

**STATE INVESTMENT BOARD  
MINUTES OF THE  
JANUARY 18, 2008, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Lt. Governor Jack Dalrymple, Chair  
Clarence Corneil, TFFR Board, Via Teleconference  
Jeff Engleson, Deputy Land Commissioner  
Mike Gessner, TFFR Board  
Adam Hamm, Insurance Commissioner  
Ron Leingang, PERS Board  
Mike Sandal, PERS Board  
Kelly Schmidt, State Treasurer  
Cindy Ternes, Workforce Safety & Insurance  
Bob Toso, TFFR Board  
Tom Trenbeath, PERS Board

**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:** Erica Cermak, RTA/AFPE  
Sparb Collins, PERS  
Levi Erdmann, Land Dept.  
Larry Kohn, JP Morgan  
Arthur MacBride, Prudential Financial  
Gary Rath, NDEA  
Bryan Reinhardt, PERS  
Jim Sakelaris, JP Morgan  
Peter Taggart

**CALL TO ORDER:**

Lt. Governor Dalrymple called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, January 18, 2008, 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, MR. ENGLESON, MR. SANDAL, TREASURER SCHMIDT, MS. TERNES, MR. TOSO, LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM, AND MR. TRENBEATH**

**MINUTES:**

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

**TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO APPROVE THE NOVEMBER 16, 2007, MEETING MINUTES.**

**AYES: COMMISSIONER HAMM, MS. TERNES, MR. ENGLESON, MR. GESSNER, MR. LEINGANG, LT. GOVERNOR DALRYMPLE, MR. TRENBEATH, MR. SANDAL, MR. TOSO, MR. CORNEIL, AND TREASURER SCHMIDT**

**NAYS: NONE**

**MOTION CARRIED**

ELECTION OF OFFICER:

With the resignation of Mr. Sage, a new Vice Chair was elected,

MR. LEINGANG MOVED AND TREASURER SCHMIDT SECONDED TO NOMINATE MR. CLARENCE CORNEIL AS VICE CHAIR.

TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO CEASE NOMINATIONS AND CAST A UNANIMOUS BALLOT FOR MR. CORNEIL

AYES: MR. GESSNER, MR. ENGLESON, MR. LEINGANG, MS. TERNES, TREASURER SCHMIDT, MR. TOSO, COMMISSIONER HAMM, MR. CORNEIL, MR. TRENBEATH, LT. GOVERNOR DALRYMPLE, AND MR. SANDAL

NAYS: NONE

MOTION CARRIED

Mr. Corneil will also continue to serve as parliamentarian.

Lt. Governor Dalrymple introduced Insurance Commissioner Adam Hamm and welcomed him to the board.

BOARD EDUCATION:

JP Morgan - Mr. Larry Kohn and Mr. Jim Sakelaris reviewed the concept of expanding the SIB's Infrastructure relationship into the Insurance Trust. JP Morgan currently manages an Infrastructure product in the Pension Trust.

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

Prudential Financial - Mr. Arthur MacBride and Mr. Peter Taggart reviewed their "Pru Alpha" product which would diversify the Pension Trust's Large Cap Domestic Equity Portfolio and enable capture of non-correlated returns in a portable alpha setting.

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

GOVERNANCE:INVESTMENTS

Infrastructure Investment/Insurance Trust - Mr. Steve Cochrane, Executive Director, reviewed the possibility of expanding the Board's relationship with JP Morgan by allocating a portion of the Inflation Protected Assets portion of the Insurance Trust into their Infrastructure product. He recommended \$60,000,000. After discussion,

TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO TRANSFER \$60,000,000 OF THE INSURANCE TRUST'S INFLATION PROTECTED ASSETS ALLOCATION TO JP MORGAN TO MANAGE AN INFRASTRUCTURE STRATEGY.

AYES: MS. TERNES, LT. GOVERNOR DALRYMPLE, COMMISSIONER HAMM, TREASURER SCHMIDT, MR. ENGLESON, MR. TRENBEATH, MR. TOSO, MR. SANDAL, MR. LEINGANG, MR. CORNEIL, AND MR. GESSNER

NAYS: NONE

MOTION CARRIED.

Portable Alpha/Pension Trust - Mr. Cochrane reviewed Prudential Financial's Portable Alpha product and recommended allocating \$75,000,000 to them to manage an Enhanced Index Strategy in the Pension Trust Large Cap Domestic Equity allocation. After discussion,

MS. TERNES MOVED AND MR. TOSO SECONDED TO MOVE \$75,000,000 TO PRUDENTIAL FINANCIAL TO MANAGE AN ENHANCED INDEX STRATEGY IN THE PENSION TRUST'S LARGE CAP DOMESTIC EQUITY PORTFOLIO.

AYES: COMMISSIONER HAMM, MR. SANDAL, MR. CORNEIL, MR. GESSNER, MR. TOSO, MS. TERNES, LT. GOVERNOR DALRYMPLE, MR. ENGLESON, MR. LEINGANG, AND TREASURE SCHMIDT  
NAYS: NONE

MOTION CARRIED.

ABSENT: MR. TRENBEATH

QUARTERLY MONITORING:

Included in the board member's packets were the following monitoring reports for the quarter ending December 31, 2007: Executive Limitations/Staff Relations, Budget/Financial Conditions, Retirement/Investment Program, and also the Retirement and Investment Office's annual Audit Report for fiscal year end June 30, 2007 and 2006.

TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO ACCEPT THE DECEMBER 31, 2007, QUARTERLY MONITORING REPORTS AS WELL AS RIO'S ANNUAL AUDIT REPORT FOR FY END 2007 AND 2006.

AYES: MR. TOSO, TREASURER SCHMIDT, MR. CORNEIL, MR. ENGLESON, LT. GOVERNOR DALRYMPLE, MR. SANDAL, COMMISSIONER HAMM, MR. GESSNER, MR. LEINGANG, AND MS. TERNES  
NAYS: NONE

MOTION CARRIED

ABSENT: MR. TRENBEATH

OTHER:

Discussion was held on the annual evaluation process of the Executive Director. Mr. Cochrane reviewed the Governance Process that is currently in place and which has been followed on an annual basis. He will be reviewing the Carver Governance Policies and Procedures with the Board going forward on an ongoing basis.

The next SIB meeting is scheduled for February 15, 2008, at 8:30 a.m., at the State Capitol, Fort Union Room, 600 E. Boulevard, Bismarck, ND.

ADJOURNMENT:

With no further business to come before the Board, Treasurer Schmidt moved to adjourn. Lt. Governor Dalrymple adjourned the meeting at 11:30 p.m.

Respectfully Submitted:

  
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Lt. Governor Dalrymple, Chair  
State Investment Board

  
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Bonnie Heit  
Reporting Secretary