

**STATE INVESTMENT BOARD  
MINUTES OF THE  
JANUARY 23, 2009 BOARD MEETING**

**BOARD MEMBERS PRESENT:** Clarence Corneil, Vice Chair (teleconference)  
 Jeff Engleson, Land Dept.  
 Levi Erdmann, PERS Board  
 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

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

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

**OTHERS PRESENT:** Weldee Baetsch, former SIB trustee  
 Tim Porter, Bank of ND  
 Rumi Masih, JP Morgan  
 Bryan Reinhardt, PERS  
 Jim Sakelaris, JP Morgan

**CALL TO ORDER:**

Commissioner Hamm called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, January 23, 2009, in the Executive Conference Room, at the Bank of North Dakota, Bismarck, ND.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. CORNEIL, MR. ENGLESON, MR. ERDMANN, MR. GESSNER, COMMISSIONER HAMM, MR. LEINGANG, MR. SANDAL, AND MR. TOSO**

**AGENDA:**

The Board considered the January 23, 2009, agenda. After discussion and amending the agenda,

**MR. GESSNER MOVED AND MR. LEINGANG SECONDED TO ACCEPT THE AGENDA.**

**AYES: MR. ENGLESON, MR. GESSNER, MR. LEINGANG, MR. ERDMANN, MR. SANDAL, MR. TOSO, MR. CORNEIL, AND COMMISSIONER HAMM**

**NAYS: NONE**

**MOTION CARRIED**

ABSENT: LT. GOVERNOR DALRYMPLE, TREASURER SCHMIDT, MS. TERNES

MINUTES:

The Board considered the minutes of the November 21, 2008, meeting.

MR. LEINGANG MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE NOVEMBER 21, 2008, MEETING MINUTES.

AYES: COMMISSIONER HAMM, MR. ENGLESON, MR. GESSNER, MR. LEINGANG, MR. ERDMANN, MR SANDAL, MR. TOSO, AND MR. CORNEIL

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, TREASURER SCHMIDT, MS. TERNES

BOARD EDUCATION:

J.P. Morgan - Representatives, Mr. Jim Sakelaris, SIB Client Service Manager, and Mr. Rumi Masih, Global Economist, presented their views on the current environment, risk issues for the SIB portfolios, and their views of the future both domestic and global.

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

TREASURER SCHMIDT, AFTER PROVIDING TESTIMONY TO THE HOUSE APPROPRIATIONS FOR THE STATE TREASURER'S OFFICE, ARRIVED AT 9:30 A.M

GOVERNANCE:

ADMINISTRATION

Governance Policy - At the November 21, 2008 SIB meeting, Lt. Governor Dalrymple appointed the following individuals to review the Investment Section of the Governance Policies and to bring their changes/recommendations back to the Board; Mr. Corneil, Chair, Mr. Sandal, Mr. Gessner, Ms. Ternes, Commissioner Hamm, and Treasurer Schmidt. Mr. Sandal reviewed the Committee's changes/recommendations and also suggested that before the Board approves the final version at their February 27, 2009 he would like to give the SIB clients and other interested parties notice of these changes and allow them an opportunity for written comment or dialogue.

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO POST THE CHANGES TO THE INVESTMENT SECTION OF THE SIB GOVERNANCE MANUAL ON THE RETIREMENT AND INVESTMENT OFFICE'S (RIO) WEBSITE AND NOTIFY, VIA EMAIL, SIB CLIENTS/INTEREST GROUPS IN ORDER TO GIVE THEM AN OPPORTUNITY TO PROVIDE FEEDBACK. PARTIES ARE TO SUBMIT THEIR COMMENTS NO LATER THAN A WEEK BEFORE THE FEBRUARY 27, 2009 SIB MEETING WHERE THE CHANGES WILL BE REVIEWED FOR FINAL ACCEPTANCE.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. LEINGANG, MS. TERNES, TREASURER SCHMIDT, COMMISSIONER HAMM, MR. ENGLESON, MR. TOSO, AND MR. ERDMANN

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE

Mr. Cochran suggested the Governance Policy Review Committee's role be expanded to include review of the remaining sections of the Governance Manual. The Board concurred.

