

# State Investment Board Update

## Employee Benefits Programs Committee

June 7, 2012

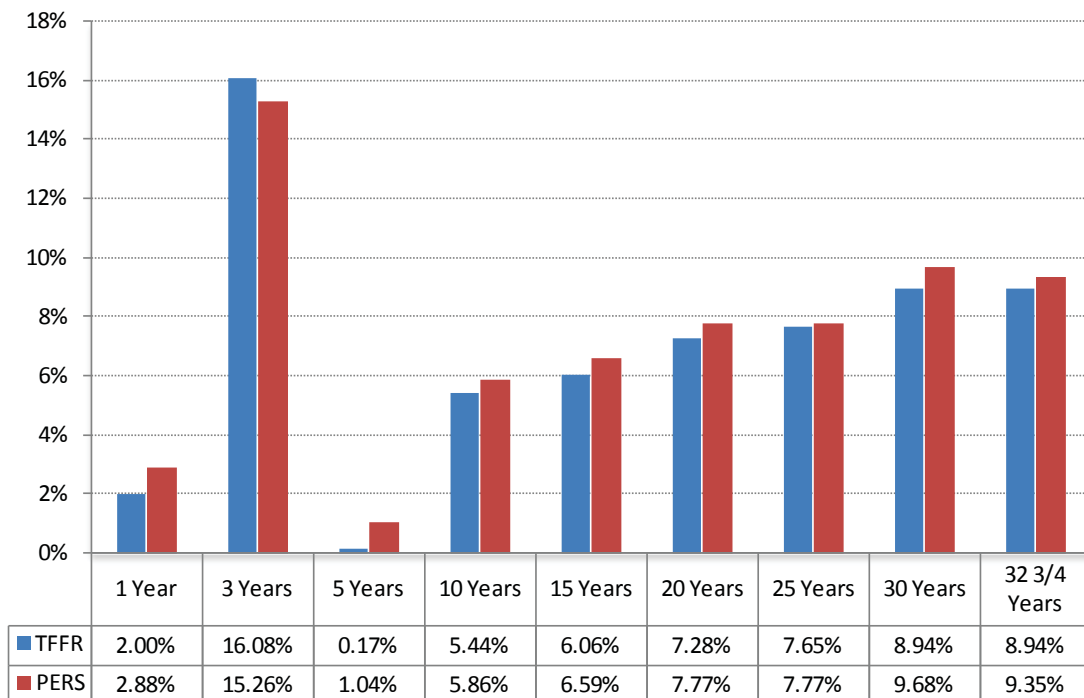
Darren Schulz

Interim Chief Investment Officer

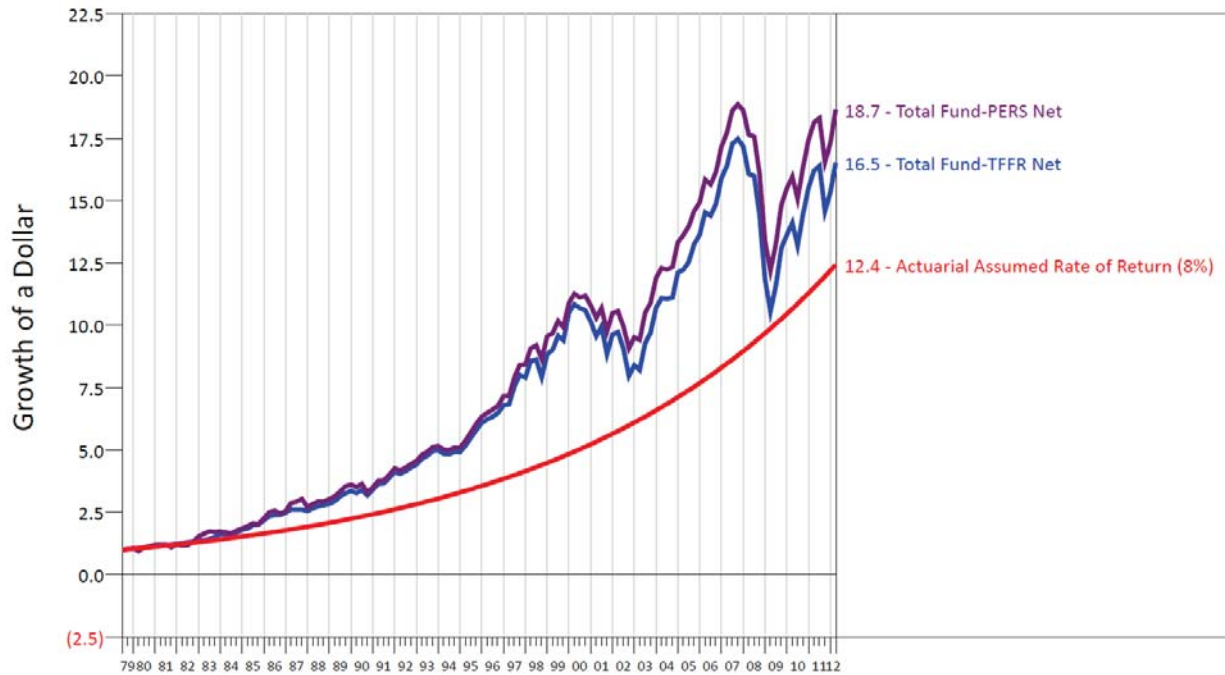
ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

