

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MARCH 16, 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
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, Deputy Executive Director
Leslie Moszer, Compliance Officer
Darren Schulz, Deputy CIO

OTHERS PRESENT: Jeff Engleson, Land Dept.
Miguel Gonzalo, Adams Street
Jan Murtha, Attorney General's Office

CALL TO ORDER:

Mr. Sandal called the State Investment Board (SIB) meeting to order at 8:35 a.m. on Friday, March 16, 2012, at the Peace Garden Room, State Capitol, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

The agenda was reviewed and revised.

MS. TERNES MOVED AND COMMISSIONER HAMM 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 TREASURER SCHMIDT

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

MINUTES:

The minutes were reviewed from the February 17, 2012 meeting.

MR. GESSNER MOVED AND COMMISSIONER HAMM SECONDED TO APPROVE THE FEBRUARY 17, 2012 MINUTES.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

EDUCATION:

Adams Street Private Equity - Mr. Gonzalo provided an overview of private equity. Mr. Gonzalo also reviewed the private equity portfolio the firm manages on behalf of the SIB, current state of the private equity market, and also reviewed the firm's history and capabilities.

Lt. Governor Wrigley entered the meeting and presided over the remainder of the meeting.

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

Reinsurance - Mr. Geissinger provided additional education on reinsurance as an asset class. The Board previously received education on the asset class from Nephila at their January 27, 2012 meeting. The Board directed Mr. Geissinger to continue to provide education on the asset class. Mr. Geissinger will schedule J.P. Morgan to provide their perspective on the asset class at a future meeting.

INVESTMENTS:

Private Equity - Ms. Flanagan reviewed the SIB's private equity portfolio. The portfolio consists of 18 direct limited partnership funds and 21 different Adams Street fund-of-funds. The asset class has grown over the years and it has become difficult for staff to monitor all of the underlying investments within each fund, in addition to tracking cash flows and reconciling to custodian statements.

Two of the SIB's current managers, Adams Street and Credit Suisse, have offered to provide over site services which would supplement current work done by staff. Staff reviewed both firm's services and recommended retaining Adams Street. After discussion,

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ACCEPT STAFF RECOMMENDATION AND RETAIN ADAMS STREET TO MONITOR THE PRIVATE EQUITY PORTFOLIO.

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

NAYS: MR. SAGE

MOTION CARRIED

Prudential/PruAlpha - Mr. Geissinger informed the Board staff had submitted a redemption request for the SIB's PruAlpha mandate. The lockup is expiring in a couple of months and staff has submitted a redemption request as did all of the other existing clients.

Grand Forks Park District Asset Allocation - Ms. Flanagan informed the board Grand Forks Park District has revised their asset allocation to coincide with the recent asset allocation changes of the Teachers' Fund for Retirement (TFFR) and

the Public Employees' Retirement System (PERS). Ms. Flanagan recommended and requested board acceptance of the revised asset allocation on behalf of the Grand Forks Park District.

COMMISSIONER GAEBE MOVED AND MR. ERDMANN SECONDED TO ACCEPT STAFF RECOMMENDATION AND ACCEPT GRAND FORKS PARK DISTRICT'S REVISED ASSET ALLOCATION AND ALSO DIRECTED STAFF TO IMPLEMENT THE REVISED ASSET ALLOCATION.

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

Callan Annual Conference - Mr. Erdmann, Mr. Gessner, and Mr. Schulz shared their perspective on the Callan conference which they attended January 30 - February 1, 2012 in San Francisco, CA.

GOVERNANCE:

Executive Director Annual Review Committee - In accordance with governance policy Board-Staff Relationship - Monitoring Executive Performance C-4, each March the board will conduct a formal evaluation of the Executive Director/Investment Officer. The Chair will appoint a three-member committee to review the board's evaluation which normally has consisted of one each from the elected, TFFR, and PERS representatives. The committee will then bring forth a compensation recommendation for the Executive Director for the board's consideration for fiscal year 2012-13 by the May 2012 board meeting.

Staff also requested the committee provide compensation guidelines to build into the budget for the next biennium. Board members interested in serving on the committee are to notify Lt. Governor Wrigley.

Meeting Schedule - The board was provided a tentative meeting schedule for fiscal year 2012-13.

Westridge/WG Trading Update - Ms. Murtha updated the board on the Westridge/WG Trading litigation. Ms. Murtha stated in regards to the appeal before the second circuit, the briefing schedule has been completed. The oral argument date has not yet been set and most likely would be scheduled in May or possibly later.

Lt. Governor Wrigley stated the board will move into Executive Session pursuant to NDCC 44-04-19.1(2), NDCC 44-04-19.1(5), and NDCC 44-04-19.2 for attorney consultation regarding the Westridge/WG Trading litigation.

COMMISSIONER HAMM MOVED AND TREASURER SCHMIDT SECONDED TO ENTER INTO EXECUTIVE SESSION FOR ATTORNEY CONSULTATION REGARDING THE WESTRIDGE/WG TRADING LITIGATION.

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

The board entered into Executive Session at 12:03 pm.

The following individuals were present - Mr. Sage, Mr. Toso, Mr. Erdmann, Mr. Gessner, Ms. Ternes, Commissioner Hamm, Mr. Sandal, Lt. Governor Wrigley, Treasurer Schmidt, Commissioner Gaebe, Mr. Corneil (teleconference), Mr. Schulz, Mr. Geissinger, Ms. Flanagan, Ms. Heit, Ms. Moszer, Ms. Kopp, and Ms. Murtha.

The Board exited the Executive Session at 12:10 pm.

OTHER:

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

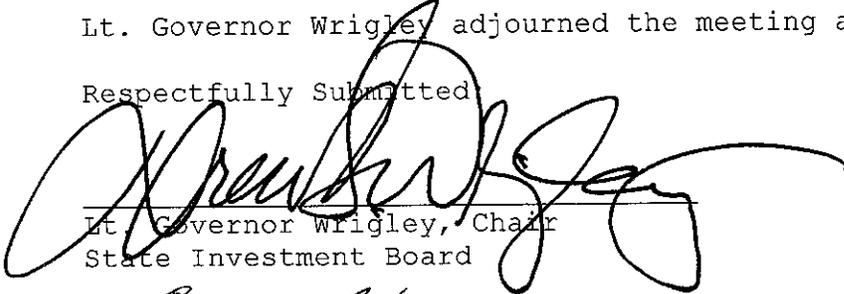
The next SIB Audit Committee meeting is scheduled for May 18, 2012, at 1:00 p.m., at the State Capitol, Peace Garden Room, Bismarck, ND.

ADJOURNMENT:

COMMISSIONER HAMM MOVED AND TREASURER SCHMIDT SECONDED TO ADJOURN THE MEETING.

Lt. Governor Wrigley adjourned the meeting at 12:12 p.m.

Respectfully Submitted



Lt. Governor Wrigley, Chair
State Investment Board



Bonnie Heit
Assistant to the Board