

**REGULAR MEETING OF THE
MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

Special Meeting of the Board

**2401 Colonial Drive, 3rd Floor
Helena, Montana**

Friday, January 10, 2003

AGENDA

I. CALL TO ORDER 11:00 a.m.

II. INVESTMENT ACTIVITY

A. Investment Performance, Asset Allocation, Indexing

III. ADJOURNMENT 1:00 p.m.

The Board of Investments makes reasonable accommodations for any known disability that may interfere with a person's ability to participate in public meetings. Persons needing an accommodations must notify the Board (call 444-0001) or write to P.O. Box 200126, Helena, Montana 59620) no later than three days prior to the meeting to allow adequate time to make needed arrangements.

**MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

**2401 Colonial Drive, 3rd Floor
Helena, Montana**

**Special Meeting of the Board
January 10, 2003**

MINUTES

BOARD MEMBERS PRESENT:

Dick Anderson, Chairman
Douglas Bardwell
Dennis Beams
Karen Fagg
Jay Klawon
Tim Ryan
Calvin Wilson

BOARD MEMBERS ABSENT:

Maureen Fleming
Joel Long

STAFF PRESENT:

Robert T. Bugni, CFA, Senior Investment Officer
Richard Cooley, CFA, Assistant Investment Officer
Kimberly Dallas, Program Assistant
Bobbi Ecklund, Investment Analyst
David Ewer, Senior Portfolio Manager
Edward Kelly, Assistant Investment Officer
Rande Muffick, CFA, Assistant Investment Officer
Adam Nelson, Investment Analyst
James R. Penner, CFA, Chief Investment Officer
John Romasko, Investment Analyst
Paul Runnalls, Investment Analyst
Carroll V. South, Executive Director
Dan Stevens, Investment Analyst
Steve Strong, Investment Analyst
Lon Whitaker, Investment Analyst

GUESTS:

Mr. Dale Taliaferro, President, Association of Montana Retired Public Employees

CALL TO ORDER

Chairman Anderson called the Special Meeting of the Board of Investments (Board) to order at 11:10 a.m. in the conference room at 2401 Colonial Drive, 3rd Floor, Helena, Montana. As noted above, the meeting convened with seven members of the Board present. Member Fleming and Member Long were not present.

INVESTMENT ACTIVITY

Chairman Anderson opened the meeting with the topic of discussion to be Investment Performance, Asset Allocation and Indexing.

Mr. Penner gave the Board an extensive overview of the Montcomp Performance, Asset Allocation and Indexing.

Mr. Penner reported that the investment policy statement approved by the Board in June 2002 for retirement funds shows a total allocation to Equities in the range of 60-70% with a midpoint target of 65%. Within the total Equity portfolio, Domestic Equity is targeted at 45%, International Equity at 12%, and Private Equity at 7%.

The approved allocation for Domestic Equity at 45% is targeted to be 1/3 indexed and 2/3 actively managed by June 2005. Currently, the Domestic Equity portfolio is 20% indexed and 80% actively managed. Conclusion of the RFP process for an enhanced non-large cap domestic equity product, if approved by the Board January 30th, will accelerate indexation of the Domestic Equity portfolio.

Additional allocation of \$15 million to the S & P 500 Index Fund totaling is made monthly transferring \$10 million from Montcomp and taking \$5 million from cash (Fixed Income). The market value of the S & P 500 Index Fund investments at December 31, 2002 was \$421 million.

The current investment staff is better trained and more knowledgeable than ever before making staff better equipped to add portfolio value by executing approved investment strategies.

The Board recognizes that the current market environment is in a period of tremendous change for the investments of stocks and bonds. Investment strategies cannot change with each national or international event but should be well thought out given reasonable expectations and appropriately executed as approved by the Board.

The Chief Investment Officer encouraged board members to continue the open dialogue regarding investment strategies, agreed to provide more training and educational opportunities for board members and acknowledged the need to improve on communicating investment performance.

NEXT MEETING

The next regularly scheduled meeting of the Board will be January 30, 2003.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:10 p.m.

BOARD OF INVESTMENTS

APPROVE:

Dick Anderson, Chairman

ATTEST:

Carroll South, Executive Director

DATE: