

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 23, 2010 BOARD MEETING**

BOARD MEMBERS PRESENT: Lt. Governor Jack Dalrymple, Chair
Mike Sandal, Vice Chair
Clarence Corneil, TFFR Board
Jeff Engleson, Land Dept.
Levi Erdmann, PERS Board
Mike Gessner, TFFR Board
Adam Hamm, Insurance Commissioner
Kelly Schmidt, State Treasurer
Tom Trenbeath, PERS Board
Bob Toso, TFFR Board

MEMBER ABSENT: Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
LeRoy Gilbertson, Interim Executive Director/CIO
Bonnie Heit, Office Manager
Fay Kopp, Deputy Executive Director
Leslie Moszer, Compliance Officer
Susan Walcker, Accountant

OTHERS PRESENT: Becky Dorwart, Chair, SIB Audit Committee
Paul Erlendson, Callan Associates
Mike Hardy, State Bank & Trust
Bryan Klipfel, Workforce Safety & Insurance
Ron Leingang, former SIB trustee
Aaron Webb, Attorney General's Office
Dale Wetzell, Associated Press
Bob Willer, State Bank & Trust

CALL TO ORDER:

Lt. Governor Dalrymple called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, July 23, 2010, 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. SANDAL, TREASURER SCHMIDT, MR. TRENBEATH, MR. TOSO

AGENDA:

MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE JULY 23, 2010 AGENDA.

**AYES: COMMISSIONER HAMM, MR. ENGLERSON, MR. GESSNER, MR. TRENBEATH, LT. GOVERNOR DALRYMPLE, MR. ERDMANN, MR. SANDAL, MR. TOSO, MR. CORNEIL, AND TREASURER SCHMIDT
NAYS: NONE**

MOTION CARRIED.

ABSENT: MS. TERNES

MINUTES:

The Board considered the minutes of the June 25, 2010, meeting.

MR. GESSNER MOVED AND MR. ERDMANN SECONDED TO APPROVE THE AMENDED JUNE 25, 2010 MINUTES.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

ELECTION OF OFFICERS:

MR. ERDMANN MOVED AND MR. TRENBEATH SECONDED TO APPOINT LT. GOVERNOR DALRYMPLE AS CHAIR, MR. SANDAL AS VICE CHAIR, AND MR. CORNEIL AS PARLIAMENTARIAN FOR THE PERIOD OF JULY 1, 2010 - JUNE 30, 2011.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: MS. TERNES

SELECTION OF AUDIT COMMITTEE MEMBERS:

Mr. LeRoy Gilbertson, Interim Executive Director/CIO, informed the board the current Audit Committee members are willing to continue to serve for the period of July 1, 2010 - June 30, 2011: Ms. Cindy Ternes, delegated by the Executive Director of Workforce Safety & Insurance, representing elected and appointed officials; Mr. Mike Sandal, representing the Public Employees Retirement System (PERS); Mr. Mike Gessner, representing Teachers' Fund for Retirement (TFFR); Ms. Rebecca Dorwart and Mr. Lonny Mertz, external representatives.

TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO RETAIN THE REPRESENTATION OF THE AUDIT COMMITTEE.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: MS. TERNES

GOVERNANCE :

Search Committee - Mr. Bryan Klipfel, Chairman, SIB Search Committee, updated the board on the Executive Recruitment search. EFL Associates, Ms. Mary Hobson and Mr. Dan Cummings, were in Bismarck July 14-15, 2010, to meet with board members and staff to gather information to compile the profile for the CIO/ED position. By the August 27, 2010 SIB meeting, the profile will be finalized and approved for recruiting efforts; advertisements will be posted; the initial source database will be completed; outreach efforts to potential candidates and sources of referrals will be underway; and applicants whose resumes appear viable will be screened by phone and interviewed further if qualified.

Audit Committee - Ms. Becky Dorwart, Chair, SIB Audit Committee, updated the board on the Performance Audit of the Retirement and Investment Office (RIO). Clifton Gunderson began their field work July 12-16, 2010 at RIO. Clifton Gunderson was able to gather a substantial amount of information within the first week which will enable them to continue their work off-site. Ms. Dorwart stated the audit is progressing well and there are no significant issues that have emerged which would require the expansion of the audit scope at this time. Ms. Dorwart will continue to monitor the audit and will keep the Audit Committee and SIB apprised.

INVESTMENTS :

ND Association of Counties Investment Guidelines - Ms. Connie Flanagan, Fiscal and Investment Officer, reviewed North Dakota Association of Counties, (NDACO) revised investment guidelines for the Board's consideration and acceptance. After review,

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ACCEPT THE NDACO REVISED INVESTMENT GUIDELINES AS PRESENTED BY STAFF.

AYES: MR. TRENBEATH, MR. SANDAL, MR. CORNEIL, MR. GESSNER, MR. TOSO, MR. ERDMANN, COMMISSIONER HAMM, MR. ENGLERSON, TREASURER SCHMIDT, AND LT. GOVERNOR DALRYMPLE
NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

Callan Fee Study - Mr. Paul Erlendson, Callan Associates, reviewed the fee analysis for the private equity program of the SIB. Callan assessed the historical and current fees being paid to the SIB's private equity managers and concluded that the SIB's aggregate private equity fees are reasonable and in line with the rates being charged to other private equity investors.

Investment Manager Visits - Mr. Gilbertson updated the board on the managers he and Ms. Flanagan have met with. Mr. Gilbertson does not have any real concerns or issues with the managers at this time.

MONITORING:

The Board was provided the following quarterly monitoring reports for the period ending June 30, 2010; Executive Limitations/Staff Relations, Budget/Financial Conditions, Investment Program, and Retirement Program.

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO ACCEPT THE EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORT.

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

MOTION CARRIED
ABSENT: MS. TERNES

MR. TRENBEATH MOVED AND TREASURER SCHMIDT SECONDED TO ACCEPT THE BUDGET AND FINANCIAL CONDITIONS REPORT.

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

MOTION CARRIED
ABSENT: MS. TERNES

TREASURER SCHMIDT MOVED AND MR. ENGLESON SECONDED TO ACCEPT THE INVESTMENT PROGRAM AND RETIREMENT PROGRAM REPORTS.

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

MOTION CARRIED
ABSENT: MS. TERNES

OTHER:

The Board was provided a copy of the presentation Mr. Gilbertson presented to the Legislative Employee Benefits Programs Committee (EBPC) on July 21, 2010. Mr. Gilbertson briefed the Board on the meeting.

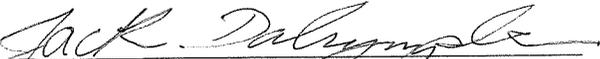
The next SIB meeting is scheduled for August 27, 2010, at 8:30 a.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for September 24, 2010, at 1:00 p.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

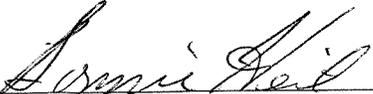
ADJOURNMENT:

Lt. Governor Dalrymple adjourned the meeting at 9:30 a.m.

Respectfully Submitted:



Lt. Governor Dalrymple, Chair
State Investment Board



Bonnie Heit
Reporting Secretary