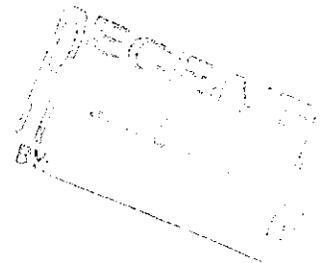


**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MAY 17, 2013, BOARD MEETING**



BOARD MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair
Mike Sandal, Vice Chair
Levi Erdmann, PERS Board
Lance Gaebe, Land Commissioner
Mike Gessner, TFFR Board
Bryan Klipfel, Workforce Safety & Insurance
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Bob Toso, TFFR Board

BOARD MEMBERS ABSENT: Clarence Corneil, TFFR Board
Adam Hamm, Insurance Commissioner

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
Fay Kopp, Interim Executive Director
Leslie Moszer, Compliance Officer
Darlene Roppel, Retirement Assistant
Darren Schulz, Interim CIO
Susan Walcker, Investment Accountant

OTHERS PRESENT: Weldee Baetsch, former PERS/SIB trustee
Paul Erlendson, Callan Associates
Kristina Kalebich, Calamos Advisors
Craig Mauri, Calamos Advisors
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 Friday, May 17, 2013, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. ERDMANN AND CARRIED ON A VOICE VOTE TO ACCEPT THE REVISED MAY 17, 2013, AGENDA.

AYES: TREASURER SCHMIDT, MR. SANDAL, MR KLIPFEL, MR. GESSNER, MR. ERDMANN, MR. TOSO, MR. SAGE, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, COMMISSIONER HAMM, MR. CORNEIL

MINUTES:

The minutes were considered from the April 26, 2013, meeting,

IT WAS MOVED BY MR. GESSNER AND SECONDED BY TREASURER SCHMIDT AND CARRIED ON A VOICE VOTE TO ACCEPT THE APRIL 26, 2013, MINUTES AS WRITTEN AND AMENDED.

AYES: MR. GESSNER, MR. SAGE, MR. KLIPFEL, TREASURER SCHMIDT, MR. TOSO, MR. ERDMANN, MR. SANDAL, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, COMMISSIONER HAMM, MR. CORNEIL

INVESTMENTS:

Calamos - Representatives Ms. Kristina Kalebich and Mr. Craig Mauri reviewed recent organizational changes within the firm and the firm's performance of the global opportunities equity mandate in the Pension Trust.

Mr. Erlendson and the SIB discussed Calamos' performance, changes in organizational structure, review of current fee structure, and Mr. Erlendson's observations from his March 19, 2013, onsite visit.

Mr. Schulz's recommendation is to follow-up with an additional onsite visit at which time he will bring back his recommendations to the SIB.

Performance Measurement - Mr. Erlendson reviewed the performance of the asset classes for the Pension Trust and Insurance Trust for the period ending March 31, 2013.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. SAGE AND CARRIED BY A VOICE VOTE TO ACCEPT THE CALLAN PERFORMANCE MEASUREMENT REPORTS FOR THE PENSION TRUST AND THE INSURANCE TRUST FOR THE QUARTER ENDING MARCH 31, 2013.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, MR. CORNEIL

The SIB recessed at 10:18 am and reconvened at 10:50 am.

Bank of North Dakota (BND) - Ms. Flanagan stated on May 10, 2013, a deposit of \$2,542,044.34 was received from the BND for the account corrections for the pension long treasury passive fixed income mandate. Staff is currently working with State Street to finalize a contract to manage the assets previously managed by the BND. Lt. Governor Wrigley recognized everyone involved for their hard work in resolving the issue.

GOVERNANCE:

Search Committee - Mr. Sandal updated the SIB on the Executive Director/Chief Investment Officer search. The SIB Search Committee selected Korn/Ferry International and a contract has been executed. Mr. Sandal reviewed a tentative timeline. Korn/Ferry will begin their work the week of May 20, 2013. The SIB Search Committee and SIB will be interviewed by Korn/Ferry the week of May 27, 2013, to review what has been done and determine the needs and the job specifications. The job specs are scheduled to be finalized the week of June 3, 2013, and Korn/Ferry will begin making calls to potential candidates. A progress report will be provided to the SIB at their June 28, 2013, meeting. Candidate first and second round interviews will be conducted by the Search Committee and are tentatively scheduled for the first two weeks of July. The Search Committee will narrow the field down to a reasonable number and those candidates will be

brought before the full SIB who will determine the finalist. Korn/Ferry will work with the SIB and the finalist to negotiate an offer of employment.