Audit Committee - Mr. Gessner updated the Board on the SIB Audit Committee's activities from their November 21, 2008 meeting. He indicated Brady Martz & Associates reviewed the RIO's June 30, 2008 financial audit report. Mr. Gessner requested approval of Brady Martz's report,

TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE RETIREMENT AND INVESTMENT OFFICE'S JUNE 30, 2008 FINANCIAL AUDIT REPORT.

AYES: TREASURER SCHMIDT, COMMISSIONER HAMM, MS. TERNES, MR. ENGLESON, MR. LEINGANG, MR. TOSO, MR. SANDAL, MR. ERDMANN, AND MR. GESSNER

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, MR. CORNEIL

City of Grand Forks - Ms. Flanagan informed the Board the City of Grand Forks is interested in contracting with the SIB for investment services of their pension fund. She indicated the State Industrial Commission did approve the agreement. She provided the Board a draft of the agreement and investment guidelines and indicated the City of Grand Forks is in the process of finalizing them. The final contract and guidelines will be approved at their City Council meeting on February 2, 2009.

The Board discussed Grand Forks' expected rate of return of 9.3% and standard deviation of returns at 10.5%. The Board questioned the ramifications if these are not met.

The Board also discussed the liability when additional entities are added to the investment pool. The Board requested Mr. Aaron Webb, SIB Counsel, to review the issue and report back to them.

After discussion,

MR. TOSO MOVED AND TREASURER SCHMIDT SECONDED TO TABLE THE CITY OF GRAND FORKS CONTRACTUAL AGREEMENT UNTIL THE CITY OF GRAND FORKS CAN PRESENT A FINAL VERSION THAT WOULD BE ACCEPTABLE TO THE SIB.

AYES: MR. ERDMANN, TREASURER SCHMIDT, MR. ENGLESON, MR. TOSO, MR. SANDAL, COMMISSIONER HAMM, MR. GESSNER, MR. LEINGANG, AND MS. TERNES

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, MR. CORNEIL

Legislative Update - Mr. Cochrane briefed the Board on legislative bills affecting RIO and the SIB.

**QUARTERLY MONITORING:**

The following quarterly monitoring reports were provided to the Board for their review and acceptance: Budget/Financial Conditions, Executive/Staff Limitations, and Investment/Retirement Program.

**TREASURER SCHMIDT MOVED AND MR LEINGANG SECONDED TO ACCEPT THE QUARTERLY MONITORING REPORTS FOR THE PERIOD ENDING DECEMBER 31, 2008.**

**AYES: MS. TERNES, COMMISSIONER HAMM, TREASURER SCHMIDT, MR. ENGLESON, MR. ERDMANN, MR. TOSO, MR. SANDAL, MR. LEINGANG, AND MR. GESSNER  
NAYS: NONE**

**MOTION CARRIED**

**ABSENT: LT. GOVERNOR DALRYMPLE, MR. CORNEIL**

Copies of the reports are on file at the Retirement and Investment Office.

**OTHER:**

The Board requested staff coordinate bi-monthly updates from The Clifton Group on the Policy Implementation Overlay Services (PIOS) mandate.

The next SIB meeting is scheduled for February 27, 2009, at 8:30 a.m. at the Bank of North Dakota, 1200 Memorial Hwy, Room 201, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for February 27, 2009, at 1:00 p.m. at the Bank of North Dakota, 1200 Memorial Hwy, Room 201, Bismarck, ND.

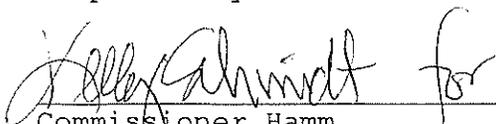
**ADJOURNMENT:**

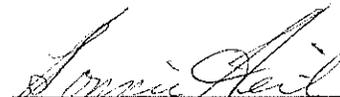
With no further business to come before the Board,

**TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO ADJOURN THE MEETING.**

Commissioner Hamm adjourned the meeting at 11:20 a.m.

Respectfully Submitted:

  
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Commissioner Hamm  
State Investment Board

  
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Bonnie Heit  
Reporting Secretary