

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
AUGUST 27, 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  
Howard Sage, PERS Board  
Kelly Schmidt, State Treasurer  
Cindy Ternes, Workforce Safety & Insurance  
Bob Toso, TFFR Board

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

**OTHERS PRESENT:** Rebecca Beitsch, Bismarck Tribune  
Sparb Collins, PERS  
Becky Dorwart, SIB Audit Committee  
Paul Erlendson, Callan Associates  
Teri Finneman, Forum Communications  
Lance Gaabe, Land Dept.  
David Gunkel, former SIB trustee  
Mike Hardy, State Bank & Trust  
Lonny Mertz, SIB Audit Committee  
Matt Osborne, State Bank & Trust  
Bob Peterson, Auditor's Office  
Bryan Reinhardt, PERS  
Gordy Smith, Auditor's Office  
Aaron Webb, Attorney General's Office  
Dale Wetzell, Associated Press

**CALL TO ORDER:**

Lt. Governor Dalrymple called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, August 27, 2010, at the State Capitol, Peace Garden Room, Bismarck, ND.

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

**AGENDA:**

TREASURER SCHMIDT MOVED AND COMMISSIONER HAMM SECONDED TO APPROVE THE AUGUST 27, 2010 AGENDA.

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

MOTION CARRIED.

ABSENT: MR. ENGLESON, MR. ERDMANN

MINUTES:

The Board considered the minutes of the July 23, 2010, meeting.

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

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

MOTION CARRIED

ABSENT: MR. ENGLESON, MR. ERDMANN

GOVERNANCE:

Performance Audit - Mr. Thomas Rey, Clifton Gunderson, reviewed the results of the performance audit of the Retirement and Investment Office (RIO) for the period of July 1, 2009 through April 30, 2010. The audit was conducted to determine whether the actions of the former Executive Director/Chief Investment Officer complied with the policies of the SIB Governance Policy manual.

The audit findings concluded that the former Executive Director/Chief Investment Officer adhered to the policies of the SIB Governance Policy manual. There were no indications of fraudulent activity, illegal wrong doings, or conflicts of interest.

The performance audit resulted in a number of findings and recommendations that the SIB will take under consideration.

A copy of the performance audit is on file at RIO.

The Board recessed at 10:12 a.m. and reconvened at 10:37 a.m.

The Board discussed how to proceed with the recommendations from Clifton Gunderson.

Lt. Governor Dalrymple reactivated the ad hoc policy review committee to review the recommendations in the performance audit as they relate to the SIB's policies and practices. Committee members are Mr. Corneil, Treasurer Schmidt, Ms. Ternes, and Mr. Sandal. The SIB Audit Committee is to oversee the process to facilitate a response to the findings and recommendations from Clifton Gunderson.

Fee Analysis - Mr. Paul Erlendson, Callan Associates, reviewed the fee analysis for the Pension and Insurance Trust's domestic and non-US equity, domestic and non-US fixed income, and real estate asset classes for the one year period ending

March 31, 2010. The fee schedules for the traditional strategies concluded to be at or below median. The fee schedules for the special strategies concluded to be higher than average. The Pension Trust's fees are higher than average and the Insurance Trust's fees are average.

A copy of the fee analysis is on file at RIO.

Executive Search Update - Mr. LeRoy Gilbertson, Interim ED/CIO provided a status report. To date, EFL Associates has received resumes from 61 applicants and 16 are under consideration. EFL will continue to reach out to potential candidates and sources of referrals through personal phone calls and emails until the closing date of September 10, 2010. Applicants who appear to be qualified will be interviewed by phone and video conference. The resumes will be reviewed by the Search Committee on September 17, 2010 and narrowed down to a reasonable number. On September 30 and October 1, 2010, the Search Committee will be conducting interviews with their final recommendations provided to the SIB for interviews sometime in October 2010.

**QTRLY MONITORING:**

Mr. Erlendson also reviewed the June 30, 2010 Insurance and Pension Fund investment measurement reports.

Copies of the reports are retained at RIO.

**TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO ACCEPT THE CALLAN INVESTMENT MEASUREMENT REPORTS FOR THE PERIOD ENDING JUNE 30, 2010.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER HAMM**

**OTHER:**

Mr. Gilbertson complimented RIO staff for their additional time and work and also the SIB. The SIB, as the administrative board to RIO, has been very courteous, helpful, and respectful.

Lt. Governor Dalrymple thanked Mr. Gilbertson and RIO staff for the additional commitments that have been necessary during the transition period.

The next SIB meeting is scheduled for September 24, 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 12:12 p.m.

Respectfully Submitted:

  
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Lt. Governor Dalrymple, Chair  
State Investment Board

  
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Bonnie Heit  
Reporting Secretary