

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
AUGUST 23, 2013, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Sandal, Vice Chair
Clarence Corneil, TFFR Board
Lance Gaebe, Land Commissioner (teleconference)
Mike Gessner, TFFR Board
Rob Lech, TFFR Board
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, Workforce Safety & Insurance
Tom Trenbeath, PERS Board

BOARD MEMBERS ABSENT: Adam Hamm, Insurance Commissioner
Drew Wrigley, Lt. Governor, Chair

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
Bonnie Heit, Assistant to the SIB
Fay Kopp, Interim Executive Director
Darren Schulz, Interim CIO

OTHERS PRESENT: Weldee Baetsch, former SIB/PERS trustee
Steve Center, Callan Associates
Bill Howard, Callan Associates
Jan Murtha, Attorney General's Office

CALL TO ORDER:

Mr. Sandal called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, August 23, 2013, in the Peace Garden Room, State Capitol, Bismarck, ND.

Commissioner Hamm was not in attendance due to a National Association of Insurance Commissioner's meeting.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE AUGUST 23, 2013, AGENDA.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. TRENBEATH, COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY

MINUTES:

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

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SAGE AND CARRIED ON A VOICE VOTE TO ACCEPT THE JULY 26, 2013, MINUTES AS WRITTEN.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, MS. TERNES, TREASURER SCHMIDT,
MR. LECH, MR. CORNEIL, MR. SANDAL
NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, MR. TRENBEATH, LT. GOVERNOR WRIGLEY

EDUCATION:

Fixed Income - Callan representatives reviewed the current environment, role, and potential strategies for fixed income. Mr. Schulz also referenced Callan's research paper "Anchor to Windward or Albatross? Sea Change in Fixed Income."

INVESTMENTS:

Global Equity - Mr. Schulz provided an update on his progress on restructuring the global equity portfolio in the Pension Trust. Mr. Schulz has been looking at the existing managers and structure to determine what still makes sense, analyzing the appropriate structure and number of managers, and identifying and determining options to reduce fees.

Mr. Schulz will be presenting his proposal to Callan Associate's Client Policy Review Committee sometime this fall. The purpose is to have the Committee look at the overall structure, determine what makes sense, and what would be the appropriate structure for the Pension Trust. Mr. Schulz's timeline is to bring back a recommendation to the SIB at their October meeting.

MONITORING REPORTS:

Pension Trust and Insurance Trust Performance Measurement - Callan representatives also reviewed the asset allocation, money manager performance, and total fund results for the Pension Trust and Insurance Trust for the period ending June 30, 2013, and also reviewed the economic and market environment for the same time period. Actual return for the period ending June 30, 2013 for the Pension Trust was 13.84% vs the target return of 11.73%; Insurance Trust 5.98% vs target return of 2.91%.

The SIB recessed at 10:20 a.m. and reconvened at 10:30 a.m.

Watch List - Mr. Schulz updated the SIB on the status of the managers currently placed on the "Watch List." Discussion followed on the purpose and timeline of the list. This item will be addressed at a future meeting to discuss formulizing the process once a manager is placed on the list.

Compliance Reports - Ms. Flanagan reviewed the following compliance reports for FY2013 for the SIB investment managers; Certification of Compliance with Investment Guidelines, Exceptions to Investment Guidelines, and SSAE 16 Reports.

IT WAS MOVED BY MR. CORNEIL AND SECONDED BY MR. GESSNER AND CARRIED ON A ROLL CALL VOTE TO ACCEPT THE MONITORING REPORTS FOR THE QUARTER ENDING JUNE 30, 2013.

AYES: MR. CORNEIL, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MR. TRENBEATH,
TREASURER SCHMIDT, MS. TERNES, MR. LECH, AND MR. SANDAL
NAYS: NONE

MOTION CARRIED**ABSENT: COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY**

Callan Contract - Mr. Schulz updated the SIB on the Callan contract. Mr. Schulz has been working with Callan to revise the current contract to more accurately reflect the needs of staff. Mr. Schulz and Callan representatives reviewed with the SIB proposed changes to the contract. Mr. Schulz is hoping to have a revised contract in place within the next couple of weeks.

GOVERNANCE:

Search Committee - Mr. Sandal updated the SIB on the Executive Director/Chief Investment Officer search. The Search Committee met on August 12, 2013, and interviewed two candidates. The Search Committee also met on August 22, 2013 to review the two candidates interviewed on August 12, 2013, and the three candidates interviewed on July 26, 2013. The Search Committee has decided to move the following three candidates forward for a second interview before the full SIB; Mr. Deric Righter, Mr. David Hunter, and Mr. Tim Viezer. The interviews will take place at the next regularly scheduled SIB meeting on September 27, 2013, at Workforce Safety & Insurance. Korn/Ferry representatives will also try and coordinate with RIO staff a visit by each of the candidates to the RIO office prior to their interview with the SIB.

OTHER:

The next SIB meeting is scheduled for September 27, 2013, at 8:30 am at Workforce Safety & Insurance, 1600 East Century, Bismarck.

The next SIB Audit Committee meeting is scheduled for September 27, 2013, at 1:00 pm at Workforce Safety & Insurance.

ADJOURNMENT:

With no further business to come before the SIB, Mr. Sandal adjourned the meeting at 11:15 a.m.


Mr. Sandal, Vice Chair
State Investment Board


Bonnie Heit
Assistant to the Board