

EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MEETING

Thursday, June 18, 2026 – 8:00 a.m.

Virtual Only

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AGENDA

- I. **Call to Order and Approval of Agenda** (*Committee Action*)
- II. **Acceptance of Minutes (April 15, 2026)** (*Committee Action*)
- III. **Executive Director Job Description (10 Minutes)** (*Committee Action*) – Ms. Smith
- IV. **Executive Director Legislative Increase Recommendation (10 Minutes)** (*Committee Action*) – Mr. Otteson
- V. **Fiscal Year 2026 Incentive Compensation Plan (10 Minutes)** (*Committee Action*) – Ms. Smith
- VI. **Fiscal Year 2027 Incentive Compensation Plan (30 Minutes)** (*Committee Action*) – Ms. Smith

NORTH DAKOTA STATE INVESTMENT BOARD EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MINUTES OF THE APRIL 15, 2026, SPECIAL MEETING

MEMBERS PRESENT

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

STAFF PRESENT

Scott Anderson, CIO
Missy Kopp, Executive Assistant
Sara Seiler, Supervisor of Internal Audit
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 9:00 a.m. on Wednesday, April 15, 2026. 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 APRIL 15, 2026, 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 DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE APRIL 9, 2025, MINUTES AS DISTRIBUTED.

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

EXECUTIVE DIRECTOR (ED) EVALUATION

The Committee reviewed the draft ED summative evaluation. Members agreed that the evaluation accurately reflected the Committee's prior discussions, board feedback, and stakeholder input and that it captured both strengths and opportunities identified through the review process.

IT WAS MOVED BY MR. BUCK AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL VOTE TO BRING THE EVALUATION TO THE SIB FOR APPROVAL.

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

OTHER

With no further business to come before the ERCC, Dr. Lech adjourned the meeting at 9:03 a.m.

Submitted by:

Missy Kopp, Assistant to the Board

MEMORANDUM

TO: Executive Review and Compensation Committee

FROM: Jodi Smith, Executive Director, North Dakota Retirement & Investment Office

DATE: June 18, 2026

RE: Executive Director Job Description Approval

As the agency continues implementation of the new State Investment Board Governance Policy System (GPS), it is important that the Executive Director position description accurately reflects the responsibilities, authorities, and accountability structure established under the updated governance framework.

Maintaining a current job description is also an important component of succession planning. An accurate position description helps ensure that future recruitment, onboarding, performance evaluation, compensation review, and leadership transition planning are grounded in the actual expectations of the role. It provides clarity to the Board, the incumbent, and any future candidates regarding the scope of responsibilities and the distinction between Board authority and executive management responsibilities. In this respect, updating the Executive Director job description is not simply an administrative exercise; it is an important governance and continuity tool.

The proposed revisions are intended primarily to align the job description with the new GPS and related governing documents (clean and red-lined version is attached). Key changes include clarifying that the Executive Director serves as the chief executive of RIO and is accountable to both the State Investment Board and the Teachers' Fund for Retirement Board for executing Board-approved direction within delegated authority. The revised description also more clearly distinguishes between responsibilities requiring Board or committee approval and those that fall within the Executive Director's delegated operational authority.

In addition, the updated description incorporates required TFFR duties drawn from the TFFR Board Program Manual to ensure the position description accurately reflects responsibilities already assigned to the Executive Director under that governing framework. These include administration of the TFFR plan, participation in hiring of the Chief Retirement Officer, certain statutory notice responsibilities related to trustee appointments, and other related duties. The revisions also remove duplicative language and better organize the description

around the Executive Director's current role in governance, administration, budgeting, legislative coordination, and Board support.

Finally, the revised description adds clarity around responsibilities associated with the agency's evolving governance and risk structure, including the Executive Director's role in operational risk oversight in the absence of a Chief Risk Officer and the responsibility to maintain an internal process for development and presentation of staff recommendations for new or revised policies. These updates are intended to better align the position description with how the role is currently expected to function under the new governance framework.

