Fee %
JP Morgan Infrastructure	1.29%
Eastern Timber Opps	0.84%
Credit Suisse Cust Infrastructure	10.20%

- The Credit Suisse Infrastructure portfolio charges fees based on commitments and was added during the fiscal year.

Real Estate

Insurance Trust



- North Dakota's average account size: \$91M
- Red circle is NDSIB Pension Trust's weighted average real estate management fee of 1.18%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a core open-ended strategy and a size of \$50M-\$100M (published fees)

Investment Strategies – Real Estate

Insurance Trust

Real Estate	
Conventional Strategies	Fee %
JP Morgan Real Estate	1.18%
Weighted Average Fee	1.18%
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Industry Fee - 25 th Percentile	0.94%
Industry Fee - Median	0.86%
Industry Fee - 75 th Percentile	0.80%

- JP Morgan Real Estate charges 1.25% based on net asset value.

Investment Strategies – Short Term Fixed Income & Cash

Insurance Trust

Short Term Fixed Income	
Conventional Strategies	Fee %
Prudential Enhanced Cash	0.14%
JPM Short Term Budget	0.12%
Babson Short Term	0.12%
Babson Bank Loan	0.17%
Babson Short Term Legacy	0.12%
JPM Short Term Legacy	0.08%
Weighted Average Fee	0.12%

Money Market	
Conventional Strategies	Fee %
Bank of ND - Money Market	0.00%
Weighted Average Fee - Total Fee	0.00%

- Fees for both short term fixed income and money market managers as a whole are reasonable.
- The Babson Bank Loan, Babson Short Term Legacy, JPM Short Term Budget, and JPM Short Term Legacy funds were added during the fiscal year.