

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
DECEMBER 21, 2011 BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Sandal, Vice Chair
Clarence Corneil, TFFR Board
Levi Erdmann, PERS Board
Lance Gaebe, Land Commissioner
Mike Gessner, TFFR Board
Adam Hamm, Insurance Commissioner
Bryan Klipfel, Workforce Safety & Insurance
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer

ABSENT: Bob Toso, TFFR Board
Drew Wrigley, Lt. Governor, Chair

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
John Geissinger, Executive Director/CIO
Darlene Roppel, Retirement Assistant

OTHERS PRESENT: Jan Murtha, Attorney General's Office

CALL TO ORDER:

Mr. Mike Sandal, Vice Chair, called the State Investment Board (SIB) meeting to order at 11:00 a.m. on Wednesday, December 21, 2011 via teleconference.

A quorum was present for the purpose of conducting business.

AGENDA:

The Board reviewed the agenda.

MR. GESSNER MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE AGENDA.

AYES: COMMISSIONER HAMM, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MR. ERDMANN, MR. SANDAL, MR. CORNEIL, AND TREASURER SCHMIDT

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, MR. TOSO, AND LT. GOVERNOR WRIGLEY

LEGACY FUND INVESTMENT POLICY STATEMENT:

The Legacy and Budget Stabilization Fund Advisory Board, at their December 9, 2011 meeting, approved an investment policy statement for the Legacy Fund and recommended the SIB invest the money in accordance to the investment policy statement.

Following discussion, Mr. Geissinger recommended the SIB accept the investment policy statement in its current format.

COMMISSIONER GAEBE MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE LEGACY FUND INVESTMENT POLICY STATEMENT AND INSTRUCTED STAFF TO IMPLEMENT.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, TREASURER SCHMIDT, COMMISSIONER HAMM, MR. CORNEIL, MR. ERDMANN, AND MR. SANDAL

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, MR. TOSO, AND LT. GOVERNOR WRIGLEY

Mr. Geissinger also recommended The Legacy Fund be split 50/50 between JP Morgan and Babson under the same investment strategy as the Budget Stabilization Fund.

TREASURER SCHMIDT MOVED AND MR. SAGE SECONDED TO ACCEPT STAFF RECOMMENDATION AND INVEST THE LEGACY FUND UNDER THE SAME INVESTMENT STRATEGY AS THE BUDGET STABILIZATION FUND WHICH IS A 50/50 RATIO BETWEEN JP MORGAN AND BABSON.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. SAGE, TREASURER SCHMIDT, COMMISSIONER HAMM, COMMISSIONER GAEBE, AND MR. ERDMANN.

NAYS: NONE

MOTION CARRIED.

ABSENT: MR. KLIPFEL, MR. TOSO, AND LT. GOVERNOR WRIGLEY

Treasurer Schmidt noted the State Treasurer's Office transferred \$36.4 million to the Retirement and Investment Office (RIO) on December 20, 2011 to incorporate into the Legacy Fund. The Legacy Fund's assets, after the December 20, 2011 transfer, are at \$136.7 million.

EPOCH MANDATE AND FEE SCHEDULE:

Mr. Geissinger updated the board on the SIB's mandate with Epoch. The SIB's portfolio is currently managed in a Global Absolute Return strategy. Epoch is recommending the SIB's portfolio be transitioned into a Global Choice strategy where cash normally does not exceed 10 percent and is typically less than five percent. Epoch is also offering a reduced fee schedule.

Mr. Geissinger recommended transitioning the SIB's current mandate with Epoch from a Global Absolute Return strategy to a Global Choice strategy under the new fee schedule.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO ACCEPT STAFF RECOMMENDATION AND TRANSITION THE MANDATE WITH EPOCH TO A GLOBAL CHOICE STRATEGY UNDER THE NEW FEE SCHEDULE.

AYES: TREASURER SCHMIDT, MR. GESSNER, COMMISSIONER HAMM, COMMISSIONER GAEBE, MR. SAGE, MR. SANDAL, MR. ERDMANN, AND MR. CORNEIL

NAYS: NONE

MOTION CARRIED.

ABSENT: MR. KLIPFEL, MR. TOSO, AND LT. GOVERNOR WRIGLEY

Mr. Klipfel joined the meeting.

JP MORGAN SENIOR HOUSING UPDATE:

Mr. Geissinger updated the board on the JP Morgan Senior Housing Fund proposal specifically the Belmont. After visiting with their investors, JP Morgan has decided not to move forward with the Senior Housing Fund. The Belmont portfolio will stay intact. The Alternatives Property Fund will be liquidated and also eventually the Belmont portfolios.

At this time, Mr. Geissinger recommended no action on JP Morgan and will bring forth other ideas on senior housing.

The next SIB meeting is scheduled for January 27, 2012 at 8:30 a.m., at the State Capitol, Peace Garden Room.

The next SIB Audit Committee meeting is scheduled for February 17, 2012, at 1:00 p.m., at Workforce Safety and Insurance, 1600 E. Century Ave., Bismarck, ND.

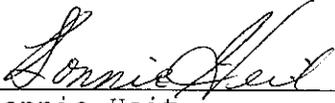
ADJOURNMENT:

Mr. Sandal adjourned the meeting at 11:30 a.m.

Respectfully Submitted:



Mr. Mike Sandal, Vice Chair
State Investment Board



Bonnie Heit
Secretary to the Board