Mr. Sandal reiterated that any board member is welcome to attend any of the Search Committee meetings. The meetings will be noticed and are also open to the public.

Compensation Committee - Treasurer Schmidt reviewed the SIB's action from their April 26, 2013, meeting addressing compensation for the Deputy Chief Investment Officer (CIO), a non classified position. The SIB issued the Deputy CIO a base salary increase of 7%, effective July 1, 2013, and also granted a temporary Interim CIO salary increase of 20%, retroactive to April 1, 2013, which is also to be carried forward and applied to the new base salary that is in effect July 1, 2013.

The SIB discussed their authority to adjust compensation for this non classified position. NDCC 21-10-02 authorizes the SIB to appoint an Investment Director which gives the SIB the authority to adjust Mr. Schulz's compensation as Interim CIO. The 2013 Legislative Session, HB1015, specifically states compensation adjustments for regular non classified state employees is to be in a range of 3 to 5 percent for the first year of the biennium and in a range of 2 to 4 percent for the second year of the biennium based on market and documented performance.

After discussion,

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ISSUE MR. SCHULZ, INTERIM CIO, PERFORMANCE BASED SALARY INCREASES OF 2 PERCENT EFFECTIVE MAY 1, 2013, AND 5 PERCENT EFFECTIVE JULY 1, 2013.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, MR. CORNEIL

This motion clarifies and changes the SIB's motion from their April 26, 2013, meeting regarding compensation for Mr. Schulz to reflect the intent of HB1015 regarding compensation for non classified employees. The 20% temporary Interim CIO salary increase will stay in effect until the ED/CIO is appointed.

Contingency Funds - Ms. Flanagan requested authorization from the SIB to utilize funds from RIO's contingency line for the executive search contract for the 2011-13 and 2013-15 bienniums.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. TOSO TO AUTHORIZE STAFF TO UTILIZE CONTINGENCY LINE FUNDS FOR THE EXECUTIVE SEARCH CONTRACT FOR THE 2011-13 AND 2013-15 BIENNIUMS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, MR. CORNEIL

MONITORING REPORTS - The "watch list" report was presented to the SIB for their consideration.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. GESSNER TO ACCEPT THE "WATCH LIST" REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

OTHER:

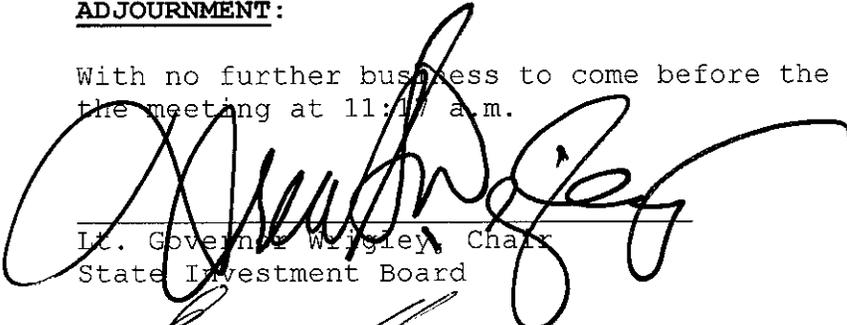
Ms. Flanagan informed the SIB Ms. Moszer is resigning from her position as Compliance Officer effective June 6, 2013. The SIB thanked Ms. Moszer for her contributions to RIO and wished her well.

The next SIB meeting is scheduled for June 28, 2013, at 8:30 am in the Peace Garden Room at the State Capitol.

The next Audit Committee meeting is scheduled for September 27, 2013, at 1:00 pm in the Peace Garden Room at the State Capitol.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 11:47 a.m.



Lt. Governor Wrigley, Chair
State Investment Board



Bonnie Heit
Assistant to the Board