NORTH Dakota Be Legendary. | State Investment Board RETIREMENT & INVESTMENT

EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MEETING

Wednesday, November 5, 2025 – 10:00 a.m.
Virtual Only
Click here to join the meeting

AGENDA

I. **Call to Order and Approval of Agenda** ***(Committee Action)***

II. **Acceptance of Minutes (October 15, 2025)** ***(Committee Action)***

III. **Incentive Compensation Potential Payment (60 minutes)** ***(Committee Action)*** – Ms. Smith, Mr. Otteson

IV. **Adjournment**

Any individual requiring an auxiliary aid or service, please contact the Retirement and Investment Office (701) 328- 9885 at least three (3) days prior to the scheduled meeting.

NORTH DAKOTA STATE INVESTMENT BOARD
EXECUTIVE REVIEW AND COMPENSATION COMMITTEE
MINUTES OF THE OCTOBER 15, 2025, SPECIAL MEETING

MEMBERS PRESENT: Dr. Rob Lech, TFFR, Chair
Gerald Buck, PERS Board, Vice Chair
Sen. Jerry Klein, LBSFAB

STAFF PRESENT: Scott Anderson, CIO
Missy Kopp, Executive Admin.
Sarah Mudder, Communications/Outreach Dir.
Adam Otteson, CFOO
Sara Seiler, Supervisor of Internal Audit
Chad Roberts, DED/CRO
Jodi Smith, Executive Director

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Executive Review and Compensation Committee (ERCC) meeting to order at 10:00 a.m. on Wednesday, October 15, 2025. The meeting was held virtually.

ACCEPTANCE OF AGENDA:

IT WAS MOVED BY SEN. KLEIN AND SECONDED BY MR. BUCK AND CARRIED BY A VOICE VOTE TO ACCEPT THE OCTOBER 15, 2025, AGENDA AS DISTRIBUTED.

AYES: MR. BUCK, SEN. KLEIN, AND DR. LECH
NAYS: NONE
MOTION CARRIED

ACCEPTANCE OF MINUTES:

IT WAS MOVED BY MR. BUCK AND SECONDED BY SEN. KLEIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUGUST 6, 2025, MINUTES AS DISTRIBUTED.

AYES: SEN. KLEIN, MR. BUCK, AND DR. LECH
NAYS: NONE
MOTION CARRIED

INCENTIVE COMPENSATION OVERVIEW:

Ms. Smith provided an overview of the incentive compensation policy. The committee and staff discussed the discretionary component of the incentive compensation opportunity which carries 20% weight in the calculation of the compensation amount. The Committee discussed developing a structured rubric or point system to evaluate individual performance elements, ensuring transparency and consistency in determining incentive payouts. Staff will draft a proposed framework for consideration at the next meeting, with the goal of presenting a recommendation for board approval in November and processing payouts in December in line with existing policy timelines.

POSITION TITLE UPDATE:

During staff review of the incentive compensation policy, they identified the need to clarify the general titles and bonus percentages in the policy with the updated job titles for eligible staff. Many of the titles have changed since the approval of the policy. The Committee reviewed the updated titles and how they align with the policy.

IT WAS MOVED BY MR. BUCK AND SECONDED BY SEN. KLEIN AND CARRIED BY A VOICE VOTE TO RECOMMEND APPROVAL OF THE CURRENT TITLES AND THEIR ACCOMPANYING MAXIMUM INCENTIVE COMPENSATION TO THE SIB.

AYES: MR. BUCK, SEN. KLEIN, AND DR. LECH
NAYS: NONE
MOTION CARRIED

BENCHMARK FOR INCENTIVE COMPENSATION CALCULATION:

Staff reviewed the provided information about the appropriate benchmark for the incentive compensation calculations. The original structure used a single benchmark, multiple benchmarks are now available, requiring the committee to determine the most suitable option. Staff explained the “corridor benchmark” approach, which adjusts for changes between public and private market allocations and prevents the need to sell illiquid assets. He clarified that while not directly tied to incentive compensation, it provides a more accurate and transparent performance measure previously approved by the board. Committee members agreed that the corridor benchmark better reflects factors within management’s control and ensures consistency in evaluation.

IT WAS MOVED BY SEN. KLEIN AND SECONDED BY MR. BUCK AND CARRIED BY A VOICE VOTE TO RECOMMEND TO THE SIB TO USE THE CORRIDOR TARGET INDEX AS THE MEASURE FOR CALCULATING THE VALUE-ADDED PERFORMANCE COMPONENT OF THE INCENTIVE COMPENSATION PLAN.

AYES: SEN. KLEIN, MR. BUCK, AND DR. LECH
NAYS: NONE
MOTION CARRIED

OTHER:

With no further business to come before the ERCC, Dr. Lech adjourned the meeting at 10:42 a.m.

Submitted by:

Missy Kopp, Assistant to the Board

NORTH Dakota | Retirement & Investment
Be Legendary.

MEMORANDUM

TO: **Executive Review and Compensation Committee**
FROM: **Jodi Smith, Executive Director**
DATE: **November 5, 2025**
RE: **Incentive Compensation Potential Payment**

The Incentive Compensation Program was authorized by NDCC § 54-52.5 and formally adopted by the State Investment Board (SIB) on May 17, 2024, with an effective date of July 1, 2024.

Performance results for the fiscal year ending June 30, 2025, demonstrate substantial outperformance relative to policy benchmarks for the key funds relevant to the Incentive Compensation Metric (ICM).