### Net Investment Performance – Annualized For Periods Ended March 31, 2012 (estimated)



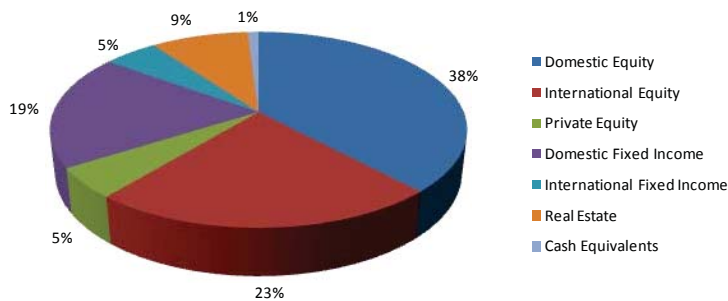
## Growth of Dollar – Since Inception Period Ending March 31, 2012



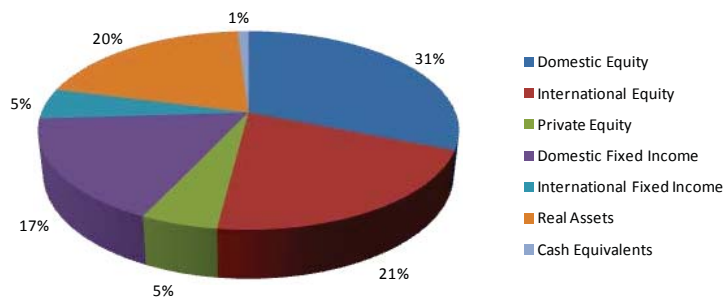
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## TFFR Target Asset Allocation

