

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
NOVEMBER 16, 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 MEMBER ABSENT: Drew Wrigley, Lt. Governor, Chair

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: Jeff Engleson, Land Dept.
Bryan Klipfel, WSI
Josef Lakonishok, LSV
Jan Murtha, Attorney General's Office
Tricia Opp, Procurement Office
James Owens, LSV

CALL TO ORDER:

Mr. Sandal called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, November 16, 2012, at Workforce Safety & Insurance, 1600 E Century, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

MR. CORNEIL MOVED AND MR. GESSNER SECONDED TO ACCEPT THE NOVEMBER 16, 2012, AGENDA AS REVISED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

MINUTES:

The minutes were considered from the October 26, 2012, meeting.

TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO ACCEPT THE OCTOBER 26, 2012, MINUTES AS WRITTEN.

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

INVESTMENTS:

LSV - Representatives provided an organizational, strategy, and performance overview of the firm.

Mr. Schulz reviewed his recommendation to transition LSV's current mandates in the Pension Trust's existing large cap value and international value equity into a single global equity mandate within the global equity allocation.

After discussion,

MS. TERNES MOVED AND MR. CORNEIL SECONDED TO ACCEPT STAFF RECOMMENDATION AND TRANSITION LSV'S CURRENT MANDATES INTO A SINGLE GLOBAL EQUITY MANDATE WITHIN THE GLOBAL EQUITY ALLOCATION IN THE PENSION TRUST.

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

The SIB is of the understanding that staff will negotiate an appropriate fee structure for the new mandate.

Bank of North Dakota (BND) - Mr. Schulz informed the SIB he has been in contact with BND representatives to establish dates to discuss the transition of the Pension Trust assets from a Barclays Capital Government Index mandate to a Barclays Capital Long Treasury Index. Mr. Schulz will keep the SIB informed.

Clifton Group - Mr. Schulz informed the SIB The Clifton Group is being acquired by Parametric Portfolio Associates on or about December 31, 2012. Mr. Schulz and Callan Associates are in contact with Clifton representatives and monitoring the acquisition. Mr. Schulz also recommended placing The Clifton Group on watch for further assessment and due diligence.

TREASURER SCHMIDT MOVED AND MR. SAGE SECONDED TO ACCEPT STAFF RECOMMENDATION AND PLACE THE CLIFTON GROUP ON WATCH.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

Legacy Fund - Mr. Schulz updated the SIB on the November 15, 2012, meeting with the Legacy and Budget Stabilization Fund Advisory Board (Advisory Board). RVKuhns

representatives conducted their first meeting with the Advisory Board and discussed fund revenues, risk tolerance, asset mix, spending, roles of the Advisory Board and the SIB, and project support. Mr. Schulz will continue to provide updates to the SIB on the progress of establishing an asset allocation and spending plan for the Legacy Fund.

The SIB recessed at 10:30 a.m. and reconvened at 10:40 a.m.

GOVERNANCE:

RIO Structure - At the October 26, 2012, SIB meeting, the SIB instructed staff to provide an organizational chart which would keep RIO intact, and assign the Executive Director duties to a separate new position. In addition, the SIB asked staff to estimate costs, and outline potential job duties and responsibilities for a separate Executive Director position. Ms. Kopp reviewed the requested information.

After discussion, the SIB took the following action,

MR. ERDMANN MOVED AND MR. SAGE SECONDED TO AFFIRM THE RIO ORGANIZATIONAL STRUCTURE AS IT CURRENTLY EXISTS AND IS REPRESENTED IN CHART NO. 1.

AYES: MR. ERDMANN, TREASURER SCHMIDT, MR. CORNEIL, MR. TOSO, COMMISSIONER HAMM, MR. GESSNER, MR. SAGE, MR. SANDAL

NAYS: COMMISSIONER GAEBE, MS. TERNES

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

COMMISSIONER GAEBE MOVED AND MS. TERNES SECONDED TO DIRECT THE EXISTING SEARCH COMMITTEE TO IMMEDIATELY INITIATE EFFORTS TO RECRUIT A SLATE OF CANDIDATES FOR THE ED/CIO POSITION.

AYES: MR. TERNES, MR. CORNEIL, COMMISSIONER GAEBE, MR. ERDMANN, MR. TOSO, MR. SANDAL, MR. SAGE,

NAYS: COMMISSIONER HAMM, TREASURER SCHMIDT, MR. GESSNER

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

MR. TOSO MOVED AND MR. SAGE SECONDED TO AUTHORIZE THE SEARCH COMMITTEE TO HIRE AN EXECUTIVE SEARCH FIRM TO ASSIST THEM IN THE HIRING OF AN ED/CIO IF THEY SO DESIRE.

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

NAYS: MR. ERDMANN

MOTION CARRIED

ABSENT: LT. GOVERNOR WRIGLEY

The Search Committee consists of Lt. Governor Wrigley, Chair, Treasurer Schmidt, Commissioner Gaebe, Mr. Sandal, and Mr. Toso.

Mr. Schulz expressed the probable need to expand the investment staff in the future because of the additional oversight that will be required to effectively monitor and manage the Legacy Fund. After discussion,

MS. TERNES MOVED AND COMMISSIONER GAEBE SECONDED TO REQUEST TWO ADDITIONAL FULL TIME POSITIONS TO BE UTILIZED AS THE NEW ED/CIO WOULD SEE FIT ALONG WITH BEST ESTIMATED COSTS FOR THOSE POSITIONS.

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

COMMISSIONER GAEBE MOVED AND TREASURER SCHMIDT SECONDED TO DIRECT STAFF TO BEGIN THE PROCESS OF REQUESTING ONE ADDITONAL FULL TIME POSITION FOR THE INVESTMENT DIVISION.

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

MONITORING:

Mr. Schulz reviewed Callan's Investment Measurement Reports for the Pension and Insurance Trusts for the quarter ending September 30, 2012.

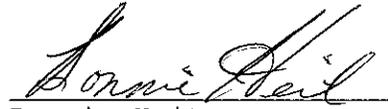
ADJOURNMENT:

With no further business to come before the SIB, Mr. Sandal adjourned the meeting at 12:00 p.m.

Respectfully Submitted:



Mr. Sandal, Vice Chair
State Investment Board



Bonnie Heit
Assistant to the Board