

**STATE INVESTMENT BOARD  
MINUTES OF THE  
SEPTEMBER 25, 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 (teleconference)  
Howard Sage, PERS Board  
Mike Sandal, PERS Board  
Kelly Schmidt, State Treasurer  
Cindy Ternes, Workforce Safety & Insurance  
Bob Toso, TFFR Board

**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  
Michael Chandra, PIMCO  
Michelle Russell-Dowe, Hyperion  
Paul Erlendson, Callan  
Stephanie King, PIMCO  
Ron Leingang, former SIB trustee  
Mark Taborsky, PIMCO  
Richard Torykian, Hyperion  
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, September 25, 2009, at the State Capitol, Peace Garden Room, Bismarck, ND.

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

**AGENDA:**

The Board considered and accepted the September 25, 2009, agenda.

**MINUTES:**

The Board considered the minutes of the August 28, 2009, meeting. The minutes were amended on Page 1, Board Members Present, Mr. Gessner, TFFR Board.

TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO APPROVE THE AMENDED AUGUST 28, MINUTES.

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

NAYS: NONE

MOTION CARRIED

BOARD EDUCATION:

New Ways of Thinking - Mr. Steve Cochrane, Executive Director, reviewed the risk/return for current market conditions and why the SIB may need to rethink if the strategies they have applied in the past, will still work going into the future.

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

Investing in the "New Normal" - PIMCO representatives, Ms. Stephanie King, Mr. Michael Chandra, and Mr. Mark Taborsky, reviewed their economic outlook and strategies for investing in the future and the implications for the SIB's funds.

A copy of their report is on file at RIO.

Mortgage Market Review and Performance - Hyperion representatives, Mr. Richard Torykian and Ms. Michelle Russell-Dowe, reviewed the mortgage market environment and the Insurance Trust portfolio the firm currently oversees.

A copy of their report is on file at RIO.

Currency Management - Mr. Paul Erlendson, Callan Associates, reviewed international investing, the SIB's policy on currency management, and suggestions for the Board to think about and possibly take action on in the future.

A copy of the report is on file at RIO.

GOVERNANCE:

Governance Policy Revisions - Mr. Cochrane reviewed the second reading of a policy change to the Governance Manual. He recommended the following language be added to *Governance Process/Chairperson's Role, 2.E.* - *The chairperson is authorized, in consultation with the RIO Executive Director, to grant approval for domestic due diligence visits by SIB members and it shall be the responsibility of the traveling board member to report to the SIB on the results of the due diligence visit.*

After discussion,

MR. SANDAL MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE ADDING THE ADDITIONAL LANGUAGE TO GOVERNANCE PROCESS/CHAIRPERSON'S ROLE, 2. E.

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

**MOTION CARRIED**

ABSENT: MR. SAGE, MR. ERDMANN

**OTHER:**

Mr. Cochrane informed the Board Epoch has reduced their fees from 150 basis points to 119 basis points for the domestic large cap equity account in the Pension Trust.

He also informed the Board Invesco will be rebating the SIB one half of the fees currently paid on the Asian real estate fund now and the other half when the structured yield relationship has been fulfilled.

The Board requested Mr. Cochrane and Mr. Erlendson, on an occasional basis, provide an analysis of fees so the Board can utilize the information for comparative purposes.

The next SIB meeting is scheduled for October 23, 2009, at 8:30 a.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for November 20, 2009, at 1:00 p.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

**ADJOURNMENT:**

Lt. Governor Dalrymple adjourned the meeting at 12:40 p.m.

Respectfully Submitted:

  
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 Lt. Governor Dalrymple, Chair  
 State Investment Board

  
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 Bonnie Heit  
 Reporting Secretary