STATE INVESTMENT BOARD
MINUTES OF THE
SEPTEMBER 26, 2008, BOARD MEETING

BOARD MEMBERS PRESENT:
Lt. Governor Jack Dalrymple, Chair
Clarence Corneil, Vice Chair
Jeff Engleson, Land Dept.
Levi Erdmann, PERS Board
Mike Gessner, TFFR Board
Ron Leingang, PERS Board
Mike Sandal, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, Workforce Safety & Insurance
Bob Toso, TFFR Board

MEMBERS ABSENT:
Adam Hamm, Insurance Commissioner

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

OTHERS PRESENT:
Weldee Baetsch, Former SIB trustee
Michael Chandra, PIMCO
James Clarke, PIMCO
Sparb Collins, PERS
Eric Hardmeyer, BND
Bob Humann, BND
Stephanie King, PIMCO
Larry Martin, Insurance Dept.
John Mongeon, Brady Martz
Tim Porter, BND
Bryan Reinhardt, PERS
Ed Sather, BND

CALL TO ORDER:

Lt. Governor Dalrymple, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, September 26, 2008, in the Ft. Union Room, at the State Capitol, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: LT. GOVERNOR DALRYMPLE, MR. CORNEIL, MR. ERDMANN, MR. GESSNER, TREASURER SCHMIDT, MR. LEINGANG, MR. ENGLESON, MR. SANDAL, MR. TOSO, MS. TERNES

AGENDA:

The Board considered the September 26, 2008, agenda. After discussion and amendments,

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE AMENDED AGENDA.

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

MOTION CARRIED
ABSENT: COMMISSIONER HAMM

MINUTES:

The Board considered the minutes of the August 22, 2008, meeting. The minutes were corrected to reflect Mr. Engleson as present for the Land Dept. instead of Gary Preszler.

MR. CORNEIL MOVED AND MR. SANDAL SECONDED TO APPROVE THE AMENDED AUGUST 22, 2008, MEETING MINUTES.

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

MOTION CARRIED
ABSENT: COMMISSIONER HAMM

BOARD EDUCATION:

PIMCO - Representatives of PIMCO, Ms. Stephanie King, Mr. James Clarke, and Mr. Michael Chandra reviewed as an educational component "fundamentals of bond management".

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

The Board recessed at 10:42 am and reconvened at 10:57 a.m.

BND - Representatives of Bank of North Dakota (BND) Mr. Eric Hardmeyer, Mr. Bob Humann, Mr. Tim Porter, and Mr. Ed Sather updated the Board on the Match Loan CD program. The BND requested the SIB increase their commitment by $50 million.

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

GOVERNANCE:

INVESTMENTS

Match Loan - Mr. Steve Cochrane, Executive Director, reviewed the BND Match Loan CD Program and possible additional commitment of $50 million. After discussion,

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE COMMITTING AN ADDITIONAL $50 MILLION TO THE BND MATCH LOAN CD PROGRAM.

A roll call vote was taken as follows:

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

MOTION CARRIED
ABSENT: COMMISSIONER HAMM

Large Cap Manager Weighting Adjustments/Pension Trust - Mr. Cochrane reviewed the process staff goes through when adjusting cash flow amongst the large cap managers. He requested the Board allow staff to increase the absolute return and rebalance the enhanced managers as appropriate. After discussion,

MR. GESSNER MOVED AND MS. TERNES SECONDED TO APPROVE STAFF RECOMMENDATION AND DECREASE THE ENHANCED MANAGER PORTION OF THE LARGE CAP DOMESTIC EQUITY ALLOCATION FROM 66% TO 58% AND INCREASE THE ABSOLUTE RETURN PORTION OF THE ALLOCATION FROM 6% TO 14% IN THE PENSION TRUST.

A roll call vote was taken as follows:

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

MOTION CARRIED.
ABSENT: COMMISSIONER HAMM

Small Cap/Pension Trust - Mr. Cochrane reviewed the small cap allocation and recommended the Board approve allocating half of the small cap to Callan's small cap fund. After discussion,

MR. ENGLESON MOVED AND MR. SANDAL SECONDED TO ACCEPT STAFF RECOMMENDATION AND ALLOCATE 50% OF THE DOMESTIC SMALL CAP PENSION TO CALLAN'S SMALL CAP FUND.

A roll call vote was taken as follows:

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

MOTION CARRIED.
ABSENT: COMMISSIONER HAMM

OTHER:

Mr. Cochrane provided face value amounts of holdings of bonds for some of the funds before and after the Lehman Brother's default as of September 12 and 15, 2008, and discussed current financial market and economic conditions.

The next SIB meeting is scheduled for October 24, 2008 at 8:30 a.m. in the Ft. Union Room, State Capitol, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for November 21, 2008, at 1:00 p.m. in the Ft. Union, State Capitol, Bismarck, ND.

ADJOURNMENT:

With no further business to come before the Board, Lt. Governor Dalrymple adjourned the meeting at 12:40 p.m.

Respectfully Submitted:

Lt. Governor Dalrymple, Chair
State Investment Board

Bonnie Heit
Reporting Secretary