For these reasons, staff recommends that the ERCC review the proposed revisions and recommend approval of the updated Executive Director job description.

Committee Recommendation:

Recommend approval of the revised Executive Director job description as presented.

North Dakota Retirement & Investment Office

Executive Director — Job Description

The Executive Director serves as the chief executive of the North Dakota Retirement and Investment Office (RIO), accountable to the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR) Board for executing Board-approved directions within delegated authority. Duties and responsibilities include:

Duties and Responsibilities

- Administer the investment and retirement programs of RIO; oversee planning, supervising, and directing overall RIO programs in accordance with SIB and TFFR governance policies, federal and state laws, and rules; and perform related work as assigned by the SIB and TFFR Boards.
- Responsible for developing and recommending the annual, biennial, and strategic long-range plans for RIO and both the SIB and TFFR Boards for approval.
- Develop and recommend administrative rules, policies, and procedures necessary to administer the retirement and investment programs, and seek committee and board approval for rules and policies; approve internal operating procedures within delegated authority.
- Direct the preparation and execution of the RIO budget and legislative agenda for the agency and both the SIB and TFFR boards; assure follow-through and evaluate results.
- Represent RIO, promote RIO programs, and carry out the day-to-day administrative duties for RIO, including establishing and maintaining internal operating procedures for the effective operation of the Office, within authority delegated by the Boards.
- Develop and prepare or direct the preparation of agendas and materials, meeting minutes, required notices, procedures, and applicable rules and regulations for the retirement and investment programs (board and committee agendas prepared in coordination with, and subject to approval by, the Board Chair); and attend all meetings of the SIB and TFFR Board and corresponding committees.
- Hire staff as necessary to carry out the responsibilities of RIO. Provide leadership, coaching, and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
- Establish and maintain working relationships across all organizational work units and levels.
- Maintain effective relationships with clients, members, beneficiaries, business partners, state officials, legislators and legislative committees, member and business partner stakeholder groups, the media, and the public at large relevant to both the retirement and investment programs, assuring such interactions reflect the agency's core values of integrity, accountability, and service.
- Serve as the official spokesperson for RIO on operational and investment matters.
- Attend Board meetings and advise the SIB and TFFR Board on significant issues, problems, or developments pertaining to the plan, and provide recommended courses of action regarding Board policy or action.
- Evaluate and monitor financial and operational programs.

- Assure accountability and compliance with all statutory and SIB and TFFR Board-prescribed policies and procedures.
- In the absence of a Chief Risk Officer, serve as the senior accountable officer for the operational risk program, reporting operational risk matters to the Audit, Risk and Compliance Committee and the Board.
- Participate with the TFFR Board in the hiring of the Chief Retirement Officer and participate in any surveys conducted by the SIB Executive Review and Compensation Committee for executive team members.
- Administer the TFFR plan and make initial determinations regarding member eligibility, benefits, and plan provisions, subject to appeal to the TFFR Board, and exercise related waiver and penalty authorities as provided by Board policy and state law.
- Notify the Governor's Office and the applicable stakeholder group (NDU, NDCEL, or NDRTA) of TFFR Board trustee term expirations and vacancies, and fulfill related statutory and administrative duties assigned under Board policy.
- Work collaboratively with the Boards to develop, monitor, and implement the long-term strategic plan.
- Maintain an internal agency process for the development and presentation of staff recommendations for new policies and policy amendments.

North Dakota Retirement & Investment Office

Executive Director — Job Description

Note on this version: Text shown in blue underline is proposed new or revised language; text shown in ~~red strikethrough~~ is proposed for deletion. Text shown in green underline reflects duties drawn from the TFFR Board Program Manual (Section J.2 and related provisions) added to ensure the description satisfies both governing documents. Edits align the description to the SIB Governance Policy System (GPS) approved language, incorporate required TFFR duties, remove duplicate provisions, and clarify the board-versus-executive line.

