

NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
JUNE 26, 2015, BOARD MEETING

**MEMBERS PRESENT:** Drew Wrigley, Lt. Governor, Chair  
Mike Sandal, Vice Chair  
Lance Gaebe, Land Commissioner (TLCF)  
Kim Franz, TFFR Board  
Adam Hamm, Insurance Commissioner (TLCF)  
Rob Lech, TFFR Board  
Mel Olson, TFFR Board  
Kelly Schmidt, State Treasurer  
Yvonne Smith, PERS Board  
Cindy Ternes, WSI designee  
Tom Trenbeath, PERS Board

**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

**CALL TO ORDER:**

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, June 26, 2015, at the State Capitol, Peace Garden Room, Bismarck, ND.

**AGENDA:**

IT WAS MOVED BY MS. TERNES AND SECONDED BY TREASURER SCHMIDT AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JUNE 26, 2015, MEETING AS DISTRIBUTED.

AYES: COMMISSIONER HAMM, MS. TERNES, MS. FRANZ, MS. SMITH, MR. SANDAL, MR. LECH, MR. OLSON, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, MR. TRENBEATH

**MINUTES:**

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. LECH AND CARRIED ON A VOICE VOTE TO APPROVE THE MAY 22, 2015, MINUTES AS DISTRIBUTED.

AYES: MS. FRANZ, COMMISSIONER GAEBE, MS. SMITH, TREASURER SCHMIDT, MR. LECH, COMMISSIONER HAMM, MR. OLSON, MR. SANDAL, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: MR. TRENBEATH

INVESTMENTS

Asset and Performance Overview - Mr. Hunter updated the SIB on the status of the portfolios they manage on behalf of their clients as of April 30, 2015. Assets under management grew by approximately 19 percent or \$1.67 billion. The SIB's client assets, based on unaudited valuations, currently exceed \$10.6 billion. The Pension Trust posted a net return of 7.3 percent with gains of \$327 million. The Insurance Trust generated a net return of 4.9 percent with gains of \$217 million. The Legacy Fund's net return was 6.1 percent and assets increased by \$1.3 billion.

Mr. Hunter also briefed the board on strategic initiatives as of June 19, 2015.

Tobacco Prevention and Control Trust Fund - Mr. Hunter presented an investment policy statement for the Tobacco Prevention and Control Trust Fund (TPC Fund) for the board's consideration and acceptance. Discussion was held on the TPC Fund's non-tobacco investment restriction.

After discussion, the investment policy statement was tabled until further clarification is received from the client regarding their investment objectives.

ND Bankers Association - Mr. Hunter stated staff continues to work with the ND Bankers Association to obtain an understanding of the investment services offered by North Dakota firms. RIO has received due diligence questionnaires from five firms. RIO, in conjunction with Callan Associates, will be reviewing the questionnaires in the coming months.

Springbank - Mr. Hunter updated the board on contract negotiations with Timberland Investment Resources (TIR). RIO and TIR mutually agreed to reasonable business terms for the Springbank property and extended the contract to 2022. Mr. Hunter also reviewed key points of the contract.

GOVERNANCE

Governance Policy Review - The Board received the second reading of the "Investments" policies section. Mr. Hunter clarified the section on proxy voting as a result of the first reading of the policies. Exhibit E-II was amended to include Ms. Kopp.

The Board received the first reading of the "Bylaws" policies. The policies will be presented for a second reading.

Discussion was held on transparency and how important it is for the public to be able to easily access information regarding the investment program of the SIB. RIO will review the information they currently house on the agency website and determine what and if any changes need to be made.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. TRENBEATH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE SECOND READING OF THE INVESTMENTS POLICIES SECTION AS AMENDED.**

**AYES: MR. OLSON, MS. FRANZ, MR. SANDAL, MS. SMITH, MR. TRENBEATH, MS. TERNES, COMMISSIONER HAMM, COMMISSIONER GAEBE, MR. LECH, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY**

**NAYS: NONE**

**MOTION CARRIED**

**ADMINISTRATION**

Legislative Update - Mr. Hunter stated both the Legislative Assembly and the Governor approved RIO's budget, SB2022. He also stated an application was prepared to be submitted to the Emergency Commission in the event RIO's budget was not finalized but events did not warrant submission of the application.

The SIB expressed their gratitude to the staff of the Attorney General's Office in releasing an expedited opinion on whether or not the Public Employees Retirement System and the Retirement and Investment Office are authorized to make expenditures during the 2015-17 biennium without a biennial appropriation approved by the Legislature.

Staff Update - Mr. Hunter informed the board RIO's Data Processing Coordinator position was vacated on May 29, 2015, and staff is in the process of seeking a qualified candidate to fulfill the agency's needs.

Board Offsite - Mr. Hunter reminded the board that the next meeting of the SIB will entail a review of Pension Governance by Mr. Keith Ambachtsheer of KPA Advisory Services at the University of Mary. An invitation will also be extended to the Teachers' Fund for Retirement Board, Public Employees Retirement System Board, and Workforce Safety & Insurance Board.

Executive Review - The Executive Review Committee, Mr. Lech, Chair, Ms. Ternes, and Mr. Sandal, met on June 22, 2015, and finalized their recommendation regarding a compensation increase for Mr. Hunter. The Committee recommended an increase of 7 percent for an annual salary of \$224,700 effective July 1, 2015. The Committee took into consideration Mr. Hunter's salary, which has remained at \$210,000 since beginning his position as the Executive Director/CIO of RIO on December 2, 2013.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE RECOMMENDATION OF THE EXECUTIVE REVIEW COMMITTEE.**

**AYES: MS. TERNES, MR. OLSON, COMMISSIONER HAMM, TREASURER SCHMIDT, COMMISSIONER GAEBE, MR. TRENBEATH, MR. LECH, MR. SANDAL, MS. SMITH, MS. FRANZ, AND LT. GOVERNOR WRIGLEY**

**NAYS: NONE**

**MOTION CARRIED**

Lt. Governor Wrigley thanked Mr. Lech, Ms. Ternes, and Mr. Sandal for serving on the Committee.

Lt. Governor Wrigley, on behalf of the SIB, thanked Mr. Hunter for his support and cooperation during the evaluation process and for all that he does on behalf of the board.

**OTHER:**

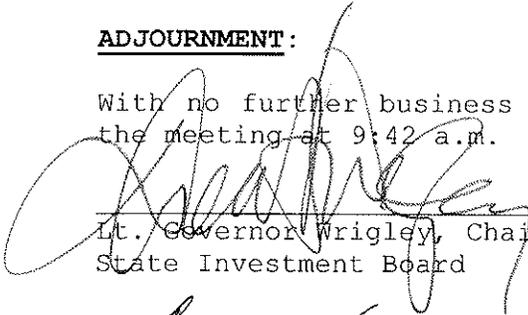
Next scheduled meetings:

SIB Meeting - July 24, 2015, 8:30 a.m. - University of Mary

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

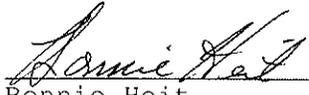
ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 9:42 a.m.



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Lt. Governor Wrigley, Chair  
State Investment Board



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Bonnie Heit  
Assistant to the Board