

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

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

Thursday, October 30, 2003

AGENDA

I. CALL TO ORDER 8:00 a.m.

- A. Roll Call
- B. Approval of the September 18, 2003 Regular Meeting Minutes

II. PACIFIC BASIN ACTIVE MANAGEMENT PRESENTATIONS 8:10 a.m.

A. Staff Briefing of Presentations - Ed Kelly

1. Nomura Asset Management 8:30 a.m.

- Mr. Eric D. Shearer, First Vice President, Client Relationship
- Mr. Graham Murihead, Senior Portfolio Manager, Pacific Basin
- Mr. Yuichi Murao, Senior Portfolio Manager, Pacific Basin

2. SG Yamaichi Asset Management 9:30 a.m.

- Mr. Michael Reilly, Managing Director, Trust Company of the West
- Mr. Jeffrey Wilson, Vice President, Client Relationship
- Mr. Masato Degawa, CIO, Portfolio Manager, Pacific Basin
- Mr. Marco Wong, CIO, Portfolio Manager, Pacific Basin

3. Schroders Investment Management 10:30 a.m.

- Ms. Elie Sullivan, Sr. Vice President, Client Relationship
- Mr. Donald Farquharson, Ex. Vice President, Portfolio Manager, Pacific Basin
- Mr. Richard Sennitt, Sr. Vice President, Portfolio Manager, Pacific Basin

III. ADJOURN FOR LUNCH 11:30 a.m.

IV. RECONVENE 1:30 p.m.

V. PUBLIC COMMENT 1:35 p.m.

- A. Public Comment on Board-Related Items

VI. EXECUTIVE DIRECTOR REPORTS - Carroll South 1:40 p.m.

- A. Resolution #199
- B. Out-of-State Travel Requests

VII. BOND PROGRAM - Louise Welsh 2:00 p.m.

- A. INTERCAP
 - 1. Activity Report
 - 2. Staff Approved Loans Report
 - 3. Loan Requests
- B. Qualified Zone Academy Bonds - Geri Burton
 - 1. Bozeman Public Schools - Resolution #203
 - 2. Philipsburg School District - Resolution #204

VIII. CHIEF INVESTMENT OFFICER REPORTS - Jim Penner, CFA 2:30 p.m.

- A. Economic Overview - Newsletter
- B. Asset Allocation
- C. Investment Performance
- D. NASIO Notes

IX. MONTANA LOAN PROGRAM - Delrene Rasmussen 3:00 p.m.

- A. Consider Commercial/Multi-Family Loans
 - 1. Missoula Senior Housing, LLC.
- B. Infrastructure Loan
 - 2. Montana Resources Loan Increase Request
- B. Coal Tax Loan Program Activity Report - August and September
- C. Pension Mortgage Program Activity Report - August and September

X. INVESTMENT ACTIVITY - Internal Management 3:15 p.m.

A. Domestic Equities (Montcomp) - Jim Penner, CFA

- 1. Transactions - August and September
- 2. Holdings Report
- 3. Strategy
- 4. Portfolio Additions
 - a. Federated Investors b. Ecolab
 - c. Fiserv d. Intuit
 - e. Siebel Systems f. SAP
 - g. Caremark Rx h. Clear Channel Communication

B. International Equities (MTIP) - Paul Runnalls

- 1. Internal Pool
 - a. Internal Transactions - August and September
 - b. Internal International Holdings Report
 - c. Strategy/French Investments Discussion/Decision

C. Fixed Income - Bob Bugni, CFA

- 1. Transactions - August and September
- 2. Strategy - RFBP/TFBP
- 3. Periodic Reports
 - a. Retirement Funds Bond Pool Holdings
 - b. Trust Funds Bond Pool Holdings
 - c. Non-Investment Grade Fixed Income Holdings

D. STIP / Treasurer's Fund / State Fund - Rich Cooley, CFA

- 1. STIP Transactions - August and September
- 2. STIP Holdings Report
- 3. Treasurer's Fund Transactions - August and September
- 4. Treasurer's Fund Holdings Report
- 5. Strategy

XI. INVESTMENT ACTIVITY - External Management - Ed Kelly

A. Security Lending Active

- 1. Earnings Report - August and September

B. Montana Private Equity Pool (MPEP)

- 1. Transactions - August and September
- 2. Holdings Report
- 3. Adams Street Partnership Fund - 2004 Subscription - Recommendation

C. International Equity Active

- 1. Active Pacific Basin Equity Manager - Recommendation (Hand-out)

