

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MAY 22, 2015, BOARD MEETING**

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
Mel Olson, TFFR Board
Yvonne Smith, PERS Board
Cindy Ternes, WSI designee
Tom Trenbeath, PERS Board

MEMBERS ABSENT: Kelly Schmidt, State Treasurer

STAFF PRESENT: Eric Chin, Investment Analyst
Connie Flanagan, Fiscal & Invt Op Mgr
Bonnie Heit, Assist to the SIB
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRO
Terra Miller-Bowley, Supvr Audit Services
Cody Schmidt, Compliance Officer
Darren Schulz, Dep CIO

OTHERS PRESENT: Sarah Angus, Callan Associates
Paul Erlendson, Callan Associates
Clair Ness, 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 22, 2015, at the State Capitol, Peace Garden Room, Bismarck, ND.

AGENDA:

IT WAS MOVED BY MR. LECH AND SECONDED BY MS. SMITH AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MAY 22, 2015, MEETING AS DISTRIBUTED.

AYES: COMMISSIONER GAEBE, MR. SANDAL, MR. OLSON, MS. TERNES, MR. GESSNER, MR. TRENBEATH, MR. LECH, MS. SMITH, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER HAMM

MINUTES:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. TRENBEATH AND CARRIED ON A VOICE VOTE TO APPROVE THE APRIL 24, 2015, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MS. SMITH, MS. TERNES, MR. LECH, MR. OLSON, MR. TRENBEATH, MR. SANDAL, AND LT. GOVERNOR WRIGLEY

NAYS: NONE
MOTION CARRIED
ABSENT: TREASURER SCHMIDT, COMMISSIONER HAMM

INVESTMENTS

Asset and Performance Overview - Mr. Hunter updated the SIB on the status of the portfolios they manage on behalf of their clients. Highlights as of March 31, 2015 - assets under management grew by approximately 19 percent or \$1.66 billion in the last year.

The Pension Trust posted a net return of over 6.5 percent with gains of \$293 million. All Pension Trust clients generated positive excess returns for the 1, 3, and 5 year periods ended March 31, 2015.

The Insurance Trust generated a net return of 5.4 percent with gains of \$233 million. All Insurance Trust's clients generated positive excess returns for the 3 and 5 year periods ended March 31, 2015.

The Legacy Fund's net return was 5.7 percent and assets increased by 66 percent or \$1.3 billion for the year ended March 31, 2015.

SIB client assets, based on unaudited valuations, exceeded \$10.5 billion as of March 31, 2015.

Callan Associates Report - Mr. Erlendson provided Callan's insight on the economic and market environment for the period ended March 31, 2015.

Commissioner Hamm joined the meeting by teleconference.

Mr. Erlendson also reviewed the consolidated Pension Trust and Consolidated Insurance Trust performance for the period ending March 31, 2015.

IT WAS MOVED BY COMMISSIONER GAEBE AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT THE CALLAN REPORT AS PRESENTED.

AYES: MR. OLSON, MR. TRENBEATH, COMMISSIONER GAEBE, MR. GESSNER, COMMISSIONER HAMM, MS. SMITH, MR. SANDAL, MS. TERNES, MR. LECH, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

ABSENT: TREASURER SCHMIDT

Executive Session

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. TRENBEATH AND CARRIED BY A VOICE VOTE TO MOVE INTO EXECUTIVE SESSION PER NDCC §44-04-19.1(9) AND NDCC §44-04-19.2 TO DISCUSS THE SPRINGBANK AGREEMENT.

AYES: MS. SMITH, MR. SANDAL, MR. OLSON, MR. GESSNER, MR. LECH, MR. TRENBEATH, MS. TERNES, COMMISSIONER HAMM, COMMISSIONER GAEBE, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT

The SIB entered into Executive Session at 9:25 a.m. The SIB, Ms. Ness, Callan Associates representatives, and RIO personnel were present.

The SIB exited Executive Session at 10:07 a.m.

IT WAS MOVED BY MR. TRENBEATH AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO ACCEPT THE FOLLOWING STAFF RECOMMENDATIONS: (1) ACCEPT CALLAN'S RECOMMENDATION TO EXTEND AND REVISE THE TERMS OF THE SPRINGBANK AGREEMENT; (2) AUTHORIZE RIO TO FINALIZE THE REVISED TERMS THROUGH SEPTEMBER 30, 2022.