Former Target

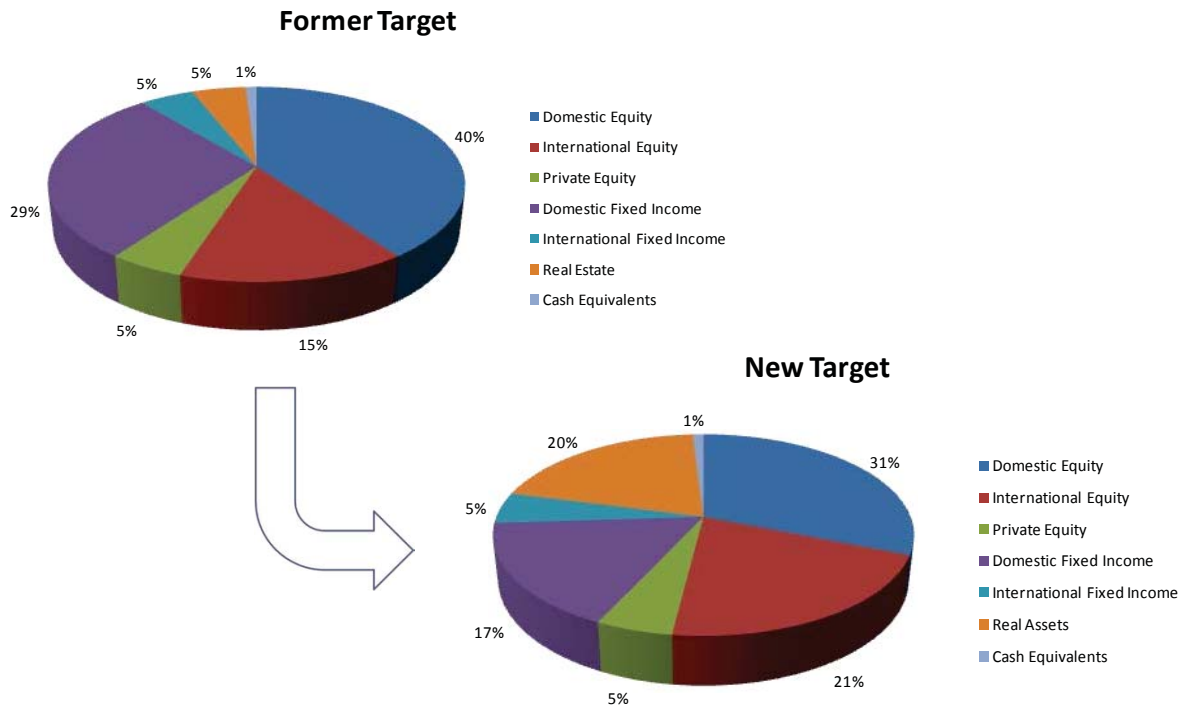


New Target



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## PERS Target Asset Allocation



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## Recent SIB Activity

- New asset allocation framework adopted by PERS, TFFR and other pension clients
- Commitment to real assets increased, providing greater diversification and expected inflation protection
- Fixed income allocation restructured to deliver enhanced risk-adjusted returns
- Performance monitoring process enhanced to evaluate the risk-adjusted performance of portfolios
- Global equity mandate structure is currently being reviewed and a restructuring is anticipated this Fall

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## Estimated Fiscal Year 2012 Returns – Net of Fees Through March 31, 2012

	<b>TFFR</b>	<b>PERS</b>
Total Fund	0.78%	1.95%
Policy Benchmark	0.75%	2.79%

S&P 500	8.43%
MSCI EAFE	-7.22%
MSCI Emerging Markets	-7.74%
BarCap Aggregate	5.30%

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## Returns for Key Indices Ranked in Order of Performance Periods Ending March 31, 2012

MSCI:Emer Markets	Barclays:Aggr Bd	MSCI:Emer Markets	Barclays:Aggr Bd	MSCI:Emer Markets
<b>14.1%</b>	<b>7.7%</b>	<b>25.4%</b>	<b>6.2%</b>	<b>14.5%</b>
Russell:3000 Index	Russell:3000 Index	Russell:3000 Index	MSCI:Emer Markets	Barclays:Aggr Bd
<b>12.9%</b>	<b>7.2%</b>	<b>24.3%</b>	<b>5.0%</b>	<b>5.8%</b>
MSCI:EAFE US\$	MSCI:EAFE US\$	MSCI:EAFE US\$	Russell:3000 Index	MSCI:EAFE US\$
<b>10.9%</b>	<b>(5.8%)</b>	<b>17.1%</b>	<b>2.2%</b>	<b>5.7%</b>
Barclays:Aggr Bd	MSCI:Emer Markets	Barclays:Aggr Bd	MSCI:EAFE US\$	Russell:3000 Index
<b>0.3%</b>	<b>(8.5%)</b>	<b>6.8%</b>	<b>(3.5%)</b>	<b>4.7%</b>