XII. ADJOURNMENT 5:00 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
October 30, 2003**

MINUTES

BOARD MEMBERS PRESENT:

Dick Anderson, Chairman
Dennis Beams
Karen Fagg
Jay Klawon
Joel Long
Terry Moore
Tim Ryan
Calvin Wilson

BOARD MEMBERS ABSENT:

Maureen Fleming

STAFF PRESENT:

Robert T. Bugni, CFA, Senior Investment Officer
Geri Burton, Deputy Director
Richard Cooley, CFA, Assistant Investment Officer
Kimberly Dallas, Program Assistant
David Ewer, Senior Portfolio Manager
Edward Kelly, Assistant Investment Officer
Herbert Kulow, Senior Portfolio Manager
Rande Muffick, CFA, Assistant Investment Officer
James R. Penner, CFA, Chief Investment Officer
Delrene Rasmussen, Assistant Investment Officer
Paul Runnalls, Investment Analyst, International Equities
Carroll V. South, Executive Director
Louise Welsh, Bond Program Officer

GUESTS:

Mr. Darrell Beaton, Montana State Fund

Mr. Dale Taliaferro, President, Assoc. of Montana Retired Public Employees
Representative Jim Keane, Butte
Mr. Jerry Driscoll, AFL-CIO
Mr. Joey McLiney, Vice President, McLiney and Company, Kansas City

Nomura Asset Management:

Mr. Eric D. Shearer, First Vice President, Client Relationship
Mr. Graham Murihead, Senior Portfolio Manager, Pacific Basin
Mr. Yuichi Murao, Senior Portfolio Manager, Pacific Basin

SG Yamaichi Asset Management:

Mr. Michael Reilly, Managing Director, Trust Company of the West
Mr. Jeffrey Wilson, Vice President, Client Relationship
Mr. Masato Degawa, CIO, Portfolio Manager, Pacific Basin
Mr. Marco Wong, CIO, Portfolio Manager, Pacific Basin

Schroders Investment Management:

Ms. Elie Sullivan, Sr. Vice President, Client Relationship
Mr. Donald Farquharson, Ex. Vice President, Portfolio Manager, Pacific Basin
Mr. Richard Sennitt, Sr. Vice President, Portfolio Manager, Pacific Basin

CALL TO ORDER

Chairman Anderson called the regular meeting of the Board of Investments (Board) to order at 8:10 a.m. in the conference room at 2401 Colonial Drive, 3rd Floor, Helena, Montana. As noted above, the meeting convened with eight members of the Board present. Member Fleming was absent.

Member Ryan motioned for approval of the September 18, 2003 minutes; Member Moore seconded the motion and the motion was passed 8-0.

PACIFIC BASIN ACTIVE MANAGEMENT PRESENTATIONS

Mr. Ed Kelly gave a brief overview of the presentation process for the Pacific Basin Active Management Presenters. Each presenter will be given 30 minutes to make their presentation to Board and staff and 15 minutes will be allowed for questions from staff and Board.

Nomura Asset Management:

Representatives of Nomura Asset Management U.S.A., Inc. made their presentation to Board and staff.

SG Yamaichi Asset Management:

Representatives of SG Yamaichi Asset Management made their presentation to Board and staff.

Schroders Investment Management

Representatives of Schroders Investment Management made their presentation to Board and staff.

Executive Session

Chairman Anderson, as presiding officer, determined that the demands of individual privacy clearly exceed the merits of public disclosure, as such; the regular meeting was adjourned and went into a Closed Executive session at 11:10 a.m.

RECONVENE

The meeting was reconvened October 30, 2003 at 1:20 p.m. Eight members of the Board were present

PUBLIC COMMENT - Public Comment on Board-Related Items

Chairman Anderson called for Public Comment of Board-Related Items.

Public Comment was made regarding - International Malting Company in Great Falls.

Representative Jim Keane, Butte, spoke about his concern that required permits are not in place; prevailing wages are not being paid to the contractors and meetings being scheduled that involve public input are being canceled with little or no notice.

In addition, Jerry Driscoll spoke. He too shares the same concerns that Mr. Keane has. In addition, out of state contractors are being hired instead of Montana contractors who have the same qualifications.

Chairman Anderson responded that a letter will be drafted and sent to Mr. Geoff O'Connor, CIO and Treasurer of LeSaffre International Corp addressing the issues.

