

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
MAY 18, 2012 BOARD MEETING**

**BOARD MEMBERS PRESENT:** Drew Wrigley, Lt. Governor, Chair  
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

**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  
Susan Walcker, Investment Accountant

**OTHERS PRESENT:** Dan Allen, Los Angeles Capital Mgmt  
Weldee Baetsch, former SIB trustee  
Sparb Collins, PERS  
Jeff Engleson, Land Dept.  
Paul Erlendson, Callan  
Bryan Klipfel, WSI  
Jan Murtha, Attorney General's Office  
Sherry Neas, Procurement Office  
Tricia Opp, Procurement Office  
Tom Stevens, Los Angeles Capital Mgmt

**CALL TO ORDER:**

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:32 a.m. on Friday, May 18, 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.

**MR. CORNEIL MOVED AND MS. TERNES SECONDED TO ACCEPT THE AGENDA.**

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

**NAYS: NONE**

**MINUTES:**

The minutes were considered from the April 27, 2012 and May 9, 2012 meetings.

**TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO APPROVE THE APRIL 27, 2012 MINUTES AS REVISED AND THE MAY 9, 2012 MINUTES.**

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

**NAYS: NONE**

**MOTION CARRIED**

**EDUCATION:**

Los Angeles Capital Management - Representatives provided an overview of the firm, the firm's investment philosophy and process, changing market dynamics, and also reviewed the SIB mandates and performance.

Mr. Schulz presented an educational segment on equity market globalization.

The Board recessed at 9:40 am and reconvened at 10:10 am

**INVESTMENTS:**

Blackfriars - Staff conducted additional due diligence to determine whether Blackfriars is capable of providing reasonable assurance that the Pension Trust investment objectives will be met in the future and following their review, a recommending the emerging markets mandate be terminated in addition to the reasons staff reviewed at the April 27, 2012 board meeting - organizational changes, concerns regarding the implementation of the SIB mandate, and underperformance.

Staff also recommended the assets be transitioned into a passively managed MSCI emerging markets mandate managed by The Northern Trust Global Investments.

After discussion,

**MR. GESSNER MOVED AND MR. SANDAL SECONDED TO ACCEPT STAFF RECOMMENDATION AND TERMINATE BLACKFRIARS AND TRANSITION THE ASSETS TO THE NORTHERN TRUST IN A MSCI EMERGING MARKETS MANDATE.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: TREASURER SCHMIDT**

Westridge/WG Trading - Mr. Geissinger informed the board oral arguments were held on May 16, 2012 by the Second Circuit for the appeal of the receiver's initi

distribution of the Westridge/WG Trading assets. Both sides presented their arguments and no ruling was made. Staff will keep the board informed.

City of Fargo and City of Grand Forks Asset Allocation - Ms. Flanagan requested acceptance of the revised asset allocations for the City of Fargo and City of Grand Forks Pension Funds. Staff recommended the asset allocations be revised to reflect the same model as the other clients in the Pension Trust for consistency and reporting purposes.

**TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO ACCEPT STAFF RECOMMENDATION AND APPROVE THE REVISED ASSET ALLOCATIONS FOR THE CITY OF FARGO EMPLOYEE PENSION FUND AND THE CITY OF GRAND FORKS EMPLOYEE PENSION FUND.**

**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:**

Executive Director Replacement Process - Mr. Geissinger stated the current structure of the Retirement and Investment Office is supporting two roles - the State Investment Board and the Teachers' Fund for Retirement. Mr. Geissinger recommended that the organizational structure of the Retirement and Investment Office continue as is and appoint Mr. Darren Schulz as Interim Chief Investment Officer, overseeing the administration of the investment program of the State Investment Board, and Ms. Fay Kopp as Interim Executive Director, overseeing the administration of the Retirement and Investment Office and the Teachers' Fund for Retirement, until the State Investment Board determines what their next steps will be.

