

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MAY 23, 2014, BOARD MEETING**

BOARD MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair
Mike Sandal, Vice Chair
Lance Gaebe, Land Commissioner
Mike Gessner, TFFR Board
Adam Hamm, Insurance Commissioner (TLCF)
Rob Lech, TFFR Board
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, WSI designee
Kim Wassim, PERS Board

BOARD MEMBERS ABSENT: Clarence Corneil, Parliamentarian, TFFR Board

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Op Mgr
Bonnie Heit, Assist to the SIB
David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Cody Schmidt, Compliance Officer
Darren Schulz, Deputy CIO

OTHERS PRESENT: Weldee Baetsch, former PERS/SIB trustee
Paul Erlendson, Callan Associates
Bryan Reinhardt, PERS

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, May 23, 2014, at the State Capitol, Peace Garden Room, 600 E Boulevard, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 23, 2014, MEETING AS DISTRIBUTED.

AYES: COMMISSIONER GAEBE, TREASURER SCHMIDT, MR. SANDAL, COMMISSIONER HAMM, MS. TERNES, MR. GESSNER, MS. WASSIM, MR. LECH, MR. SAGE, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: MR. CORNEIL

MINUTES:

IT WAS MOVED BY MR. LECH AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO APPROVE THE APRIL 25, 2014, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. LECH, COMMISSIONER HAMM, MS. WASSIM, MR. SANDAL, AND LT. GOVERNOR WRIGLEY
 NAYS: NONE
 MOTION CARRIED
 ABSENT: MR. CORNEIL

INVESTMENTS:

Asset and Performance Overview - Mr. Hunter provided statistics for the period ending March 31, 2014. Client assets under management grew by \$1.45 billion (19.5%) between June 30, 2013 and March 31, 2014. The market value of client assets approximated \$8.9 billion (based on preliminary valuations). Net investment income was responsible for gains of over \$500 million (12%) for the Pension Trust and \$184 million (5.6%) for the Insurance Trust. The Legacy Fund assets increased by over \$735 million (61%) primarily due to tax collections.

Current fiscal year to date excess returns were positive for all non-liquidating Pension Trust clients and ranged from 0.17% to 0.47% with the Public Employees Retirement System (PERS) at 0.38% and the Teachers' Fund for Retirement at 0.47%. All Pension Trust clients generated positive excess returns for the 1, 3, and 5 year periods ended March 31, 2014 with two exceptions. PERS returns for the last 5 years were 0.18% below the policy benchmark (13.9% vs 14.1%). The Grand Forks Park District returns for the last 3 years were 0.1% below the policy benchmark (9.3% vs. 9.4%).

The Insurance Trust clients generated positive excess returns for the 1, 3, and 5 year periods ended March 31, 2014. Current fiscal year to date excess returns were generally positive and ranged from 1.0% to 1.9% with two exceptions. PERS Retiree Health and PERS Group Insurance were both below policy benchmark (0.03%). The Legacy Fund generated 1.18% of excess return (vs. policy benchmark) for the current fiscal year to date (4.2% vs. 3.0%), while Workforce Safety & Insurance posted 1.4% of excess return (8.3% vs. 6.9%).

Callan Associates - Mr. Erlendson provided a domestic economic update for the period ending March 31, 2014, and also provided performance analysis of the Pension Trust and Insurance Trust for the period ending March 31, 2014.

The Board recessed at 10:09 and reconvened at 10:20 am

Return Definitions - Mr. Schulz reviewed various ways to calculate performance measurement and where each method is applicable and where it is not applicable. Mr. Schulz also reviewed some enhancements staff is contemplating utilizing with respect to performance reporting.

GOVERNANCE:

Workforce Safety & Insurance - Mr. Hunter and Ms. Ternes presented a revised Investment Policy Statement for the Workforce Safety & Insurance Fund as a result of the asset allocation study completed in April 2014.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT POLICY STATEMENT FOR THE WORKFORCE SAFETY & INSURANCE FUND.

AYES: MS. WASSIM, COMMISSIONER GAEBE, MR. GESSNER, COMMISSIONER HAMM, MR. SAGE, MR. SANDAL, TREASURER SCHMIDT, MS. TERNES, MR. LECH, AND LT. GOVERNOR WRIGLEY
 NAYS: NONE

MOTION CARRIED

ABSENT: MR. CORNEIL

Staff Update - Mr. Hunter provided an update on office staff. Mr. Richard Nagel assumed the role of Information System's Supervisor effective April 1, 2014, and Mr. Michael DeWitt assumed the role of Data Processing Coordinator effective April 28, 2014.

Applications for the Audit Supervisor position were reviewed after the closing date of March 18, 2014. After reviews and interviews, the position will be posted again in June 2014.

Staff is working with HRMS on the proper classification for the Investment Analyst position which is scheduled to be posted in June.

Board Education - Mr. Hunter reviewed proposed educational topics for the SIB which will be incorporated into the regularly scheduled meetings of the SIB.

OTHER:

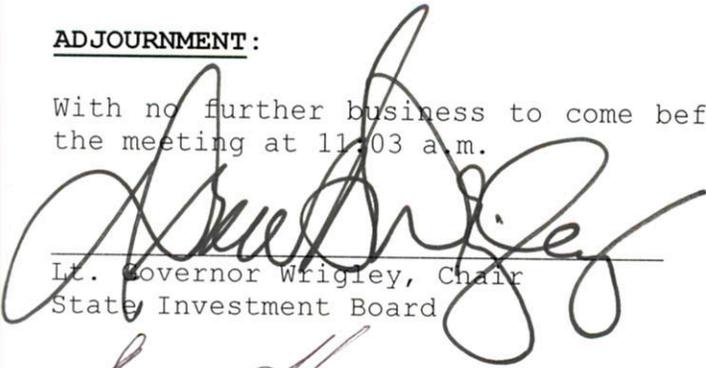
Mr. Sage stated the May 23, 2014, meeting will be his last meeting representing PERS on the SIB. Mr. Sage's term concludes on June 30, 2014, and he has decided to not seek reappointment. Mr. Sage has served on the SIB since July 19, 1989, representing the PERS active members and then retired members. The SIB thanked Mr. Sage for his many years of service and wished him well.

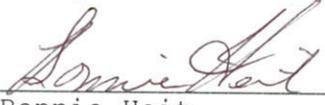
The next SIB meeting is scheduled for June 27, 2014, at 8:30 am in the Peace Garden Room, State Capitol, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for May 23, 2014, at 1:00 pm in the Peace Garden Room, State Capitol, Bismarck, ND.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 11:03 a.m.


 Lt. Governor Wrigley, Chair
 State Investment Board


 Bonnie Heit
 Assistant to the Board