EXECUTIVE DIRECTOR REPORTS

Resolution No. 199

Executive Director Carroll South presented the first review of Resolution No.199 and Appendix A activity from October 2002 to October 2003. Resolution No. 199 serves multiple duties:

1. Designates staff members as agents of the Board to deal with investments firms in connection with Board accounts;
2. States that the establishment and maintenance of all of the accounts described in Appendix A and the actions of all of the above named staff members acting as agents of the Board dealing with investment firms related to said accounts since January 21, 1993 are approved and ratified.
3. Authorizes its Executive Director to close any of the accounts listed in Appendix A, to open new accounts, to designate additional staff members as agents of the Board for the purpose of dealing with investment firms regarding any account, and to revoke the authority of named staff for purposes of dealing with investment firms regarding any account.

Appendix A is a complete list of all investment firms in which the Board maintains several accounts for the purchase and sale of stocks, bonds, covered options, purchase options (stock open indicies, interest rate options, foreign currency options), repurchase agreements, reverse repurchase agreements, and other securities and property. Appendix A is kept on file with the resolution.

Out-of-State Travel

Executive Director Carroll South, presented travel recommendations for:

" Jim Penner to travel to New York City to meet with Lexington & Welsh Carson Anderson Stowe, attend Madison Dearborn annual meeting, and visit with Adams Street Partners in Chicago. Travel dates are November 1 - 5, 2003. This trip is in conjunction with personal travel. Estimated cost of trip, including airfare, lodging, registration fee (if any), meals and misc. expense is: \$1,564.00.

" Ed Kelly to travel to Laguna Niguel, CA., to attend the Opal Financial Group, Alternative Investing Summit. Ed will also participate as a moderator. Travel dates are December 7 - 9, 2003. Estimated cost of trip, including airfare, lodging, registration fee (if any), meals and misc. expense is: \$725.00.

Member Wilson moved for approval of this recommendation; Member Long seconded the motion and the motion was passed 8-0.

Staff Introductions

Ms. Gayle Moon introduced Ms. Mari Rohrig as the new staff person in Accounting. Ms. Rohrig will perform the accounting duties in support of the Commercial Loan Programs.

BOND PROGRAM

Activity Report

The Board reviewed this report for the period ending October 20, 2003

Staff Approved Loans Report

Ms. Louise Welsh reported that:

Borrower: Billings High School District #2

Purpose: To finance the purchase of photocopiers.

Staff Approval Date September 10, 2003

Board Loan Amount: \$30,995

Term: 3 Years

Borrower: Town of Big Sandy

Purpose: To finance the costs associated with water system improvements and refinance two outstanding loans.

Staff Approval Date October 20, 2003

Board Loan Amount: \$150,000

Term: 10 Years

has been approved by staff.

INTERCAP

Ms. Louise Welsh presented staff's recommendation that the Board authorize staff to proceed with processing and closing the following loans using the Board's standard Bond Program Office procedures:

Borrower: Department of Natural Resources and Conservation (DNRC)

Board Loan Amount: \$500,000

Term: 2 Years

Purpose: In anticipation of issuing coal severance tax bonds.

Borrower: Town of Sheridan - amended

Board Loan Amount: Revised amount increased from \$216,500 to \$277,000

Term: Revised from 10 years to a 1 year term.

Purpose: Revised to a bond anticipation note, repayment will come from long-term bonds issued through the DNRC's Water Revolving Fund.

Borrower: Lewis & Clark Library

Board Loan Amount: \$810,000

Term: 5 Years

Purpose: To finance costs associated with the library remodel and parking improvements.

Member Moore moved for approval of this recommendation; Member Beams seconded the motion and the motion was passed 8-0.

Borrower: City of Shelby

Board Loan Amount: \$600,000

Term: 1 Year

Purpose: In anticipation of USDA Rural Development long-term financing for costs associated with street

improvements.

Member Moore moved for approval of this recommendation; Member Beams seconded the motion and the motion was passed 7-0. Member Ryan abstained from the vote.

Qualified Zone Academy Bonds

Ms. Geri Burton, Deputy Director, presented Qualified Zone Academy Bond recommendations for Bozeman Public Schools - Resolution No. 203 and Philipsburg School District - Resolution No. 204.

Bozeman Public School District (the "District") has requested the Board to issue a QZAB in the amount of \$1,586,000 to finance the purchase of the District's bonds. The proceeds of the District's bonds will be used to finance projects, including new boilers, heating, ventilation and air conditioning upgrades and building rehabilitation, at two of its elementary schools. The term of the QZAB will be nine (9) years. The District has received approval for its QZAB allocation from the Montana Office of Public Instruction.

