

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JANUARY 27, 2012 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
Adam Hamm, Insurance Commissioner
Howard Sage, PERS Board (teleconference)
Kelly Schmidt, State Treasurer
Cindy Ternes, Workforce Safety & Insurance
Bob Toso, TFFR Board

STAFF PRESENT:

Connie Flanagan, Fiscal & Investment Officer
John Geissinger, Executive Director/CIO
Bonnie Heit, Office Manager
Fay Kopp, Dep. Executive Director
Leslie Moszer, Compliance Officer
Darren Schulz, Deputy CIO
Susan Walcker, Investment Accountant

OTHERS PRESENT:

Weldee Baetsch, former SIB trustee
Martin Coughlan, Calamos
Jan Murtha, Attorney General's Office
Bryan Reinhardt, PERS
Barney Schauble, Nephila

CALL TO ORDER:

Lt. Governor Wrigley, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, January 27, 2012, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

Staff presented a revised agenda for the Board's consideration.

MR. GESSNER MOVED AND MS. TERNES SECONDED TO ACCEPT THE REVISED AGENDA.

AYES: COMMISSIONER HAMM, MS. TERNES, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MR. ERDMANN, MR. SANDAL, MR. TOSO, MR. CORNEIL, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT

MINUTES:

The minutes were reviewed from the November 18, 2011 and December 21, 2011 meetings.

MR. ERDMANN MOVED AND MR. SANDAL SECONDED TO APPROVE THE NOVEMBER 18, 2011 AND DECEMBER 21, 2011 MINUTES.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, MS. TERNES, MR. TOSO, COMMISSIONER HAMM, MR. CORNEIL, MR. ERDMANN, MR. SANDAL, AND LT GOVERNOR WRIGLEY
 NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT

Treasurer Schmidt entered the meeting.

Mr. Geissinger introduced Mr. Darren Schulz. Mr. Schulz began his employment with the Retirement and Investment Office as Deputy Chief Investment Officer effective January 3, 2012.

EDUCATION:

Nephila - Mr. Schauble reviewed the firm's strategy when investing in the insurance risk asset class.

Mr. Geissinger will continue to provide additional education to the SIB on this opportunity.

Calamos - Mr. Coughlin reviewed the firm's current mandate, US convertible bonds, which are currently contained in the SIB's fixed income portfolio.

The Board recessed at 11:00 am and reconvened at 11:10 am.

INVESTMENTS

Calamos Recommendation - Mr. Geissinger recommended transitioning Calamos's US convertible bond mandate, currently included in the pension fixed income asset class, to their Global Opportunities Equity product, to be included in the pension global equities asset class.

TREASURER SCHMIDT MOVED AND COMMISSIONER HAMM SECONDED TO TRANSITION CALAMOS'S MANDATE FROM A US CONVERTIBLE BOND STRATEGY, CONTAINED IN THE PENSION FIXED INCOME ALLOCATION, TO THEIR GLOBAL OPPORTUNITIES EQUITY PRODUCT, TO BE CONTAINED IN THE PENSION GLOBAL EQUITIES ALLOCATION.

The fee will remain the same for the new mandate and Calamos will also allow the SIB to move into their commingled fund to save on custody charges when they move into the emerging market countries.

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

NAYS: NONE

MOTION CARRIED

Investment Management Fee Study - Mr. Geissinger has approached Callan Associates on updating the Investment Management Fee Study previously completed for the one year period ending March 31, 2010. The new study would be for the one period ending June 30, 2012.

The Board concurred with this recommendation and Mr. Geissinger will report back to the SIB with specifics.

Affirm Performance Benchmarks - Mr. Geissinger reviewed benchmarks for the Pension and Insurance Trust's which he suggested the SIB follow.

MR. ERDMANN MOVED AND MR. GESSNER SECONDED TO ACCEPT STAFF'S RECOMMENDATION ON BENCHMARKING FOR THE PENSION AND INSURANCE TRUSTS.

