

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

STAFF PRESENT: Bonnie Heit, Office Manager
Fay Kopp, Interim Executive Director
Darren Schulz, Interim CIO
Susan Walcker, Investment Accountant

OTHERS PRESENT: Nedra Hadley, Brandywine
Jack McIntyre, Brandywine
Jan Murtha, Attorney General's Office
Tricia Opp, Procurement Office

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:35 a.m. on Friday, July 27, 2012, at Workforce Safety & Insurance, 1600 East Century, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

MR. CORNEIL MOVED AND MR. SANDAL SECONDED TO ACCEPT THE JULY 27, 2012, AGENDA AS PRESENTED.

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

MOTION CARRIED

MINUTES:

The minutes were considered from the June 22, 2012, meeting.

TREASURER SCHMIDT MOVED AND COMMISSIONER HAMM SECONDED TO APPROVE THE JUNE 22, 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

ELECTION OF SIB OFFICERS:

COMMISSIONER GAEBE MOVED AND MR. SAGE SECONDED TO CONTINUE WITH THE CURRENT LEADERSHIP OF THE SIB FOR FISCAL YEAR 2012-13; LT. GOVERNOR WRIGLEY, CHAIR, MR. SANDAL, VICE CHAIR, AND MR. CORNEIL, PARLIAMENTARIAN.

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

NAYS: NONE

MOTION CARRIED

SIB AUDIT COMMITTEE MEMBERSHIP:

TREASURER SCHMIDT MOVED AND MR. ERDMANN SECONDED TO CONTINUE WITH THE CURRENT MEMBERSHIP OF THE SIB AUDIT COMMITTEE FOR FISCAL YEAR 2012-13; MS. BECKY DORWART, MR. GESSNER, MR. LONNY MERTZ, MR. SANDAL, AND MS TERNES.

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

EDUCATION:

Brandywine - Representatives provided an overview of the firm, reviewed their SIB mandate, and also provided their perspective on the global economy.

Mr. Schulz provided an educational segment on global equity structuring. Mr. Schulz will continue to discuss options with the board on restructuring the SIB equity portfolio.

The Board recessed at 10:55 a.m. and reconvened at 11:05 a.m.

GOVERNANCE:

Search Committee - Lt. Governor Wrigley stated a letter was sent to all SIB clients on July 11, 2012 informing them of the interim leadership of RIO and that the SIB is taking some time to look at the current structure of RIO and welcomes any input or questions that they may have.

Lt. Governor Wrigley also mentioned Search Committee members Treasurer Schmidt, Mr. Sandal, and State Procurement representative, Ms. Opp, are currently working on updating the Request for Proposal (RFP) for an executive search firm.

Discussion by the SIB on the structure of RIO will be placed on their August 24, 2012, agenda.

Code of Conduct Certification - The SIB was provided a copy of their Governance policy, Board Members' Code of Conduct. As outlined in the policy, board members are annually required to affirm their understanding of the policy by signing and dating the acknowledgement.

Audit Committee Liaison Report - Mr. Gessner reported on Audit Committee activity from its June 22, 2012 meeting. Mr. Gessner stated Mr. Thomas Rey, CliftonLarsonAllen, presented the audit scope and approach for the FY2012 audit of RIO. The results of the audit will be reviewed with the Audit Committee at their November 16, 2012, meeting.

The auditing of the school districts is on track. The goal is to audit all school districts who have at least 10 members within a five year period.

MR. ERDMANN MOVED AND COMMISSIONER HAMM SECONDED TO ACCEPT THE REPORT ON AUDIT COMMITTEE ACTIVITIES.

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

INVESTMENTS:

State Street - Mr. Schulz stated he is continuing to closely monitor State Street as a result of changes in the SIB mandate, key personnel, and performance issues. Mr. Schulz anticipates bringing a recommendation on State Street for the Board's consideration to the next meeting.

The Board questioned Callan's perspective on State Street and Mr. Schulz will follow up with Callan and report back to the board.

Tribune Company - Ms. Murtha updated the board on the legal proceedings. The time frames for motions to dismiss will be held in a two phase process. Phase one will be applicable to the larger investment defendants and should conclude early 2013. Phase two will follow and represent the remaining smaller investment defendants. Ms. Murtha will discuss with the board litigation strategies at the August or September 2012 SIB meetings.

Legacy Fund - Lt. Governor Wrigley, Mr. Schulz, and Senator Randel Christmann, Chairman of the Budget Stabilization and Legacy Fund Advisory Board (Advisory Board), met to discuss the role of staff, the SIB, and the Advisory Board if an asset allocation study is conducted for the Legacy Fund. The asset allocation study would be spearheaded by the Advisory Board with the SIB, as governing body to the Advisory Board, ultimately approving the process and expenses.

Tamale RMS - Mr. Schulz informed the board he has been looking at research management software solutions that would assist staff in managing the data received from the SIB money managers and would also enhance staff's ability to capture, distribute, and research the data. Mr. Schulz learned of the

capabilities of Tamale RMS software through CliftonLarsonAllen and is working with RIO information technology staff on possible implementation.

MONITORING:

The following monitoring reports for the quarter ending June 30, 2012 were provided to the board for their acceptance - Budget/Financial Conditions, Executive Limitations/Staff Relations, Investment Program and Retirement Program.

MR. SAGE MOVED AND MR. ERDMANN SECONDED TO ACCEPT THE MONITORING REPORTS FOR THE QUARTER ENDING JUNE 30, 2012.

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

NAYS: NONE

ABSENT: MS. TERNES

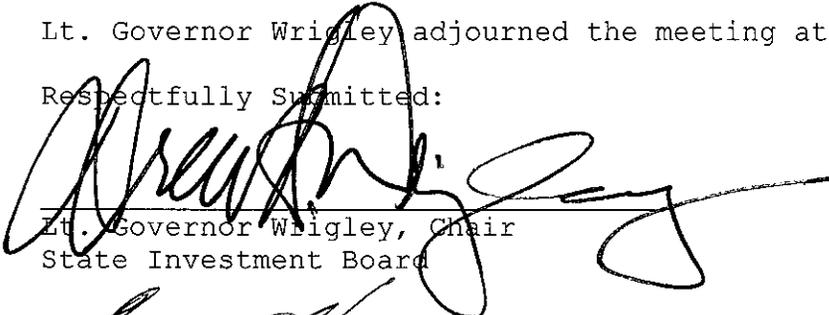
The next SIB meeting is scheduled for August 24, 2012, at 8:30 a.m., at the State Capitol, Peace Garden Room, Bismarck ND.

The next SIB Audit Committee meeting is scheduled for September 28, 2012, at 1:00 p.m., at the State Capitol, Peace Garden Room, Bismarck, ND.

ADJOURNMENT:

Lt. Governor Wrigley adjourned the meeting at 11:50 a.m.

Respectfully Submitted:



Lt. Governor Wrigley, Chair
State Investment Board



Bonnie Heit
Assistant to the Board