Resolution No. 203 authorizes the issuance and sale of the QZAB for the District in the amount of \$1,586,000. This authorizes the purchase by the Board of the District bonds and the sale of the Board bonds to the purchaser for QZAB tax credit. The Resolution also authorizes the execution of various bond closing documents.

Staff recommends the following:

1. Approval of Resolution No. 203.
2. Authorize staff to proceed to complete the QZAB financing.
3. Authorize staff to execute the bond closing documents.

Member Fagg moved for approval of this recommendation; Member Wilson seconded the motion and the motion was passed 8-0.

Philipsburg School District #1 (School District #1) authorized the sale and issuance of \$2,000,000 general obligation bonds. School District #1 has requested the Board to purchase the general obligation bonds by issuing a QZAB in the same amount. The proceeds of School District #1 bonds will be used to finance the restoration and repair of walls, windows, ceilings and floors; installation of new gym floor; heating system; ADA compliance, plumbing, new wiring and seismic upgrades; and site drainage. The term of the QZAB will be fourteen (14) years.

Resolution No. 204 authorizes the issuance and sale of the QZAB for School District #1 in the amount of \$2,000,000. This authorizes the purchase by the Board of School District #1 bonds and the sale of the Board bonds to the purchaser for QZAB tax credit. The Resolution also authorizes the execution of various bond closing documents.

Staff recommends the following:

1. Approval of Resolution No. 204.
2. Authorize staff to proceed to complete the QZAB financing.
3. Authorize staff to execute the bond closing documents.

Member Long moved for approval of this recommendation; Member Wilson seconded the motion and the motion was passed 8-0.

CHIEF INVESTMENT OFFICER REPORTS

Asset Allocation Report

Mr. Jim Penner, Chief Investment Officer, presented the Asset Allocation report for October 31 and November 30, 2003 transactions.

Quarterly Investment Performance Report

Mr. Penner presented the Montana Board of Investments Quarterly Board Performance Report for the period ending September 30, 2003.

LOAN PROGRAMS

Consideration of Commercial Loan Participation - Permanent Coal Trust Fund

Ms. Delrene Rasmussen presented staff's recommendation to participate in the following loan request:

Borrower: Missoula Senior Housing, LLC.

Lender: First National Bank of Montana, Missoula

Purpose of Loan: To provide long-term financing for the construction of a senior-care facility in Missoula.

Amount of Loan: \$11,700,000

Board Loan Amount: \$9,360,000

Board Participation: 80%

Term of Loan: 20 Years

Interest Rate: $7.25\% + .50\% = 7.75\%$

Recommendation: Approval, subject to the terms and conditions in Schedule A.

Loan Committee Recommendation: Approval, subject to additional terms and conditions of Schedule A that:

Stabilization must occur for three consecutive months prior to purchase by BOI and a debt coverage ratio of no less than 1.25.

Member Beams moved for ratification of loan committee recommendation; Member Long seconded the motion and the motion was passed 6-0. Member Fagg and Member Ryan were not in the room at the time of the vote.

Infrastructure Loan

Staff presented a loan amount increase request from Butte - Silver Bow in the amount of \$340,000. This increase request amount will be to purchase and install a new transformer in the NorthWestern Energy's Concentrator Substation. The transformer was identified in the original request but the cost was omitted from the application. Staff recommends approval of this request.

Member Long moved for ratification of loan committee recommendation; Member Beams seconded the motion and the motion was passed 6-0. Member Fagg and Member Ryan were not in the room at the time of the vote.

Coal Tax Loan Program Activity Report

Ms. Delrene Rasmussen presented and the Board reviewed this report for August and September.

Pension Mortgage Program Activity Report

The Board reviewed this report for August and September.

Staff Recognition

Ms. Rasmussen announced that Dick Bridegroom was awarded his Certified Mortgage Banker - Residential (CMB) designation by the Mortgage Bankers Association. The CMB designation is the mark of professionalism in the real estate finance industry.

INVESTMENT ACTIVITY

Montcomp

Mr. Jim Penner presented August and September transactions, the holdings report as of September 30, 2003 and the current investment strategy. Member Klawon moved for approval of the Montcomp strategy as presented; Member Moore seconded the motion and the motion was passed 8-0.

