

**STATE INVESTMENT BOARD  
MINUTES OF THE  
APRIL 24, 2009 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  
Adam Hamm, Insurance Commissioner  
Ron Leingang, PERS Board  
Mike Sandal, PERS Board  
Kelly Schmidt, State Treasurer  
Cindy Ternes, Workforce Safety & Insurance

**BOARD MEMBER ABSENT:** Bob Toso, TFFR Board

**STAFF PRESENT:** Steve Cochrane, Executive Director  
Connie Flanagan, Fiscal & Investment Officer  
Susan Gefroh, Investment Accountant  
Bonnie Heit, Office Manager  
Leslie Moszer, Compliance Officer  
Darlene Roppel, Retirement Assistant

**OTHERS PRESENT:** Sparb Collins, PERS  
John Pluta, Declaration Management  
Tim Porter, BND  
Bryan Reinhardt, PERS  
Aaron Webb, Attorney General's Office

**CALL TO ORDER:**

Lt. Governor Dalrymple called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, April 24, 2009, in Room 301, at the Bank of North Dakota, Bismarck, ND.

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

**AGENDA:**

The Board considered the April 24, 2009, agenda. After discussion and amending the agenda,

**MR. LEINGANG MOVED AND TREASURER SCHMIDT SECONDED TO ACCEPT THE AGENDA.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. ENGLESON, MR. TOSO**

MINUTES:

The Board considered the minutes of the March 27, 2009, meeting.

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ACCEPT THE MARCH 27, 2009, MEETING MINUTES.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. ENGLESON, MR. TOSO

BOARD EDUCATION:

Declaration Management - Mr. John Pluta reviewed the following public policy effort programs to stabilize the capital markets - Troubled Asset Relief Program (TARP), Term Asset Backed Securities Loan Facility (TALF), and Public Private Investment Program (PPIP), also know as Public Private Investment Fund (PPIF). Mr. Pluta also reviewed Declaration's due diligence as it relates to the account the firm manages for the SIB.

A copy of the report is on file at the Retirement and Investment Office (RIO).

GOVERNANCE:

## ADMINISTRATION

Executive Session - Mr. Aaron Webb, SIB legal counsel, informed the Board an Executive Session was required for attorney consultation relating to the Westridge/WG Trading issue. Under North Dakota Century Code (NDCC) 44-04-19.1 (5), the SIB has the legal authority to meet in Executive Session for the purpose of attorney consultation. Mr. Webb reminded the Board that Executive Session discussion must be limited to the attorney consultation topic only.

EXECUTIVE SESSION

Executive session attendees included: SIB, Mr. Webb, Mr. Cochrane, Ms. Flanagan, and Ms. Heit

Executive Session began at 9:40 a.m. and concluded at 10:20 a.m.

OPEN SESSION

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ACCEPT THE ATTORNEY GENERAL OFFICE'S RECOMMENDATION AND AUTHORIZE THE EXECUTIVE DIRECTOR TO DEAL WITH THE DAY TO DAY ISSUES CONCERNING WESTRIDGE/WG TRADING.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. TOSO

Investment Guidelines - Ms. Flanagan reviewed changes to the Petroleum Tank Release Compensation and State Bonding Funds' investment guidelines. After discussion,

COMMISSIONER HAMM MOVED AND MR. GESSNER SECONDED TO EXECUTE THE CHANGE IN THE EQUITY POSITION OF THE PETROLEUM TANK RELEASE COMPENSATION AND STATE BONDING FUNDS' INVESTMENT GUIDELINES RETROACTIVE TO MARCH 31, 2009, AND TO ALSO ACCEPT THE CHANGES IN SECTION ONE WHICH ARE UPDATED EACH BIENNIUM.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. TOSO

Ms. Flanagan also reviewed changes to section one of the Fire and Tornado and Insurance Regulatory Funds. After discussion,

TREASURER SCHMIDT MOVED AND COMMISSIONER HAMM SECONDED TO ACCEPT THE CHANGES TO SECTION ONE OF THE FIRE AND TORNADO AND INSURANCE REGULATORY FUNDS.

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

MOTION CARRIED

ABSENT: MR. TOSO

Job Service Guidelines - Ms. Flanagan reviewed changes to Job Service ND investment guidelines. The Public Employees Retirement System (PERS) Board recently completed an asset liability study and as a result of that study have revised the asset allocation. The PERS Board adopted the guidelines on March 19, 2009.

Mr. Cochrane and Mr. Erdmann reviewed the asset allocation changes with the Board. As a result of the asset liability study, the PERS Board changed the fixed income allocation from 55% or \$37 million to 47% or \$32 million. They also changed the allocation within fixed income to 23.5% or \$16 million in the current domestic fixed income pool and after consulting with Mr. Cochrane, the PERS Investment Committee also advocated in favor of placing an equal amount with SEI in their manager of managers core fixed income portfolio. This would effectively cut the timber exposure in the Job Service portfolio in half, which the PERS Board feels is a more acceptable level of exposure. After discussion,

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ACCEPT THE CHANGES TO THE INVESTMENT GUIDELINES FOR JOB SERVICE ND.

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

MOTION CARRIED  
ABSENT: MR. TOSO

TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO ACCEPT MR. COCHRANE'S RECOMMENDATION AND HIRE SEI TO MANAGE 23.5% OF JOB SERVICE ND FUNDS IN THEIR MANAGER OF MANAGER'S CORE FIXED INCOME PORTFOLIO.

AYES: MR. ERDMANN, 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. TOSO

Legislative Update - Mr. Cochrane updated the Board on current legislative issues.

Compensation Committee - Ms. Ternes, Chair, Mr. Sandal, and Mr. Toso were appointed by Lt. Governor Dalrymple to review and make a compensation recommendation for the Executive Director of RIO for the 2009-10 fiscal year. Ms. Ternes informed the Board the Committee met on April 14, 2009. The Committee had asked Board members to fill out a survey and return it to Ms. Ternes by April 28. The results will be compiled and the Committee will bring a recommendation to the May 15, 2009, SIB meeting.

MONITORING:

Included in the Board member's packets were the following March 31, 2009, quarterly monitoring reports as required under Carver Governance Policy *Board/Staff Relationship - Monitoring Executive Performance*: Budget/Financial Condition, Executive/Staff Limitations, Investment Program, and Retirement Program.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE MARCH 31, 2009, QUARTERLY MONITORING REPORTS.

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

NAYS: NONE

MOTION CARRIED  
ABSENT: MR. TOSO

OTHER:

The next SIB meeting is scheduled for May 15, 2009, at 8:30 a.m. at the Bank of North Dakota, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for May 15, 2009, at 1:00 p.m. at the Bank of North Dakota.

ADJOURNMENT:

Lt. Governor Dalrymple adjourned the meeting at 11:50 a.m.

Respectfully Submitted:

Clarence Council - vice chair  
Lt. Governor Dalrymple, Chair  
State Investment Board

Bonnie Heit  
Bonnie Heit  
Reporting Secretary