

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
DECEMBER 13, 2012, TELECONFERENCE 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

OTHERS PRESENT: Jan Murtha, Attorney General's Office

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Thursday, December 13, 2012.

A quorum was present for the purpose of conducting business.

AGENDA:

TREASURER SCHMIDT MOVED AND MS. TERNES SECONDED TO ACCEPT THE DECEMBER 13, 2012, AGENDA.

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

INVESTMENTS:

Epoch - Mr. Schulz informed the SIB Toronto-Dominion Bank Group is acquiring Epoch Holdings Corporation, the parent of Epoch Investment Partners. The acquisition is expected to be completed in the first half of 2013.

Mr. Schulz recommended placing Epoch under review due to a change in ownership.

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO PLACE EPOCH ON WATCH.

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

Bank of North Dakota - Mr. Schulz informed the SIB a meeting was held with BND representatives on November 30, 2012, to discuss the transition of the Pension Trust assets from a Barclays Capital Government Index mandate to a Barclays Capital Long Treasury Index. The next meeting has been scheduled for December 19, 2012. Mr. Schulz will continue to provide updates to the SIB.

FTE Discussion - At the November 16, 2012, SIB meeting, 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. The SIB directed staff to begin the process of requesting one additional full time position for the Investment Division.

Staff informed the SIB they were not able to include the request for an additional full time position within the Governor's budget as the Governor's budget was in the final stages of formalization. The next option would be to request an amendment to RIO's budget when the budget is heard before the Legislative Appropriations Committees. Staff suggested postponing the request for an additional position until the ED/CIO position is filled and that individual can make an assessment and determination regarding staffing needs.

After discussion, the SIB upheld their motion and suggested staff include in their testimony to the Appropriations Committees that there may be a need for an additional full-time position in the future and that the SIB is in support of additional staffing. The SIB will leave the final determination on staffing needs to the ED/CIO once the individual is in place.

Search Committee - Mr. Sandal updated the SIB on the action taken by the Search Committee at their December 12, 2012, meeting. The Search Committee, after discussing their options, decided not to utilize the services of a search consulting firm but rather the services of the State Human Resource Management Services (HRMS), a division of the Office of Management and Budget. The Search Committee felt confident the recruitment of ED/CIO candidates could be processed much more quickly and cost effectively with the same level of quality that would be achieved utilizing a search consulting firm. Treasurer Schmidt and Mr. Sandal will work with HRMS to begin the process; finalizing the advertisement, the job description, and any other paperwork or documentation that needs to be prepared prior to advertising for the position. The search will be broad based using various professional journals, regional newspapers, and Job Service ND. The anticipated salary range will be \$180,000 - \$220,000. The Search Committee's goal is to have an offer on the table by May 2013.

Westridge/WG Trading - Ms. Murtha requested the SIB enter into Executive Session pursuant to NDCC 44-04-19.1(2), NDCC 44-04-19.1(5), and NDCC 44-04-19.2 for the purposes of attorney consultation regarding the Westridge/WG Trading litigation.

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ENTER INTO EXECUTIVE SESSION FOR ATTORNEY CONSULTATION REGARDING THE WESTRIDGE/WG TRADING LITIGATION.

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 entered into Executive Session at 9:05 a.m.

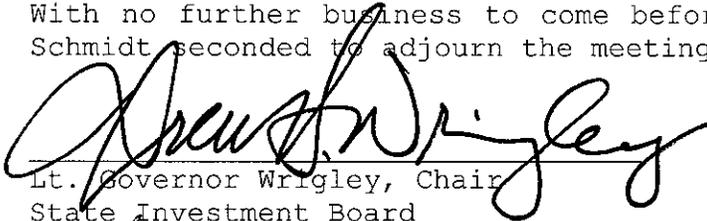
The following individuals participated by teleconference - Mr. Corneil, Mr. Toso, Commissioner Hamm, Mr. Gessner, Mr. Sage, and Lt. Governor Wrigley,

The following individuals were present at RIO - Mr. Erdmann, Treasurer Schmidt, Commissioner Gaebe, Mr. Sandal, Ms. Ternes, Mr. Schulz, Ms. Flanagan, Ms. Heit, Ms. Moszer, Ms. Kopp, and Ms. Murtha.

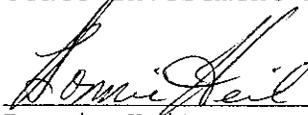
The Board exited the Executive Session at 9:13 a.m.

Ms. Murtha received instructions and input from the SIB to pass along to the appellate counsel, Jenner & Block, and K&L Gates at the district court level.

With no further business to come before the SIB, Ms. Ternes moved and Treasurer Schmidt seconded to adjourn the meeting at 9:16 a.m.



Lt. Governor Wrigley, Chair
State Investment Board



Bonnie Heit
Assistant to the Board