

**STATE INVESTMENT BOARD
MINUTES OF THE
MAY 15, 2009 BOARD MEETING**

BOARD MEMBERS PRESENT: Clarence Corneil, Vice Chair
Levi Erdmann, PERS Board
Adam Hamm, Insurance Commissioner (teleconference)
Ron Leingang, PERS Board
Mike Sandal, PERS Board
Cindy Ternes, Workforce Safety & Insurance
Bob Toso, TFFR Board

BOARD MEMBER ABSENT: Lt. Governor Jack Dalrymple, Chair
Jeff Engleson, Land Dept.
Mike Gessner, TFFR Board
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
Leslie Moszer, Compliance Officer

OTHERS PRESENT: Weldee Baetsch, former board member
Dennis Bottorff, Corsair/Capstar
Erica Cermak, RTA
Paul Erlendson, Callan Associates
Ben Lazarus, Clifton Group
Nicholas Paumgarten, Corsair
Jeffrey Phlegar, AllianceBernstein
Michael Poe, Corsair
Bryan Reinhardt, PERS
Elizabeth Smith, AllianceBernstein
James Thyne, AllianceBernstein
Aaron Webb, Attorney General's Office

CALL TO ORDER:

Mr. Clarence Corneil, Vice Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, May 15, 2009, in Room 301, at the Bank of North Dakota, Bismarck, ND.

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

AGENDA:

The Board considered and approved the May 15, 2009, agenda.

MINUTES:

The Board considered and approved the minutes of the April 24, 2009, meeting.

BOARD EDUCATION:

Corsair and Capstar - Representatives Mr. Nicholas Paumgarten, Mr. Michael Poe, and Mr. Dennis Bottorf shared their views on the financial market and updated the board on company activities.

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

AllianceBernstein - Representatives Mr. Jeffrey Phlegar, Mr. James Thyne, and Ms. Elizabeth Smith provided an overview of their company and reviewed the Term Asset-Backed Loan Facility (TALF) program they manage.

Clifton Group - Mr. Ben Lazarus updated the board on the overlay program they are currently managing for the SIB. He also reviewed how the firm would manage the program, within a portable alpha context, in conjunction with the AllianceBernstein TALF program for the SIB.

A copy of his report is on file at the Retirement and Investment Office.

GOVERNANCE:**INVESTMENTS**

TALF Proposal - Mr. Cochrane reviewed the AllianceBernstein TALF program and his due diligence report on the firm. Mr. Cochrane recommended the board allocate \$15 million from the Pension Trust and assign the mandate to the Large Cap Domestic Equity allocation. Funding would come from accessing the excess margin from The Clifton Group overlay program. After discussion,

MR. TOSO MOVED AND MS. TERNES SECONDED TO HIRE ALLIANCEBERNSTEIN TO MANAGE A \$15 MILLION TALF ACCOUNT FOR THE SIB.

AYES: MR. CORNEIL, MR. SANDAL, MR. LEINGANG, MS. TERNES, COMMISSIONER HAMM, MR. TOSO, AND MR. ERDMANN

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, MR. ENGLESON, MR. GESSNER, AND TREASURER SCHMIDT

ADMINISTRATION

FY 2010 Meeting Dates - Mr. Cochrane reviewed a draft of SIB meeting dates for FY2010.

MR. ERDMANN MOVED AND MR. SANDAL SECONDED TO APPROVE THE FY2010 SCHEDULE FOR SIB MEETINGS.

AYES: COMMISSIONER HAMM, MS. TERNES, MR. LEINGANG, MR. TOSO, MR. SANDAL, MR. ERDMANN, AND MR. CORNEIL
 NAYES: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, MR. ENGLESON, MR. GESSNER, AND TREASURER SCHMIDT

Westridge/WG Trading - Mr. Cochrane updated the Board on the Westridge/WG Trading issue. He is awaiting the report from the court appointed Receiver. The report is expected to be released at the end of the month. Mr. Aaron Webb, SIB legal counsel, is continuing to monitor the situation and communicating with parties involved.

Compensation Committee - Ms. Ternes, Chair, Mr. Sandal, and Mr. Toso, Executive Director Compensation Committee, presented their report and recommendation. For the period of July 1, 2009 - June 30, 2010, the Committee recommended a five percent increase.

MR. LEINGANG MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE COMPENSATION COMMITTEE'S REPORT AND RECOMMENDATION.

AYES: MR. LEINGANG, MR. SANDAL, MR. CORNEIL, MR. TOSO, MR. ERDMANN, MS. TERNES, COMMISSIOHER HAMM

NAYES: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, MR. ENGLESON, MR. GESSNER, AND TREASURER SCHMIDT

The Committee commended Mr. Cochrane for a job well done. Mr. Cochrane thanked the board for their vote of confidence and appreciated the Compensation Committee's recommendation.

MONITORING:

Manager Review Status Report - The agenda item was previously discussed under the Westridge/WG Trading issue.

Quarterly Investment Measurement Reports Pension and Insurance Trusts - Mr. Paul Erlendson, Callan Associates, Inc., and Mr. Cochrane provided a few insights. Copies of the reports are kept on file at the Retirement and Investment Office.

MR. SANDAL MOVED AND MS. TERNES SECONDED TO APPROVE THE MARCH 31, 2009, QUARTERLY MONITORING REPORTS.

AYES: MR. ERDMANN, MR. CORNEIL, MR. TOSO, MR. SANDAL, COMMISSIONER HAMM, MR. LEINGANG, AND MS. TERNES

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR DALRYMPLE, MR. ENGLESON, MR. GESSNER, AND TREASURER SCHMIDT

OTHER:

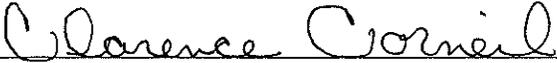
The next SIB meeting is scheduled for June 26, 2009, at 8:30 a.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for June 26, 2009, at 1:00 p.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

ADJOURNMENT:

Mr. Corneil adjourned the meeting at 12:40 p.m.

Respectfully Submitted:



Mr. Corneil, Vice Chair
State Investment Board



Bonnie Heit
Reporting Secretary