Duties and Responsibilities

- Administer the investment and retirement programs of RIO; oversee planning, supervising, and directing overall RIO programs in accordance with SIB and TFFR governance policies, federal and state laws, and rules; and perform related work as assigned by the SIB and TFFR Boards.
- Responsible for ~~the developing~~ ing and recommending the annual, biennial, and strategic long-range plans for RIO and both the SIB and TFFR Boards for approval.
- Develop and recommend administrative rules, policies, and procedures necessary to administer the retirement and investments programs ~~and, and~~ seek committee and board approval for ~~changes when appropriate~~ rules and policies; approve internal operating procedures within delegated authority.
- Direct the preparation and execution of the RIO budget and legislative agenda for the agency and both the SIB and TFFR boards.
- Represent RIO, promote RIO programs, and has carry out the ~~authority and responsibility to carry out the~~ day-to-day administrative duties for RIO ~~including developing and approving policies relating to the effective operation of the Office, including establishing and maintaining internal operating procedures for the effective operation of the Office, within authority delegated by the Boards~~.
- Develop and prepare or direct the preparation of agendas and materials, meeting minutes, required notices, procedures, and applicable rules and regulations for the retirement and investment programs (board and committee agendas prepared in coordination with, and subject to approval by, the Board Chair); and attend all meetings of the SIB and TFFR Board and corresponding committees.
- Hire staff as necessary to carry out the responsibilities of RIO. Provides leadership, coaching, and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
- Establishes and maintains working relationships across all organizational work units and levels.
- Maintain effective relationships with clients, members, beneficiaries, business partners, state officials, legislators and legislative committees, member and business partner stakeholder groups, the media, and the public at large relevant to both the retirement and investment programs, assuring such interactions reflect the agency's core values of integrity, accountability, and service.
- Serve as the official spokesperson for RIO on operational and investment matters.

- Attends Board meetings and advises the SIB and TFFR Board on significant issues, problems ~~or, or~~ developments pertaining to the plan, and provide ~~recommended courses of action as appropriate~~ recommended courses of action regarding Board policy or action.
- Assures accountability and compliance with all statutory and SIB and TFFR Board ~~prescribed~~ prescribed policies and procedures.
- In the absence of a Chief Risk Officer, serve as the senior accountable officer for the operational risk program, reporting operational risk matters to the Audit, Risk and Compliance Committee and the Board.
- Participate with the TFFR Board in the hiring of the Chief Retirement Officer, and participate in any surveys conducted by the SIB Executive Review and Compensation Committee for executive team members.
- Administer the TFFR plan and make initial determinations regarding member eligibility, benefits, and plan provisions, subject to appeal to the TFFR Board, and exercise related waiver and penalty authorities as provided by Board policy and state law.
- Notify the Governor's Office and the applicable stakeholder group (NDU, NDCEL, or NDRTA) of TFFR Board trustee term expirations and vacancies, and fulfill related statutory and administrative duties assigned under Board policy.
- Work collaboratively with the Boards to develop, monitor, and implement the long-term strategic plan.
- Maintain an internal agency process for the development and presentation of staff recommendations for new policies and policy amendments.

Provisions Proposed for Deletion *(duplicative of items above)*

- ~~Directs overall Office programs through directors and managers in accordance with the SIB governance policies and State laws and rules.~~
- ~~Develops and approves policies related to the effective operation of the Office.~~
- ~~Directs the preparation and execution of the budget and legislative agenda. Assures follow through and evaluates results.~~
- ~~Evaluates and monitors financial and operation programs.~~
- ~~Assures organization accountability and compliance to the Board.~~

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Adam Otteson, Chief Financial Officer
DATE: June 18, 2026
RE: Executive Director Legislative Increase Approval

This memo follows up on the Executive Director compensation discussion held at the April 9, 2026 meeting and requests the Committee's formal recommendation to the State Investment Board (SIB) to approve a 3% salary increase for the Executive Director

Included in RIO's approved legislative budget are payroll appropriations sufficient to provide for a 3% legislative increase in the second year of the biennium, including for the Executive Director position. Session law requires that the increase be based on documented performance and become effective in July 2026, with payment beginning in August 2026.