In addition, Mr. Penner presented Federated Investors, Ecolab, Fiserv, Intuit, Siebel Systems, SAP, Caremark Rx and

Clear Channel Communications as Portfolio Additions.

International Investment

Chairman Anderson called on Paul Runnalls to discuss international investments.

Mr. Runnalls discussed the August and September transactions for the internal international portfolio. Mr. Runnalls continued his presentation by saying that he had about 60 names in the portfolio and that October had been a very, very good month for Europe. The market value of the portfolio increased from \$135.4 million at the end of September to \$144.0 million at the close of the market today.

Chairman Anderson asked how much the portfolio was up since March.

Mr. Runnalls said that he thought the portfolio had bottomed out at about \$100.0 million. So it is up about \$44.0 million.

Member Ryan asked if Mr. Runnalls had been able to track the transactions since the French company stocks were sold and the proceeds from the sale reinvested. The article in the Lee Newspapers said that the French company stocks we sold had increased \$4.1 million in value since they were sold. Could you give the board a rough idea of where we are with the replacement investments?

Mr. Runnalls said that he did run the numbers for the Executive Director after the article in the paper. To the best of his ability he had tried to track where the proceeds of the sale had been reinvested. The proceeds of the sale went into cash and were then reinvested in several companies that he had been following. As of Oct. 3rd, the Friday before the article was published, on an absolute basis I calculated that we were down \$100,000 dollars. However, I ran the numbers again a week later, and we were up. It is difficult to calculate exactly and the numbers change daily as stock prices go up and down.

Member Ryan said that the bottom line is there was not a loss of \$4.1 million.

Chairman Anderson said that the portfolio is up 44.0 percent and asked Mr. Runnalls how that compared to the benchmark.

Mr. Runnalls said that he did not have the benchmark number.

Member Klawon asked how many analysts work for Mr. Runnalls.

Mr. Runnalls said that Bobbie Ecklund, Adam Nelson, technology analyst; Lon Whitaker is the oil & gas analyst. He stated that MSCI Europe is made up of 544 names and staff follows approximately 250 of the top names, which represents close to 90% of the index. Additionally, Mr. Runnalls stated that it is important that the Board understand that this portfolio is a small portfolio, with about 60 names and that on any given day the portfolio could be up or down 50 basis points.

Mr. Runnalls presented the current investment strategy for the internally managed international investment portfolio. Mr. Runnalls continues to maintain a cyclical bias of the portfolio. He discussed the European economic recovery that is underway and that employment is stabilizing in all regions. He concluded his comments by stating that this is a well diversified portfolio invested in reasonable priced companies with attractive earning and growth potential.

Member Wilson moved for approval of the International Investment strategy as presented; Member Fagg seconded the motion and the motion was passed 8-0.

French Investment Discussion

Chairman Anderson called for a discussion of the French investments issue and asked Mr. Penner for comments on the issue.

Mr. Penner asked the Board to reconsider its decision not to invest in France. He said since the Board's decision to divest French company stock in March, Americans have not seemed to boycott French products. From an economic stand point he said that the concerns the Board had about French company stocks retreating because of France's actions have not occurred. Staff requests that the board reconsider its decision and allow Paul on an opportunistic basis to make purchases of French company stock.

Chairman Anderson asked staff whether the period of time since March was sufficient to determine whether French company stock would be affected.

Mr. Runnalls said that he believed the market is pretty efficient. If the market sensed that there might still be some kind of detrimental economic impact, it would price French company stock accordingly. During the past six months, the market has not priced French stock as if it anticipated that the French market would under perform. In fact, France has been one of the top performing developed countries over the last 6 months. If the markets have not recognized a potential problem with French investments by this time, it is not likely to do so now.

Chairman Anderson asked whether US citizen travel to France had been impacted. He understands that American travel to France is down.

Mr. Runnalls said that he could not answer that question because he had not been following French companies. Member Long said that the Board had earlier acted to protect the portfolio. Mr. Penner has stated that the Board's concerns have been addressed and it is now time to reenter the French market.

Member Ryan stated that he agreed with Member Long's comment and he was one that voted in favor of the motion to divest French company stock in March. He stated then that his vote was strictly due to concern about a French backlash. It was a highly emotional time in this country, and there was a lot of concern about what would happen. Member Long and I had the conversation about what would happen to Michelin tires, for instance. There are some companies that you could readily identify as French companies and I was concerned about what might happen to their stock.

Member Long said that he understood that there were some people who were not buying Michelin tires.

