

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
MARCH 18, 2016, BOARD MEETING**

**MEMBERS PRESENT:**

Mike Sandal, Vice Chair  
Lance Gaebe, Commissioner of Trust Lands  
Mike Gessner, TFFR Board  
Rob Lech, TFFR Board  
Mel Olson, TFFR Board  
Kelly Schmidt, State Treasurer  
Yvonne Smith, PERS Board  
Cindy Ternes, WSI designee  
Tom Trenbeath, PERS Board

**MEMBERS ABSENT:**

Drew Wrigley, Lt. Governor, Chair  
Adam Hamm, Insurance Commissioner

**STAFF PRESENT:**

Eric Chin, Investment Analyst  
Bonnie Heit, Assist to the SIB  
David Hunter, ED/CIO  
Terra Miller Bowley, Supvr Audit Services  
Cody Schmidt, Compliance Officer  
Darren Schulz, Dep CIO  
Susan Walcker, Invt Acct

**GUESTS PRESENT:**

Asha Bangalore, Northern Trust  
Lynn Baranski, BlackRock  
Linda Chaffin, Pathway  
Leo Chenette, BlackRock  
Levi Erdmann, Dept. of Trust Lands  
Jeff Engleson, Dept. of Trust Lands  
Patti Koulouris, Northern Trust  
Jan Murtha, Attorney General's Office  
Leo Pham, BlackRock  
Jim Reinhardt, Pathway  
Gary Robertson, Callan Associates  
Wayne Smith, Pathway

**CALL TO ORDER:**

Mr. Sandal called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, March 18, 2016, at the State Capitol, Peace Garden Room, Bismarck, ND.

**AGENDA:**

IT WAS MOVED BY MR. TRENBEATH AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MARCH 18, 2016, MEETING AS DISTRIBUTED.

AYES: COMMISSIONER GAEBE, TREASURER SCHMIDT, MR. OLSON, MS. TERNES, MR. GESSNER, MR. TRENBEATH, MR. LECH, MS. SMITH, AND MR. SANDAL

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY

MINUTES:

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. TRENBEATH AND CARRIED ON A VOICE VOTE TO ACCEPT THE FEBRUARY 26, 2016, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MS. SMITH, MS. TERNES, TREASURER SCHMIDT, MR. LECH, MR. OLSON, MR. TRENBEATH, AND MR. SANDAL

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY

INVESTMENTS:

Private Equity - Mr. Hunter briefed the board on the course of action that took place on the search for an additional firm to complement the SIB's existing partnership with Adams Street Partners. RIO personnel initially identified 12 potential private equity candidates. RIO personnel and Callan Associates selected BlackRock, Pantheon, and Pathway and after on-site visits and additional analysis and due diligence, RIO personnel narrowed the field down to two semi-finalists, Blackrock and Pathway.

The SIB heard presentations from Blackrock and Pathway. The two semi-finalists were sequestered per NDCC 44.04.19.2 subsection 6.

The Board recessed at 10:15 a.m. and reconvened at 10:26 a.m.

Discussion took place on the two semi-finalists. RIO personnel recommended that the SIB engage BlackRock to build and manage a customized Global Core Private Equity Program for the Pension Trust. RIO personnel are basing their recommendation on the fact that Blackrock offers comprehensive access to premier investments across primaries, secondary's, and co-investments, as well as the technical expertise and investment know how necessary to build and manage a successful customized fund of funds program.

IT WAS MOVED BY MR. TRENBEATH AND SECONDED BY MR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT STAFF RECOMMENDATION AND ALLOCATE \$100 MILLION TO BLACKROCK.

AYES: TREASURER SCHMIDT, MR. GESSNER, MS. TERNES, COMMISSIONER GAEBE, MS. SMITH, MR. LECH, MR. TRENBEATH, MR. OLSON, AND MR. SANDAL

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY

Northern Trust - Ms. Bangalore provided an overview of the global economy.

Ms. Koulouris reviewed the securities lending program. As of August 2015, earnings of \$631,203 have been realized. The SIB has a revenue split agreement of 80/20 with Northern Trust.

Ms. Koulouris also reviewed Northern Trust's securities litigation program. Northern Trust oversees class actions on behalf of the SIB both in the US and internationally.

Investment Policy Statements - Mr. Hunter reviewed Investment Policy Statements (IPS) revised by the City of Bismarck Police Pension Plan, City of Bismarck Employee Pension Plan, Insurance Regulatory Trust Fund, Petroleum Tank Release Compensation Fund, Bonding Fund, and Fire and Tornado Fund. For consistency purposes, staff requested the entities consider adopting the same performance metrics as the other SIB clients. The changes are formative in nature and do not include any asset allocation changes. Mr. Hunter stated the clients were in agreement and have adopted the suggested investment performance objectives.

**IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISED INVESTMENT POLICY STATEMENTS FOR THE CITY OF BISMARCK POLICE PENSION PLAN, CITY OF BISMARCK EMPLOYEE PENSION PLAN, INSURANCE REGULATORY TRUST FUND, PETROLEUM TANK RELEASE COMPENSATION FUND, BONDING FUND, AND FIRE AND TORNADO FUND.**

**AYES: MS. SMITH, MR. OLSON, MR. GESSNER, MR. LECH, MR. TRENBEATH, MS. TERNES, COMMISSIONER GAEBE, TREASURER SCHMIDT, AND MR. SANDAL**

**NAYS: NONE**

**MOTION CARRIED**

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

**ADMINISTRATION:**

Executive Review Committee - Mr. Sandal, Chair of the Executive Review Committee, stated the Executive Review Committee met on March 16, 2016, and reviewed the processes and assessment tool utilized the previous year for the evaluation of the Executive Director/CIO. The Committee felt comfortable with the process and assessment tool and provided the evaluation questions to the SIB as well as survey results by RIO personnel. RIO personnel are given the opportunity to evaluate the Executive Director in December of each year in the areas of leadership, communication, and valuing employees. A second survey completed in January of each year is more broad based and focuses on environment and compensation, etc.

Ms. Miller Bowley will administer the survey to the SIB. If a SIB member needs clarification on a question, Ms. Miller Bowley will address those questions. Mr. Lech encouraged the SIB to provide an explanation if a rating of Exceeds Expectations or Does Not Meet Expectations is given.

The Executive Review Committee's next meeting is scheduled for April 13, 2016. The survey results will be reviewed with the Committee's final report given at the SIB's May 27, 2016, meeting.

**BOARD EDUCATION:**

The Board continued their review of "A Primer for Investment Trustees." Mr. Hunter reviewed Section 6, Investment Assets.

**OTHER:**

The next meeting of the SIB is scheduled for April 22, 2016, at 8:30 a.m. in the Peace Garden Room.

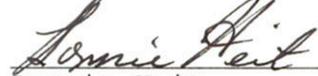
The next meeting of the SIB Audit Committee is scheduled for May 19, 2016, at 3:00 p.m. in the Peace Garden Room.

**ADJOURNMENT:**

With no further business to come before the SIB, Mr. Sandal adjourned the meeting at 11:41 a.m.



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Mr. Sandal, Vice Chair  
State Investment Board



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Bonnie Heit  
Assistant to the Board