

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

BOARD MEMBERS ABSENT: Drew Wrigley, Lt. Governor, Chair

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.
Jan Murtha, Attorney General's Office
Tom Pernice, Epoch
Bill Priest, Epoch
Jeff Ulness, Epoch

CALL TO ORDER:

Mr. Sandal called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, April 27, 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 MR. CORNEIL SECONDED TO ACCEPT THE REVISED AGENDA.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY, COMMISSIONER GAEBE

MINUTES:

The minutes were considered from the March 16, 2012 meeting.

TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO APPROVE THE MARCH 16, 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:

Epoch - Representatives Mr. Pernice, Mr. Priest, and Mr. Ulness reviewed the firm's perspective, investment process, SIB mandate, and their capital markets outlook.

Mr. Geissinger provided an educational segment on portfolio diversification and managing volatility.

INVESTMENTS:

Blackfriars - Staff reviewed issues regarding Blackfriars. There have been organizational changes, concerns regarding the implementation of the SIB mandate, and underperformance. Staff recommended the firm be placed on a formal review. After discussion,

MR. CORNEIL MOVED AND MR. ERDMANN SECONDED TO ACCEPT STAFF RECOMMENDATION AND PLACE BLACKFRIARS ON A FORMAL INVESTMENT MANAGER REVIEW.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

Staff will provide monthly updates to the board.

Fixed Income Implementation - Mr. Geissinger reported implementation of changes to the fixed income portfolio will be completed by May 1, 2012.

Westridge/WG Trading - Mr. Geissinger informed the board an oral argument date of May 16, 2012 has been set by the Second Circuit for the appeal of the receiver's initial distribution of the Westridge/WG Trading assets. Staff and counsel will update the board at next month's meeting.

Tribune Company - The SIB is 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 and is expected to be lifted in June 2012.

Ms. Murtha requested approval to seek outside counsel to represent the State of North Dakota in the Tribune Company case and also requested permission to have

the staff of RIO and the Attorney General's Office execute any documents that are necessary during the proceedings.

Ms. Murtha stated K&L Gates who is currently representing the State of North Dakota in the Westridge/WG Trading issue is also representing several investors in the shareholder class of the Tribune Company case which is also the position of North Dakota. Ms. Murtha recommended the SIB retain K&L Gates to share the costs with the other investors.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO ACCEPT MS. MURTHA'S RECOMMENDATION TO RETAIN K&L GATES IN THE TRIBUNE COMPANY LITIGATION AND ALSO AUTHORIZED STAFF AND THE ATTORNEY GENERAL'S OFFICE TO EXECUTE ANY DOCUMENTS NECESSARY DURING THE PROCEEDINGS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

GOVERNANCE:

Audit Committee Report - Mr. Gessner updated the board on the Audit Committee's activities from their March 16, 2012 meeting. The Committee reviewed the progress of the school district auditing, the Executive Limitations Audit for the period of July 1-December 31, 2011, and the recommendations from the performance audit of RIO.

Mr. Gessner also informed the board the Teachers' Fund for Retirement (TFFR) board is considering performing an experience study in the future.

MR. TOSO MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE AUDIT COMMITTEE REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

Ms. Flanagan informed the board the State Auditor's Office issued a Request for Proposal (RFP) to conduct the audits of RIO for Fiscal Years 2012, 2013 and 2014 and the contract was awarded to CliftonLarsonAllen, Minneapolis MN.

MONITORING REPORTS:

The following monitoring reports for the quarter ending March 31, 2012 were provided to the board for their acceptance - Budget/Financial Conditions, Executive Limitations/Staff Relations, Investment Program and Retirement Program.

TREASURER SCHMIDT MOVED AND MR. GRESSNER SECONDED TO ACCEPT THE MARCH 31, 2012 MONITORING REPORTS.

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

NAYS: NONE
MOTION CARRIED
ABSENT: LT. GOVERNOR WRIGLEY

EXECUTIVE DIRECTOR REVIEW COMMITTEE:

The board discussed membership of the Executive Director Review Committee. After discussion, the following trustees volunteered to serve - Mr. Sandal, Chair, Treasurer Schmidt, and Mr. Toso.

OTHER:

The next SIB meeting is scheduled for May 18, 2012 at 8:30 a.m., at the State Capitol, Peace Garden Room, Bismarck ND.

The next SIB Audit Committee meeting is scheduled for June 22, 2012 at 1:00 p.m., at the State Capitol, Peace Garden Room, Bismarck, ND.

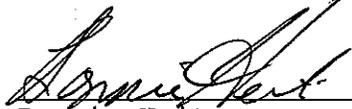
ADJOURNMENT:

Mr. Sandal adjourned the meeting at 11:35 p.m.

Respectfully Submitted:



Mr. Sandal, Vice Chair
State Investment Board



Bonnie Heit
Assistant to the Board