**MR. GESSNER MOVED AND MR. CORNEIL SECONDED TO ACCEPT STAFF RECOMMENDATION AND APPOINT MR. DARREN SCHULZ AS INTERIM CHIEF INVESTMENT OFFICER AND MS. FAY KOPP AS INTERIM EXECUTIVE DIRECTOR, EFFECTIVE JUNE 1, 2012.**

**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**

Discussion followed on compensation levels of staff during the interim.

**MS. TERNES MOVED AND MR. CORNEIL SECONDED TO DIRECT THE EXECUTIVE DIRECTOR COMPENSATION REVIEW COMMITTEE TO REVIEW THE EMPLOYEES AT THE RETIREMENT AND INVESTMENT OFFICE AND DETERMINE WHICH EMPLOYEES SHOULD RECEIVE ADDITIONAL COMPENSATION AND HOW MUCH AND BRING THEIR RECOMMENDATION BACK TO THE BOARD. ANY ADJUSTMENTS IN COMPENSATION WOULD BE RETROACTIVE TO JUNE 1, 2012.**

**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**

The board discussed the process for replacing the Executive Director/CIO.

Ms. Sherry Neas, Procurement Office, updated the board on the Request for Proposal (RFP) process. The RFP issued in 2010 expired on November 30, 2010. The State reserved the right to extend the contract for an additional period of time, not to exceed six months, thus a new RFP will need to be issued. After discussion,

**MS. TERNES MOVED AND MR. CORNEIL SECONDED TO HAVE THE CHAIR OF THE SIB APPOINT A SEARCH COMMITTEE AND SERVE AS ITS CHAIR. THE SEARCH COMMITTEE'S DIRECTIVE IS TO CONDUCT AN EXIT INTERVIEW WITH MR. GEISSINGER AND BRING BACK THEIR RECOMMENDATIONS, WHICH THEY HAVE DERIVED FROM THE INTERVIEW, TO ASSIST THE BOARD IN DETERMINING WHAT THE NEXT STEPS WILL BE.**

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

**NAYS: NONE**

**MOTION CARRIED**

Lt. Governor Wrigley stated he will appoint one member from the elected, appointed, Public Employees Retirement System, and TFFR representatives to serve on the Search Committee.

**MONITORING REPORTS:**

Mr. Erlendson reviewed the Performance Measurement of the Pension and Insurance Trusts for the period ending March 31, 2012.

**TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE CALLAN PERFORMANCE MEASUREMENT REPORT FOR THE PERIOD ENDING MARCH 31, 2012.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. SAGE**

**OTHER:**

Lt. Governor Wrigley received a written inquiry on the Executive Director/CIO position. Any interest received in the interim, will be forwarded on to the executive recruitment firm once a contract is in place.

The next SIB meeting is scheduled for June 22, 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.

The Board thanked Mr. Geissinger for his service and wished him well. Mr. Geissinger's resignation is effective May 31, 2012.

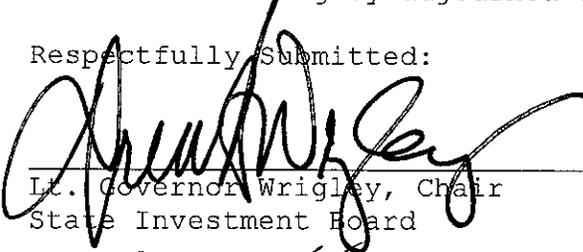
Tribune Company - Ms. Murtha stated various motions have been filed. The Attorney General's Office is in the process of finalizing the contract with K&L Gates. Ms. Murtha will keep the board informed of any developments.

**ADJOURNMENT:**

**TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ADJOURN THE MEETING.**

Lt. Governor Wrigley adjourned the meeting at 12:10 p.m.

Respectfully Submitted:

  
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Lt. Governor Wrigley, Chair  
State Investment Board

  
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Bonnie Heit  
Assistant to the Board