

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
MARCH 18, 2011 BOARD MEETING**

**BOARD MEMBERS PRESENT:** Drew Wrigley, Lt. Governor, Chair  
Mike Sandal, Vice Chair  
Clarence Corneil, TFFR Board (Teleconference)  
Levi Erdmann, PERS Board  
Lance Gaebe, Land Commissioner  
Mike Gessner, TFFR Board  
Howard Sage, PERS Board  
Kelly Schmidt, State Treasurer  
Cindy Ternes, Workforce Safety & Insurance  
Bob Toso, TFFR Board

**BOARD MEMBER ABSENT:** Adam Hamm, Insurance Commissioner (Testimony HB1256)

**STAFF PRESENT:** Connie Flanagan, Fiscal & Investment Officer  
John Geissinger, Executive Director/CIO  
Bonnie Heit, Office Manager  
Fay Kopp, Deputy Executive Director  
Susan Walcker, Investment Accountant

**OTHERS PRESENT:** Weldee Baetsch, former SIB trustee  
Jeff Engleson, Land Dept.  
Bryan Klipfel, Workforce Safety & Insurance  
Jan Murtha, Attorney General's Office

**CALL TO ORDER:**

Lt. Governor Wrigley, Chair, called the State Investment Board (SIB) meeting to order at 8:40 a.m. on Friday, March 18, 2011, at Workforce Safety & Insurance, 1600 E Century Ave, Bismarck, ND.

A quorum was present for the purpose of conducting business.

**AGENDA:**

**TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO APPROVE THE AGENDA.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER HAMM**

**MINUTES:**

**TREASURER SCHMIDT MOVED AND MR. SAGE SECONDED TO APPROVE THE FEBRUARY 25, 2011 MINUTES.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER HAMM**

**BOARD EDUCATION:**

Mr. Ron Peyton, Callan Associates Chairman and CEO, reviewed implementing real asset portfolios. Mr. Peyton joined Callan in 1974 and in that time, he has worked with many large institutional investors to effectively plan, structure, and evaluate investment programs, products, and organizations. Mr. Peyton has been involved in the investment industry for over 40 years.

Key points from Mr. Peyton's presentation:

Long term investment strategies do not have to be complicated. Pick a strategy and stick with it. Recognize that managers go through slumps just like everybody else. Clients are going back to the basics. When you are overfunded that is today and tomorrow you could be underfunded.

It's not about making as much money as possible. It's about making the 5 percent real return that is needed with the least amount of risk over long periods of time and being able to defend what you are doing. It is all about patience. Institutional investors have been through bad markets before and that is the beauty of defined benefit plans, you have the time to make it work.

Mr. Peyton's advice to the Public Employees Retirement System (PERS) and Teachers' Fund for Retirement (TFFR) representatives as both Funds are in the process of reviewing their asset allocation and implementation of real assets; stick to the tried and true because they are more institutionalized. Stick to the classes that have been around a lot and have been through at least one cycle. There is no free lunch. There are operational, counter party, transparency, and fee issues.

The Board recessed at 9:45 am and reconvened at 10:00 am.

**INVESTMENTS:**

Clifton Group - Mr. John Geissinger, Executive Director, reviewed his recommendation for the reinvestment of the proceeds from the liquidation of the European Credit Management ECL notes. Mr. Geissinger recommended the proceeds be reinvested with the Clifton Group in the firm's Enhanced US Large Cap Equity strategy. This strategy is currently in place in the Insurance Trust. After discussion and review,

**MR. ERDMANN MOVED AND MS. TERNES SECONDED TO ACCEPT STAFF RECOMMENDATION.**

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

**NAYS: NONE**

**MOTION CARRIED**  
**ABSENT: COMMISSIONER HAMM**

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**GOVERNANCE:**

Legislation - Mr. Geissinger updated the board on proposed legislation relating to the SIB.

SB 2302 - The House Industry Business and Labor (IBL) Committee met on March 16, 2011. Mr. Geissinger attended the hearing and answered questions of him by the Committee. Lt. Governor Wrigley, on behalf of the Governor's Office, testified and offered an amendment which would retain the current SIB makeup, plus add one member with finance/investment background appointed by the Governor. The amendment would also create a policy committee for the Legacy Fund made up of three legislators (decided upon by legislative management) and four elected officials (Commissioner of Financial Institutions, Director of the Office of Management and Budget, President of the Bank of North Dakota, and the State Tax Commissioner). No action was taken by the Committee.

SB 2344 - removes one TFFR and one PERS representative, and the Commissioner of University and School Lands and replaces them with one banker and two investment professionals. The House IBL Committee met on March 15, 2011. Mr. Geissinger provided neutral testimony and an educational segment on the role of the SIB. The SIB is the interface between the clients on one hand, and the investment professionals-RIO, consultant, and investment managers-on the other. The ultimate objective of the SIB is to achieve the investment goals of the clients, and the composition of the board reflects this objective. The members of the board are 1) accountable to the clients, 2) have a vested interest in the success of the investment program, and 3) avoid a conflict of interest, either real or perceived. No action was taken by the Committee.

**MONITORING:**

Audit Committee - Mr. Gessner updated the Board on the Audit Committee's activities from their February 25, 2011 meeting and also provided an overview of the Audit Committee's role and responsibility as it relates to the SIB.

Mr. Sandal recognized RIO staff for their dedication and contributions as far as information and resources to the Audit Committee, especially during this past year. Audit Committee members are Mr. Sandal, Mr. Gessner, Ms. Ternes, Ms. Becky Dorwart, and Mr. Lonny Mertz.

**TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO APPROVE THE AUDIT COMMITTEE MONITORING REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER HAMM**

Mr. Geissinger informed the board, Mr. Matt Sagsveen, Attorney General's Office, on behalf of the SIB, was in New York the week of March 14, 2011 to attend hearings regarding the Westridge/WG Trading lawsuit. Mr. Geissinger indicated the case could be nearing closure and he will keep the board informed.

He also informed the board the Attorney General's Opinion requested on February 28, 2011 regarding the Legacy Fund should be released soon. He will provide that to the board once he receives it.

**OTHER:**

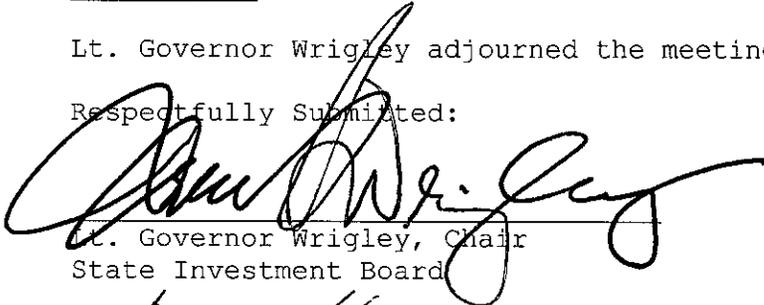
The next SIB meeting is scheduled for April 15, 2011 at 8:30 a.m. at Workforce Safety & Insurance, 1600 E. Century Avenue, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for May 20, 2011, at 1:00 p.m. at the State Capitol, Peace Garden Room, Bismarck, ND.

**ADJOURNMENT:**

Lt. Governor Wrigley adjourned the meeting at 11:05 a.m.

Respectfully Submitted:



Lt. Governor Wrigley, Chair  
State Investment Board



Bonnie Heit  
Secretary to the Board