Member Ryan said that he believed the sale of French wines is down. However, we have seen ambivalence in the US and maybe that is a good reflection of our country.

Member Ryan moved that the Board remove the blanket restriction on investments in French owned companies and allow our investment managers to reinvest under standard investment guidelines.

Member Beams seconded the motion.

Chairman Anderson asked if there was further discussion.

The question was called for.

Ms. Dallas asked if everyone understood the motion and asked Member Ryan to repeat the motion.

Those Members voting "Yea" are voting in favor of the motion; those Members voting "Nay" are against the motion.

Dennis Beams - "Yea" Karen Fagg - "Yea"
Jay Klawon - "Yea" Joel Long - "Yea"
Terry Moore - "Yea" Tim Ryan - "Yea"
Calvin Wilson - "Yea" Dick Anderson - "Nay"

Motion passes, 7 "Yea" to 1 "Nay". Member Fleming was absent from the meeting.

Chairman Anderson thanked Mr. Runnalls for his participation in the discussion.

Fixed Income

Mr. Robert Bugni presented August and September transactions, and the current investment strategy. Member Klawon moved for approval of the Fixed Income strategy as presented; Member Long seconded the motion and the motion was passed 8-0.

In addition, Mr. Bugni presented the Periodic Reports for the Retirement Funds Bond Pool Holdings, Trust Funds Bond Pool Holdings and Non-Investment Grade Fixed Income Holdings.

STIP / Treasurer's Fund / State Fund

Mr. Cooley also presented August and September STIP transactions the STIP holdings report as of September 30, 2003, the August and September Treasurer's Fund transactions, the Treasurer's Fund holdings report as of September 30, 2003 and the current investment strategy for both of these funds. Member Ryan moved for approval of the STIP Fund and Treasurer's Fund strategy as presented; Member Moore seconded the motion and the motion was passed 8-0.

Security Lending

Mr. Ed Kelly presented the Security Lending Earnings Report for August and September.

Montana Private Equity Pool (MPEP)

Mr. Ed Kelly presented August and September transactions and the holdings report as of September 30, 2003.

Adams Street Partnership Fund - 2004 Subscription - Recommendation

In addition, Mr. Kelly presented staff recommendation to commit \$20 million (\$USD) but no more than 20% of the total capital committed to the Adams Street Partnership Fund - 2004 Global Offering Subscription.

Member Beams moved for approval of this recommendation; Member Wilson seconded the motion and the motion was passed 8-0.

Pacific Basin Equity Manager Recommendation

Mr. Ed Kelly presented staff recommendation regarding the Active Pacific Basin Equity Manager search:

1. Staff recommends that Schrodgers Investment Management be retained as an active equity manager for the Pacific Basin mandate -

" Schrodgers has provided excess returns for the MBOI Pacific Basin mandate significantly in excess of management fees.

" Recent management changes at Schrodgers have not affected the Pacific Basin management team.

" MBOI staff enjoys a positive working relationship with Schrodgers investment team and support staff.

" Fee schedule is competitive and favorable relative to major Pacific Basin asset managers.

2. Staff recommends that Nomura Asset Management be hired as the second active equity manager for the Pacific Basin mandate.

" Nomura is a dominant investment firm in the Pacific Basin region for assets under management, equity research and trading capability.

" Nomura has enjoyed long-term relationships managing Pacific Basin equity assets with major U.S. tax-exempt public fund clients, including CALPERS and KAPERS.

" Nomura has a competitive fee schedule comparable to Schrodgers fee schedule.

" Nomura's investment philosophy and process is similar to and compatible to Schroder.

3. Staff recommends that State Street Global Advisors (SSGA) be selected as the transition manager responsible to transition the legacy portfolio into the target portfolio for the new manager.

" SSGA is a subsidiary of State Street Bank, a leading global investment manager and one of the world's largest custodians of institutional assets.

" SSGA has been in the transition management business for more than 20 years.

" Combining SSGA and SSB (MBOI custodian) should eliminate operational risk from the transition process.

Member Klawon moved for approval to accept staff recommendation as presented; Member Moore seconded the motion and the motion was passed 8-0.

NEXT MEETING

The next regularly scheduled meeting of the Board will be December 11, 2003.

ADJOURNMENT

There being no further business, the meeting was adjourned at 4:20 p.m.

BOARD OF INVESTMENTS

APPROVE:

Dick Anderson, Chairman

ATTEST:

Carroll South, Executive Director

DATE: