

**STATE INVESTMENT BOARD
MINUTES OF THE
NOVEMBER 16, 2007, BOARD MEETING**

BOARD MEMBERS PRESENT: Howard Sage, Vice Chair
Sandy Blunt, Workforce Safety & Insurance
Clarence Corneil, TFFR Board
Mike Gessner, TFFR Board
Ron Leingang, PERS Board
Gary Preszler, Land Commissioner
Mike Sandal, PERS Board
Kelly Schmidt, State Treasurer
Bob Toso, TFFR Board

BOARD MEMBERS ABSENT: Lt. Governor Jack Dalrymple, Chair,

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Connie Flanagan, Fiscal & Investment Officer
Susan Gefroh, Investment Accountant
Bonnie Heit, Office Manager
Les Mason, Internal Audit

OTHERS PRESENT: Weldee Baetsch, former SIB trustee
Greg Casey, Declaration Management
Erica Cermak, RTA/AFPE
Jeff Engleson, Land Dept.
Paul Erlendson, Callan Associates, Inc.
Ignacio Jayanti, Corsair Capital
Lowell Latimer, TFFR Trustee
John Pluta, Declaration Management
Ken Rood, Insurance Dept.
James Shallcross, Declaration Management
Cindy Ternes, Workforce Safety & Insurance
Richard Thornberg, Corsair Capital
Nick Whitman, NDEA

CALL TO ORDER:

Mr. Howard Sage, Vice Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, November 16, 2007, in the Ft. Union Room, at the State Capitol, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. CORNEIL, MR. GESSNER, MR. LEINGANG, COMMISSIONER PRESZLER, MR. SAGE, MR. SANDAL, TREASURER SCHMIDT, MR. BLUNT, AND MR. TOSO

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

MINUTES:

The Board considered the minutes of the October 19, 2007, meeting,

TREASURER SCHMIDT MOVED AND MR. LEINGANG SECONDED TO APPROVE THE OCTOBER 19, 2007, MEETING MINUTES.

AYES: COMMISSIONER PRESZLER, MR. GESSNER, MR. LEINGANG, MR. SAGE, MR. SANDAL, MR. TOSO, MR. CORNEIL, TREASURER SCHMIDT, AND MR. BLUNT

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

BOARD EDUCATION:

Corsair Capital - Mr. Ignacio Jayanti and Mr. Richard Thornburgh reviewed a Pension Trust Small Cap co-investment opportunity for the Board's consideration.

A copy of their presentation is on file at the Retirement and Investment Office.

Declaration Management - Mr. James Shallcross, Mr. John Pluta, Mr. Greg Casey reviewed an investment opportunity in their distressed debt product for the High Yield allocation in the Pension Trust.

A copy of their presentation is on file at the Retirement and Investment Office.

The Board recessed at 10:35 a.m. and reconvened at 10:50 a.m.

GOVERNANCE:

INVESTMENTS

Mr. Steve Cochrane, Executive Director, reviewed the Pension Trust's return and performance of various managers for the period ending September 30, 2007.

Small Cap Domestic Eq./Pension Trust - Mr. Cochrane reviewed the investment opportunity with Corsair Capital and recommended allocating \$10 million or 2% of the Pension Trust Small Cap Equity allocation. The \$10 million would be a co-investment along side Corsair in a privately managed Tennessee-chartered commercial bank. After discussion,

MR. GESSNER MOVED AND MR. SANDAL SECONDED TO ALLOCATE \$10 MILLION TO CORSAIR CAPITAL WITH THE UNDERSTANDING THAT THE ALLOCATION WILL BE CONTINGENT UPON AGENCY COUNSEL, MR. AARON WEBB'S, APPROVAL.

AYES: MR. BLUNT, MR. GESSNER, MR. TOSO, MR. CORNEIL, MR. SANDAL

NAYS: TREASURER SCHMIDT, MR. LEINGANG, MR. ENGLESON, MR. SAGE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

High Yield/Pension Trust - Mr. Cochrane reviewed the distressed debt investment opportunity with Declaration and recommended an allocation of \$10-\$15 million within the Pension Trust's High Yield allocation.

MR. GESSNER MOVED AND MR. TOSO SECONDED TO ALLOCATE \$15 MILLION TO DECLARATION MANAGEMENT TO MANAGE AN ACCOUNT IN THE PENSION TRUST'S HIGH YIELD ALLOCATION.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. LEINGANG, MR. BLUNT, TREASURER SCHMIDT, MR. ENGLESON, MR. TOSO, AND MR. SAGE
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

ADMINISTRATION

City of Fargo Investment Guidelines - Mrs. Connie Flanagan, Fiscal and Investment Officer, presented City of Fargo Employees investment guidelines for the Board's consideration. She indicated the Industrial Commission has not yet approved them but are scheduled to and she didn't foresee a problem.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE CITY OF FARGO EMPLOYEES INVESTMENT GUIDELINES CONTINGENT UPON APPROVAL FROM THE INDUSTRIAL COMMISSION.

AYES: MR. BLUNT, TREASURER SCHMIDT, MR. ENGLESON, MR. SAGE, MR. TOSO, MR. SANDAL, MR. LEINGANG, MR. CORNEIL, AND MR. GESSNER
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

QUARTERLY MONITORING:

Included in the board member's packets were the following quarterly monitoring reports: Investment Measurement Reports for the Pension and Insurance Trust.

Mr. Sage commented on Wells/Sutter's performance for the last quarter. Mr. Cochrane stated the reason is bank loans in a high yield weak environment. He recommended waiting and if performance doesn't turn around, then take another look at the firm. The Board concurred.

TREASURER SCHMIDT MOVED AND MR. BLUNT SECONDED TO APPROVE THE INVESTMENT MEASUREMENT REPORTS FOR THE PENSION AND INSURANCE TRUSTS.

AYES: MR. SANDAL, MR. CORNEIL, MR. GESSNER, MR. TOSO, MR. SAGE, MR. BLUNT, MR. ENGLESON, MR. LEINGANG, AND TREASURER SCHMIDT
 NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

The Board also received the annual SIB Audit Committee activities report for the fiscal year ending June 30, 2007. After review,

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE ANNUAL SIB AUDIT COMMITTEE ACTIVITIES REPORT AS PRESENTED.

AYES: MR. TOSO, TREASURER SCHMIDT, MR. CORNEIL, MR. ENGLESON, MR. SAGE, MR. SANDAL, MR. GESSNER, MR. LEINGANG, AND MR. BLUNT

NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM

OTHER:

Mr. Sage informed the Board the Executive Director Compensation Committee has been working on a more thorough evaluation process than what has been done in the past. The Compensation Committee's reasoning is that if the Board was to grant Mr. Cochrane an additional increase over/above the legislative increase that a more formal process was needed to support it. Mr. Sage distributed an annual evaluation form. He requested the Board fill out the form, sign it, and return it to Mr. Les Mason, Supervisor of Internal Audit. Mr. Mason will compile the information and forward it on to Lt. Governor Dalrymple who will review it with Mr. Cochrane.

Mr. Sage informed the Board the Carver Governance Model meeting scheduled for the afternoon of November 16, 2007, will have to be rescheduled early in 2008 since Lt. Governor Dalrymple is not able to attend at this time.

The next SIB meeting is scheduled for January 18, 2008, at 8:30 a.m., at the State Capitol, Fort Union Room, 600 E. Boulevard, Bismarck, ND. The next SIB Audit Committee meeting is scheduled for December 4, 2007, at 3:15 p.m., at the State Capitol, Roosevelt Room, 600 E. Boulevard, Bismarck, ND.

Mr. Sage informed the Board that he is resigning from state employment effective January 2, 2008 and joining the private sector. He stated he has enjoyed his tenure. Mr. Sage has served on the SIB since July 19, 1989. The Board and Mr. Cochrane thanked him for his many years of service and leadership which contributed to the success of the program.

ADJOURNMENT:

With no further business to come before the Board, Mr. Sage adjourned the meeting at 12:20 p.m.

Respectfully Submitted:



Lt. Governor Dalrymple, Chair
State Investment Board



Bonnie Heit
Reporting Secretary