In April 2026, the State Investment Board approved the Executive Review and Compensation Committee's formal summative evaluation of Executive Director Jodi Smith, which found her first full year of performance to be exceptionally strong and supported by consistently positive feedback across stakeholder groups. This evaluation demonstrates that the Executive Director's performance meets the legislative intent underlying the authorized salary increase.

Based on the Executive Director's current salary of \$244,536, application of the 3% increase would result in a new salary of \$251,872.

COMMITTEE ACTION: Approve a 3% salary increase for Executive Director, raising the annual base salary from \$244,536 to \$251,872, effective July 1, 2026.

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Jodi Smith, Executive Director
DATE: June 18, 2026
RE: Fiscal Year 2026 Incentive Compensation Plan

Pursuant to the terms of the Incentive Compensation Plan (Plan), the SIB is required to approve the Plan on an annual basis.

The FY26 Plan (attached) remains unchanged from the FY25 Plan. In light of the extensive discussion regarding the current plan and potential revisions for FY27, staff are requesting formal confirmation of the existing plan.

COMMITTEE ACTION: Recommend for approval the FY26 Incentive Compensation Plan.

2. Incentive Compensation Program Policy

Executive Summary

North Dakota Century Code Chapter 54-52.5 provides that North Dakota RIO may develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB.

In carrying out its responsibilities, the Board has developed and administers an incentive compensation plan that reflects careful consideration of the following:

- To achieve its long-term strategic and investment objectives, RIO must have high-quality investment management staff.
- A reasonable and competitive incentive compensation plan is critical to attracting and retaining high quality staff.
- Staff should be motivated to earn the highest possible returns for RIO at reasonable costs and controlled levels of risk.
- Given that RIO needs to provide competitive pay to attract and retain qualified staff, a significant portion of total pay opportunities should be provided through performance-based incentives, a practice that is universally accepted in the financial marketplace. Under RIO's incentive compensation plan:
 - Investment-related awards should be earned only when net investment performance is above defined benchmarks (i.e., when value is created for client funds).
 - The greatest share of the excess value should accrue to the client funds, not to RIO staff.

The incentive compensation plan is rigorously managed by RIO's Executive Review and Compensation Committee (ERCC) to ensure compliance with all applicable statutes and related rules and guidelines.

Authority

North Dakota Century Code Chapter 54-52.5 provides that North Dakota RIO may develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB. This document specifies the policies and procedures related to the administration of annual incentive compensation.

This incentive compensation plan (the Plan) provides for payment of incentive compensation awards to full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB (Participants) and supersedes all prior incentive compensation plans and/or arrangements for Participants. Participants under this Plan include all unclassified investment services related staff as may be determined by the SIB, ERCC, and Executive Director. The Effective Date of the Plan is July 1, 2024. Each plan year starts at the beginning of the fiscal year on July 1.

Plan Objectives

As developed and adopted by the Board, this Plan is designed to:

1. Help attract and retain talented investment professionals.
2. Help RIO earn the highest possible investment returns at a reasonable cost and at controlled levels of risk.
3. Reward long-term investment performance.
4. Reflect the RIO client fund above-benchmark, net of all performance.
5. Motivate staff to make good decisions for RIO client funds, including implementation decisions related to asset allocation.
6. Foster a collaborative approach to investing RIO's assets under management.
7. Reward measurable and achievable performance.
8. Be clear and easily communicated in terms of the Plan's objectives, design features and associated incentive compensation opportunities.
9. Be perceived as fair by RIO's employees and potential recruits.

