

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
SEPTEMBER 28, 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: Connie Flanagan, Fiscal & Investment Officer
Bonnie Heit, Office Manager
Fay Kopp, Interim Executive Director
Leslie Moszer, Compliance Officer
Darren Schulz, Interim CIO
Susan Walcker, Investment Accountant

OTHERS PRESENT: Weldee Baetsch, former SIB trustee
Brian Birnbaum, Mercer
Erica Cermak, APT
Senator Randel Christmann, Legacy & Budget
Stabilization Fund Advisory Board (Advisory Board)
Jeff Engleson, Land Dept.
Paul Erlendson, Callan Associates
Cory Fong, Advisory Board
Eric Hardmeyer, Advisory Board
Representative Keith Kempenich, Advisory Board
Josh Kevan, RV Kuhns
Bruce Klootwyk, Raymond James
Ron Klotter, RV Kuhns
John McLaughlin, RV Kuhns
Brian Murphy, Towers Watson
Jan Murtha, Attorney General's Office
Tricia Opp, Procurement Office
Sara Palhke, Legislative Council
Eugene Podkaminer, Callan Associates
Scott Rising, ND Soybean Growers
Mark Ruloff, Towers Watson
Pam Sharp, Advisory Board

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, September 28, 2012, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

MR. GESSNER MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE SEPTEMBER 28, 2012, AGENDA AS REVISED.

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 August 24, 2012, meeting.

COMMISSIONER GAEBE MOVED AND COMMISSIONER HAMM SECONDED TO ACCEPT THE AUGUST 24, 2012, MINUTES AS WRITTEN.

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

INVESTMENTS:

City of Bismarck - Ms. Flanagan informed the SIB the City of Bismarck recently completed an asset liability study on the Employees and Police pension plans and have revised their asset allocations. Ms. Flanagan requested acceptance of the revised asset allocations.

TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO ACCEPT THE REVISED ASSET ALLOCATIONS FOR THE CITY OF BISMARCK EMPLOYEES AND POLICE PENSION PLANS.

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

Legacy Fund - The Legacy and Budget Stabilization Fund Advisory Board (Advisory Board), at their August 23, 2012, meeting, recommended the SIB arrange to contract with an investment consultant to conduct an asset allocation/spending study on the Legacy Fund.

Mr. Schulz explained his process for identifying suitable candidates to conduct an asset allocation/spending study. Candidates were selected based on a variety of criteria, including the following: experience conducting asset allocation and spending policy studies for institutional clients, experience with special purpose funds funded by natural resources, and experience with newly created funds with little to no spending policy.

The SIB heard proposals from Towers Watson and Mercer.

The SIB recessed at 10:15 a.m. and reconvened at 10:30 a.m.

The SIB heard proposals from RV Kuhns and Callan Associates.

THE SIB recessed at 12:30 p.m. and reconvened at 12:45 p.m.

The SIB reviewed and discussed the proposals. After further review and discussion,

MR. SAGE MOVED AND COMMISSIONER GAEBE SECONDED TO AWARD THE CONTRACT TO RV KUHNS TO CONDUCT AN ASSET ALLOCATION/SPENDING STUDY ON THE LEGACY 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

The SIB thanked Mr. Schulz for his due diligence which resulted in four excellent proposals for their consideration. The Advisory Board will work with RV Kuhns to complete the asset allocation/spending study. The study is expected to be completed in approximately eight weeks at which time the results will be presented to the SIB for their review and possible acceptance.

The Tribune Company report was tabled until the October 26, 2012, meeting.

GOVERNANCE:

Retirement and Investment Office (RIO) Structure - Mr. Gessner informed the SIB the Teachers' Fund for Retirement (TFFR) board discussed the structure of RIO at their September 27, 2012, meeting and reported the TFFR Board supports discussion relating to the position of ED/CIO in its current interim form. After discussion, the SIB directed staff to develop some possible revised organizational structures for RIO, along with any additional costs, and distribute those to the SIB prior to their October 26, 2012, meeting at which time the SIB will continue their discussion on the structure of RIO.

MONITORING:

The Pension Trust and Insurance Trust FY2012 Performance Review report was tabled until the October 26, 2012, meeting.

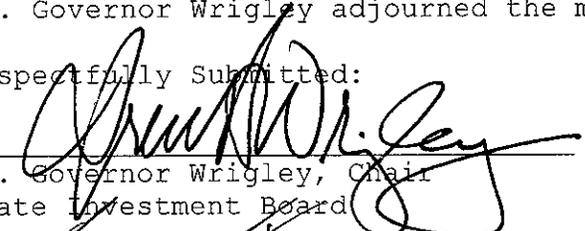
The next SIB meeting is scheduled for October 26, 2012, at 8:30 a.m., at the State Capitol, Peace Garden Room, Bismarck, ND.

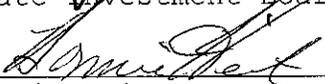
The SIB Audit Committee meeting scheduled for September 28, 2012 was cancelled and will be rescheduled.

ADJOURNMENT:

Lt. Governor Wrigley adjourned the meeting at 1:35 p.m.

Respectfully Submitted:


 Lt. Governor Wrigley, Chair
 State Investment Board


 Bonnie Heit
 Assistant to the Board