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

NAYS: NONE

MOTION CARRIED

GOVERNANCE:

Public Employees Retirement System (PERS) Investment Policy Statement - Mr. Geissinger reviewed the PERS' revised investment policy statement and requested acceptance.

MR. SANDAL MOVED AND MR. GESSNER SECONDED TO ACCEPT THE REVISED PERS INVESTMENT POLICY STATEMENT.

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

NAYS: NONE

MOTION CARRIED

City of Bismarck - Ms. Flanagan reviewed the revised asset allocation structure for the City of Bismarck Employees and Police Funds and requested acceptance.

MR. ERDMANN MOVED AND COMMISSIONER HAMM SECONDED TO ACCEPT THE REVISED ASSET ALLOCATION STRUCTURE FOR THE CITY OF BISMARCK EMPLOYEES AND POLICE FUNDS.

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

NAYS: NONE

MOTION CARRIED

Audit Committee Liaison Report - Mr. Gessner updated the Board on the activities from the SIB Audit Committee's November 18, 2011 meeting.

The June 30, 2011 financial audit of the Retirement and Investment Office (RIO) was completed by Eide Bailly and an unqualified opinion was issued.

Mr. Gessner also reported continued monitoring of the school district auditing is being done.

The Audit Committee also reviewed the final recommendations from the Performance Audit of RIO. The Audit Committee felt that all of the recommendations from the Performance Audit have been addressed and resolved. The Audit Committee also agreed continued monitoring of the recommendations is necessary and they will do so through the Executive Limitations audit which is reported to them on an annual

basis by Mr. Mason. The Audit Committee felt it is beneficial to continue monitoring the progress of the recommendations for their benefit as well as RIO's in the event questions should surface from external entities.

Governance Policy Revisions - Ms. Flanagan reviewed the second reading of the following Governance policies: Board Members' Code of Conduct B-8, Mission D-1, and Investment Services D-3. Ms. Flanagan asked for final approval.

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO APPROVE THE REVISIONS TO THE GOVERNANCE POLICIES.

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

NAYS: NONE

MOTION CARRIED

MONITORING:

The Board received the following monitoring reports for the quarter ending December 30, 2011: Budget/Financial Conditions, Executive Limitations/Staff Relations, Investment Program, Retirement Program, and RIO's Annual Audit Report for the fiscal year ending June 30, 2011.

TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE DECEMBER 31, 2011 QUARTERLY MONITORING REPORTS AND RIO'S JUNE 30, 2011 FINANCIAL AUDIT REPORT.

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

NAYS: NONE

MOTION CARRIED

OTHER:

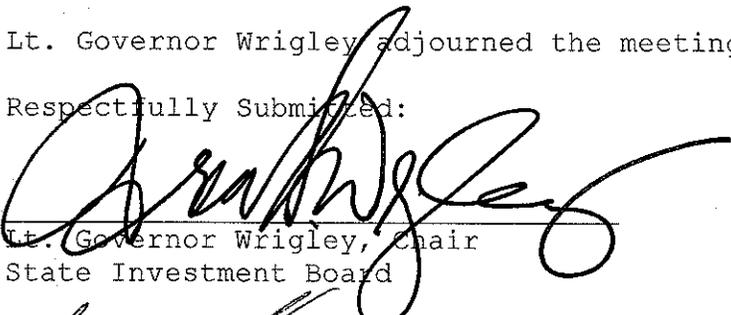
The next SIB meeting is scheduled for February 17, 2012 at 8:30 a.m., at Workforce Safety & Insurance, Bismarck ND.

The next SIB Audit Committee meeting is scheduled for March 16, 2012, at 1:00 p.m., at the State Capitol, Peace Garden Room, Bismarck, ND.

ADJOURNMENT:

Lt. Governor Wrigley adjourned the meeting at 11:45 a.m.

Respectfully Submitted:


Lt. Governor Wrigley, Chair
State Investment Board


Bonnie Heit
Secretary to the Board