

**STATE INVESTMENT BOARD  
MINUTES OF THE  
OCTOBER 24, 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  
Cindy Ternes, Workforce Safety & Insurance  
Bob Toso, TFFR Board

**MEMBERS ABSENT:** Adam Hamm, Insurance Commissioner  
Kelly Schmidt, State Treasurer

**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  
Richard Ballsrud, The Clifton Group  
Sparb Collins, PERS  
Brian Duggan, Bismarck Tribune  
Paul Erlendson, Callan Associates, Inc.  
Bruce Furness, WSI  
Ben Lazarus, The Clifton Group  
Larry Martin, Insurance Dept.  
Jeffrey Mellas, Wells Capital Mgmt.  
James Paulsen, Wells Capital Mgmt.  
Bryan Reinhardt, PERS

**CALL TO ORDER:**

Lt. Governor Dalrymple, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, October 24, 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, MR. LEINGANG, MR. ENGLESON, MR. SANDAL, MR. TOSO, MS. TERNES**

**AGENDA:**

The Board considered the October 24, 2008, agenda. After discussion and amendments,

**MR. GESSNER MOVED AND MR. TOSO SECONDED TO APPROVE THE AMENDED AGENDA.**

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

MOTION CARRIED  
ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT

MINUTES:

The Board considered the minutes of the September 26, 2008, meeting.

MR. LEINGANG MOVED AND MR. SANDAL SECONDED TO APPROVE THE SEPTEMBER 26, 2008, MEETING MINUTES.

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

MOTION CARRIED  
ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT

BOARD EDUCATION:

Mr. Steve Cochrane, Executive Director, reminded the Board that the most recent reconciled balances are from August 31, 2008. Any information the Board may see that is quoted in the paper, legislative committee meeting, or television is based on index returns for the respective underlying indices for which the Board has asset allocation. He stated once the asset allocation has been applied to index returns it can give a pretty accurate estimation of where the funds stand at any given point or time. As of October 23, 2008, the Pension Trust was down 22-23 percent and the Insurance Trust was down 10-11 percent.

The Clifton Group - Representatives Mr. Richard Ballsrud and Mr. Ben Lazarus reviewed the firm's overlay program.

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

Wells Capital - Mr. Jeff Mellas updated the Board on the alpha capture portfolio the firm currently manages for the SIB.

Mr. Jim Paulsen, Wells Fargo's Chief Investment Strategist, shared his views on the current economic conditions.

GOVERNANCE:

INVESTMENTS

Rebalancing Issue - Currently, the SIB is not in policy compliance with rebalancing. The SIB has been mandated with very clear policies on how to maintain a balance in the portfolios. The goal is to maintain target exposures based on long term policy goals in a volatile market. Mr. Cochrane reviewed the

rebalancing issue and an option he felt would help correct the out of policy compliance. He recommended the Board expand their relationship with The Clifton Group and hire them to manage an overlay program to regain policy compliance in an extremely crisis driven time.

The Board directed staff to notify its clients in writing of the rebalancing issue and explain the steps the Board is taking to maintain policy compliance.

**MR. SANDAL MOVED AND MR. ENGLESON SECONDED TO AUTHORIZE THE EXECUTIVE DIRECTOR TO MOVE FORWARD WITH AN OVERLAY PROGRAM WITH THE CLIFTON GROUP TO MAINTAIN THE TARGET ALLOCATIONS WITH THE SIB'S CLIENTS AND TO NOTIFY THE CLIENTS OF THE SIB'S INTENT TO MOVE FORWARD IN THIS REGARD AND THAT THEIR MANAGER ALLOCATIONS MAY BE TEMPORARILY DISSRUPTED.**

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

**MOTION CARRIED**

**ABSENT: COMMISSIONER HAMM, TREASURER SCHMIDT**

Large Cap Domestic Equity - Mr. Cochrane informed the Board he has adjusted Wells Capital's alpha capture allocation based on their sensitivity to volatility. There were no further comments or action taken.

**ADMINISTRATION**

Audit Committee Liaison Report - Mr. Mike Gessner, SIB Audit Committee liaison to the SIB, updated the Board on the Committee's activities for fiscal year ending June 30, 2008. In the future, Mr. Gessner will be providing quarterly updates.

**QUARTERLY MONITORING:**

The following monitoring reports for the period ending September 30, 2008 were provided to the Board for their approval: Executive Limitations/Staff Relations, Budget/Financial Conditions, Investment Program, and Retirement Program.

**MR. GESSNER MOVED AND MR. TOSO SECONDED TO APPROVE THE MONITORING REPORTS.**

**AYES: 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, TREASURER SCHMIDT**

**OTHER:**

Mr. Paul Erlendson, Callan Associates, Inc., gave his perspective on the current market conditions.

A copy of Mr. Erlendson's report is on file at the Retirement and Investment Office.

Lt. Governor Dalrymple and the Board complimented Mr. Cochrane on appearances he has made on behalf of the SIB recently. Mr. Cochrane has been able to ease people's fears in regards to the market conditions and its impact on the Pension Funds.

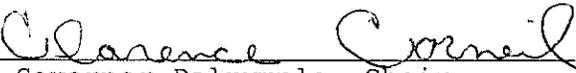
The next SIB meeting is scheduled for November 21, 2008 at 8:30 a.m. in the Ft. Union Room, State Capitol, Bismarck, ND.

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 12:50 p.m.

Respectfully Submitted:

  
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Lt. Governor Dalrymple, Chair  
State Investment Board

  
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Bonnie Heit  
Reporting Secretary