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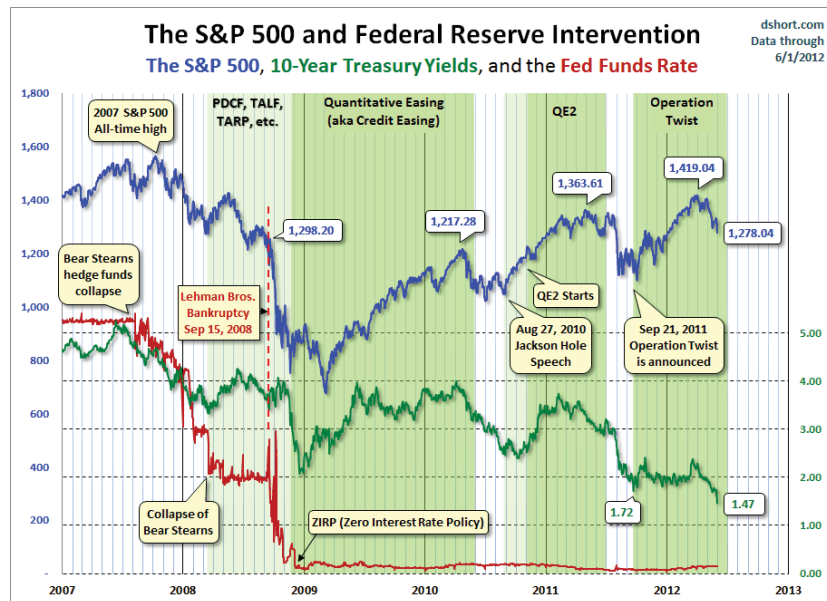
## Current Investment Climate

- ▶ Financial markets remain highly dependent on global monetary and fiscal policies.
- ▶ Central banks have been aggressively combating deflation and slower growth, but it remains to be seen when the world is ready to shift into a self-reinforcing economic expansion.
- ▶ Given this backdrop, investors are highly nervous and attuned to any signs of negative news.
- ▶ Risky asset prices will depend upon the gravitational effects of a disorderly situation in the Eurozone, economic growth in the U.S. and China, and further intervention by central banks.

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## Federal Reserve Intervention and the Market

- ▶ The Fed's Zero Interest Rate policy now in its fourth year.
- ▶ A veritable alphabet soup of tactical strategies intended to stave off economic disaster were also launched.
- ▶ Expectations of further Fed easing have risen significantly in recent weeks, as the U.S. labor market has weakened and the events in Europe have tightened financial conditions.



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## Deleveraging Dynamics

- ▶ The economic recovery in developed markets has been hampered by a painful process of reversing public and private sector 'over-indebtedness'.
- ▶ It takes a considerable period of time for balance sheet problems to be worked out, through a combination of paying back the debt, default, money printing and inflation.

### Country balance sheet disorders: the US is addressing private-sector indebtedness

Has deleveraging finished?	Household Sector	Corporate Sector	Banking Sector	Government Sector
United States	No	Yes	Yes	No
Germany	Yes	Yes	Partial	Yes
United Kingdom	No	Yes	Partial	Partial
France	Yes	Yes	Partial	Partial
Italy	Yes	Yes	No	No
Spain	No	Partial	No	No

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## Westridge/WG Trading Update

- ▶ The SIB, with other investor-victims, have appealed the Receiver's initial distribution of the Westridge/WG Trading assets.
- ▶ Oral arguments on the appeal were held by the Second Circuit on May 16, 2012. A decision by the court is pending.

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## Contact Information

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