

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
FEBRUARY 17, 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 (teleconference)
Howard Sage, PERS Board
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
Leslie Moszer, Compliance Officer
Darren Schulz, Deputy CIO

OTHERS PRESENT:

Weldee Baetsch, former SIB trustee
Michael Canter, AllianceBernstein
Greg Casey, Declaration
Jon Denfeld, AllianceBernstein
Derek Fan, Western Asset Management
Stephen Fulton, Western Asset Management
Bill Howard, Callan Associates
Bryan Klipfel, WSI
Jason Mandinach, PIMCO
Julie Meggers, PIMCO
Jan Murtha, Attorney General's Office
Saumil Parikh, PIMCO
John Pluta, Declaration
Bryan Reinhardt, PERS
Liz Smith, AllianceBernstein

CALL TO ORDER:

Lt. Governor Wrigley, Chair, called the State Investment Board (SIB) meeting to order at 8:35 a.m. on Friday, February 17, 2012, at Workforce Safety & Insurance, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

The agenda was reviewed and revised.

MS. TERNES MOVED AND MR. SANDAL 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, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE
MOTION CARRIED

MINUTES:

The minutes were reviewed from the January 27, 2012 meeting.

MR. GESSNER MOVED AND COMMISSIONER GAEBE SECONDED TO APPROVE THE JANUARY 27, 2012 MINUTES.

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

NAYS: NONE
MOTION CARRIED

EDUCATION:

Fixed Income Restructure - The Board heard proposals from Declaration on managing a total return bond fund mandate and PIMCO representatives on managing an unconstrained bond fund mandate.

The Board recessed at 10:15 a.m. and reconvened at 10:25 a.m.

Mortgage Backed Securities - The Board heard proposals from AllianceBernstein, PIMCO, and Western Asset Management on managing an agency mortgage backed securities mandate.

The Board recessed at 12:40 p.m. and reconvened at 1:05 p.m.

INVESTMENTS

Mortgage Backed Securities - Mr. Geissinger and Mr. Schulz reviewed their due diligence work on AllianceBernstein, PIMCO, and Western Asset Management's mortgage backed security strategies. Staff recommended allocating 60% to PIMCO and 40% to Western Asset Management in the Pension Trust. After discussion,

MR. GESSNER MOVED AND TREASURER SCHMIDT SECONDED TO ACCEPT STAFF RECOMMENDATION AND RETAIN PIMCO AND WESTERN ASSET MANAGEMENT TO MANAGE THE 50% ALLOCATION TO AGENCY MORTGAGE BACKED SECURITIES IN THE PENSION TRUST INVESTMENT GRADE FIXED INCOME ASSET CLASS AT A BLEND OF 60/40 RESPECTIVELY.

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

NAYS: NONE
MOTION CARRIED

Total Return Unconstrained - Mr. Geissinger and Mr. Schulz reviewed their due diligence work on PIMCO's unconstrained bond fund and Declaration's total return bond fund strategies. Staff recommended the allocation be split equally between PIMCO's unconstrained bond fund and Declaration's total return bond fund. After discussion,

MS. TERNES MOVED AND MR. SANDAL SECONDED TO ACCEPT STAFF RECOMMENDATION AND RETAIN PIMCO TO MANAGE AN UNCONSTRAINED BOND FUND PORTFOLIO AND DECLARATION TO MANAGE A TOTAL RETURN BOND FUND PORTFOLIO FOR THE 24% ALLOCATION TO UNCONSTRAINED/TOTAL RETURN BONDS IN THE PENSION TRUST INVESTMENT GRADE FIXED INCOME ASSET CLASS.

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

NAYS: NONE

MOTION CARRIED.

Treasury Index - Mr. Geissinger recommended the Bank of North Dakota (BND) index the SIB's long treasury allocation/10 year treasuries plus.

TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO ACCEPT STAFF RECOMMENDATION TO DIRECT THE BND TO INDEX THE SIB'S 10% ALLOCATION TO LONG TERM US TREASURY /10+ YEARS IN THE PENSION TRUST INVESTMENT GRADE FIXED INCOME ASSET CLASS.

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

Lt. Governor Wrigley left the meeting and Mr. Sandal presided over the remainder of the meeting.

MONITORING:

Risk and Performance Monitoring - Mr. Howard reviewed the performance of the Pension and Insurance Trust portfolio's for the quarter ending December 31, 2011.

MR. SAGE MOVED AND MR. GESSNER SECONDED TO ACCEPT THE MONITORING REPORTS OF THE PENSION AND INSURANCE TRUSTS FOR THE QUARTER ENDING DECEMBER 31, 2011.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. CORNEIL, LT. GOVERNOR WRIGLEY

OTHER:

Mr. Geissinger informed the board that he has been approached by Invesco to serve on their Real Estate Value Fund III Advisory Board. Mr. Geissinger has reviewed the request with the SIB's legal counsel and legal counsel has advised Mr. Geissinger that serving on the board will not violate any SIB policies or procedures, so long as Mr. Geissinger maintains compliance with the gifting policy as it applies to reimbursement of expenses.

COMMISSIONER GAEBE MOVED AND MR. SAGE SECONDED TO APPROVE MR. GEISSINGER TO SERVE ON INVESCO'S REAL ESTATE FUND III ADVISORY COMMITTEE.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. CORNEIL, LT. GOVERNOR WRIGLEY

Ms. Murtha informed the board the SIB has been named as a defendant in the adversary proceedings in the Tribune Company bankruptcy. One of the SIB money managers held stock in the company. In 2007, all of the stockholders of the Tribune Company engaged in a buyout. The creditors allege that as a result of that buyout, the Tribune Company filed for bankruptcy. The State of North Dakota has been served with a complaint but the matter is currently stayed. Ms. Murtha will keep the SIB updated on the proceedings.

Role of the Deputy CIO - The board and staff discussed the role of Mr. Schulz. Mr. Geissinger stated things are going well and that he values Mr. Schulz's expertise and opinion as they work together to administer the investment program for the SIB.

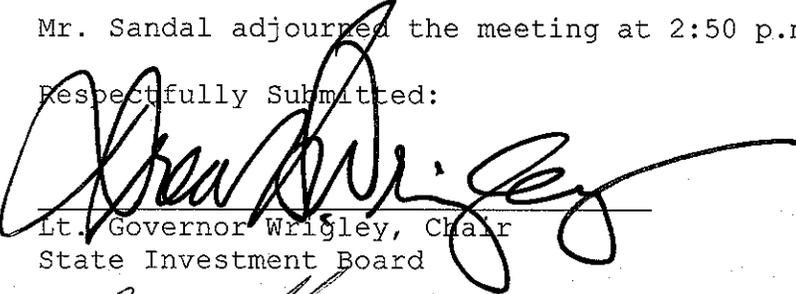
The next SIB meeting is scheduled for March 16, 2012 at 8:30 a.m., at the State Capitol, Peace Garden Room, Bismarck ND.

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.

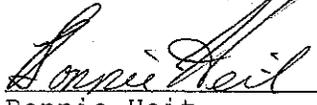
ADJOURNMENT:

Mr. Sandal adjourned the meeting at 2:50 p.m.

Respectfully Submitted:



 Lt. Governor Wrigley, Chair
 State Investment Board



 Bonnie Heit
 Assistant to the Board