The quantitative component (80% weighting) is based on the weighted average net investment performance of the Legacy Fund, Public Employees Retirement System (PERS), Teachers' Fund for Retirement (TFFR), and Workforce Safety & Insurance (WSI) portfolios relative to their SIB-approved policy benchmarks. At the October 24, 2025, SIB meeting, the Board approved the use of a corridor benchmark framework for determining performance.

Fund	Total Fund Fiscal YTD Net Return (1 Year)	Corridor Index Fiscal YTD Return (1 Year)	Excess Performance (Net of Fees)
Legacy Fund	12.70%	12.06%	+0.64% (64 bps)
PERS	12.00%	10.57%	+1.43% (143 bps)
TFFR	11.42%	9.68%	+1.74% (174 bps)
WSI	8.71%	7.79%	+0.92% (92 bps)
		Weighted Excess Return	**+0.99% (99 bps)**

Exceeding the Incentive Compensation Metric (ICM) Threshold: The policy achieves 100% payout when net performance equals or exceeds the benchmark by the full ICM. Given that the full ICM targets a high level of performance (intended to reflect top quartile performance and referenced policy mechanics use 50 bps to achieve 100%), the actual outperformance of 64 bps to 174 bps for the core funds managed by RIO far surpasses this maximum threshold.

Because all four funds exceeded their risk-adjusted benchmark performance, the statutory requirement for payout based on risk-based outperformance is met.

Individual Goals Component (20% Weight): The Individual Goals component is established by the Participant's manager as part of the annual performance evaluation process. The final performance evaluation for each Participant is subject to approval by the Executive Director.

In addition to the achievement of individual objectives, Participants will be evaluated on demonstrated leadership, behavioral, and organizational competencies. Factors considered in this evaluation may include, but are not limited to:

- Training, mentoring, and development of staff.
- Contributions to organizational strategic planning.
- Active participation in projects or initiatives aimed at enhancing business, analytical, or technology processes and tools.

The Executive Director determines the amounts awarded under the Individual Goals Component, in consultation with the respective managers.

During the October 15, 2025, Executive Review and Compensation Committee meeting, concerns were raised regarding the ambiguity of the 20% Individual Goals Component, which is labeled as “discretionary.” In response, the Executive Director developed a methodology to determine this qualitative portion. For fiscal year 2025, it was calculated based on employee annual performance reviews, years of service, culture and teamwork, and applicable investment performance. Staff were assigned between 60% and 85% of the 20% qualitative component based on this evaluation.

Annual Employee Performance Rating	5 points for Achieves or Excels
Years of Service	Up to 5 points
Culture and Teamwork	Up to 5 points
Individual Team Performance	Up to 5 points

Based on the above matrix, the following team members are eligible for the following:

Title	Compensation Base ($)	Max Incentive	Quantitative	Qualitative	Year Start Date	% of Year	Incentive Bonus ($)
CIO	312,000	100%	100%	70%	7/1/2024	100%	293,280
Dep.CIO	197,600	90%	100%	80%	7/1/2024	100%	170,726
Sr Analyst	123,810	50%	100%	70%	12/16/2024	54%	31,407
Analyst	119,048	50%	100%	70%	1/21/2025	44%	24,680
Sr Analyst	136,694	50%	100%	70%	7/1/2024	100%	64,246
Portfolio Manager	205,000	75%	100%	65%	9/3/2024	82%	117,916
Operations Analyst	85,831	25%	100%	85%	7/1/2024	100%	20,814
Portfolio Manager	182,000	75%	100%	75%	7/1/2024	100%	129,675
Portfolio Manager	182,000	75%	100%	85%	7/1/2024	100%	132,405
CRO	182,000	75%	100%	70%	7/1/2024	100%	128,310
Analyst	75,000	50%	100%	60%	2/3/2025	41%	13,989
Portfolio Manager	182,000	75%	100%	80%	7/1/2024	100%	131,040
							1,258,488

For context, this payout represents just under **0.6% of the $230,506,162 in excess returns** earned through staff efforts during Fiscal Year 2025. Given the level of excess returns this is a modest and reasonable payout.

Generally, a Participant must be employed by RIO on the date the incentive compensation is paid to be eligible to receive the payment.

In the event of a disability or death occurring during the fiscal year, any Board-approved incentive compensation amount may be paid to the Participant (or, in the case of a death, to the Participant’s beneficiary). The amount shall be determined by the Executive Director, subject to SIB approval, and based on:

- The portion of the fiscal year worked.
- The Participant's termination date (the qualifications outlined below, if the individual is not employed as of the payment date).

Such payments will be made at the same time as other incentive compensation awards. No incentive compensation will be awarded if the Participant was employed for less than three consecutive months during the fiscal year in which the disability or death occurred.

If a Participant's employment terminates prior to the payment date of an award, the full amount of the incentive compensation award will be paid to the Participant (or, in the case of death, to the beneficiary) only if one of the following conditions applies:

- The termination is due to the Participant's disability.
- The termination is due to the Participant's death.

If the Participant's termination occurs for any reason other than disability or death and the last day of active employment precedes the payment date, no incentive compensation award will be payable to the Participant.

Special Waiver Request

The Incentive Compensation Program requires employees to be actively employed as of the date of payment. One team member remained with RIO for an additional seven months beyond their planned retirement to assist with the transition and onboarding of their successor. This individual retired in October 2025.

A special waiver is requested to authorize payment of the incentive compensation this individual would have earned had the award been paid within the first four months following fiscal year-end, consistent with the terms and intent of the plan.

Recommendation

The Executive Director recommends the Committee approve:

1. A special waiver for the employee who delayed retirement.
2. A total bonus payout of $1,258,488.