AYES: MR. TRENBEATH, MR. OLSON, COMMISSIONER GAEBE, MR. LECH, MR. SANDAL, COMMISSIONER HAMM, MR. GESSNER, MS. SMITH, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT

The SIB recessed at 10:09 a.m. and reconvened at 10:20 a.m.

GOVERNANCE

Legislative Update - Mr. Hunter updated the SIB on legislation affecting RIO. SB2022 which contains the biennial appropriation for RIO and the Public Employees Retirement System (PERS) was not approved by the 64th Legislative Assembly prior to the adjournment of the session. The bill had a number of amendments relating to PERS which were adopted by the Government Operations Sub-committee of the House Appropriations Committee. No amendments were adopted that affected RIO.

RIO and PERS requested the Attorney General provide an opinion on whether and to what extent the agencies are authorized to make expenditures during the next biennium. Both entities believe the opinion will be issued by the end of the biennium. After discussion,

IT WAS MOVED BY COMMISSIONER GAEBE AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO AUTHORIZE STAFF TO SUBMIT AN APPLICATION TO THE EMERGENCY COMMISSION FOR ADDITIONAL FUNDING DURING THE NEXT BIENNIUM SO AS TO ALLOW RIO TO CONTINUE OPERATING UNDER NORMAL CONDITIONS UNTIL FURTHER NOTICE.

AYES: MS. TERNES, MR. OLSON, COMMISSIONER HAMM, COMMISSIONER GAEBE, MR. TRENBEATH, MR. LECH, MR. SANDAL, MS. SMITH, MR. GESSNER, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT

Mr. Hunter also commented on the meetings with the ND Bankers Association (NDBA) representatives. The SIB's due diligence questionnaire was provided to the NDBA to allow North Dakota based investment firms an opportunity to elaborate on their backgrounds; specifically the firm's history, experience, size, and performance. The questionnaire is generally completed by all SIB investment managers on an annual basis. The information will serve to develop a better understanding of the North Dakota based investment firm's qualifications, experience, and areas of strength. Staff and Callan will be working with the North Dakota investment firms and applying all of the due diligence processes that are relevant to any investment manager of the SIB.

Audit Committee Report - Ms. Miller Bowley updated the SIB on the Audit Committee's activities as of May 21, 2015.

IT WAS MOVED BY MR. TRENBEATH AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUDIT REPORT AS PRESENTED.

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

Governance Review - The Board received the second reading of the "Ends" policies. There were no modifications made to the policies. No action was taken.

The Board received the first reading of the "Investments" policies. The policies will be presented for a second reading at the next meeting.

MONITORING:

A "Watch List" as of March 31, 2015, was provided to the SIB. No action was taken.

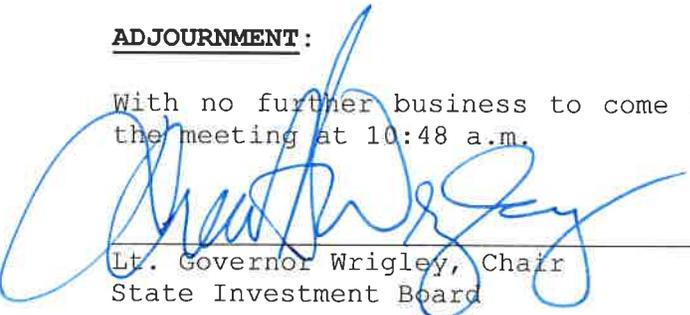
OTHER:

Next scheduled meetings:

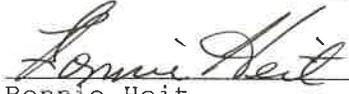
SIB Meeting - June 26, 2015, 8:30 a.m. - State Capitol, Peace Garden Room
SIB Audit Committee Meeting - September 25, 2015, 1:00 p.m. - State Capitol, Peace Garden Room

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 10:48 a.m.



Lt. Governor Wrigley, Chair
State Investment Board



Bonnie Heit
Assistant to the Board