Administration and Management

The SIB reserves the right to modify, terminate, and/or rescind any or all of the compensation schedules, provisions, policies, and procedures contained in this and all supporting documents at any time. This document describes a policy and does not provide a contract, guarantee of payment, guarantee of participation in the Plan in subsequent years, or guarantee of employment among RIO, the Board, and the Participants. Should an error in calculation or in data be discovered before or after the award distribution, RIO reserves the right to make an adjustment and recover any incentive compensation award distributed based on the erroneous data or calculation.

The Executive Director will administer the Plan with oversight by the ERCC. The Executive Director may delegate certain administrative responsibilities to other employees at RIO, including the Chief Investment Officer and the Chief Financial Officer/Chief Operating Officer.

Compensation plan participants may present questions related to the Plan to the Executive Director. The Executive Director will work with the appropriate persons to answer such questions. The Executive Director, ERCC, and SIB will have full discretion to conclusively decide all questions or matters relating to the interpretation of the provisions and administration of this Plan.

The SIB must approve any question or matter whose resolution requires a material modification to the Plan, such as a change to the performance standards or maximum award levels. Any such amendments or changes to the Plan may be proposed by the Executive Director or the ERCC but must be recommended by the ERCC and approved by the SIB.

Eligibility

Positions that are eligible for incentive compensation are full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB as set forth in this plan. Any temporary employment or project positions are not eligible. Plan participation is determined based on employment status and the Executive Director's assessment of the position's impact on RIO's overall investment performance. Participants must have worked in a covered position at least three full consecutive calendar months during the year to be eligible for incentive compensation under the Plan, and incentive compensation will be paid on a pro-rata basis if not employed the entire fiscal year. The Executive Director will confirm any new positions that will be

eligible under the Plan during the next fiscal year.

Employment at RIO in good standing on the day of payment is a pre-requisite for receiving any incentive compensation payment, except in the case of retirement, disability, death or otherwise as provided below. For purposes of this Plan, “employment in good standing” means (a) the Participant’s performance is rated above “Developing” in the Participant’s most recent performance review, (b) the Participant is not on a performance improvement plan.

Eligibility upon Separation

Generally, a Participant must be employed by RIO as of the date the incentive compensation is paid out in order to be eligible to receive the payment. In the case of disability or death occurring during the fiscal year, any Board-approved incentive compensation amount may be paid to the Participant, the amount to be determined by the Executive Director, subject to approval by the SIB, based on the time worked during the fiscal year and subject to the Participant’s termination meeting the qualifications in the next paragraph, if not employed as of the date of payment. These payments will be made at the same time as any other incentive compensation award. 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 terminated employment prior to payment of an award, the full amount of the incentive compensation award will be paid to the Participant (or beneficiary in the case of death) only upon the following conditions:

- If the Participant’s separation is due to the Participant’s disability.
- If the Participant’s separation is due to the Participant’s death.
- If the Participant’s termination is due to reasons other than the Participant’s disability or death, and his/her last day of active employment is prior to the payment date then no incentive compensation award will be payable to the Participant.

Plan Concepts/Mechanics

The Plan’s terms and conditions are described in this document. A summary of the Plan’s overall mechanics is as follows:

- Prior to or near the beginning of each fiscal year, Participants will be assigned a maximum incentive compensation opportunity, which effective as of the Plan year will be expressed as a percentage of his or her base salary at the beginning of the fiscal year (or the Participant’s start date if employed after the start of the fiscal year). Maximum incentive compensation opportunities will vary by position based on differing levels of accountability and responsibility.
- Maximum incentive compensation opportunities will be weighted or allocated to specific quantitative and discretionary Plan components. Several Plan components are based on Value Added. Value Added (VA) means the weighted average of outperformance of funds as described within the plan.
- After year-end, depending on performance, awards will be determined for each stand-alone Plan component.

- Notwithstanding any other provision in this Plan and regardless of any incentive compensation award calculations hereunder, no incentive compensation award shall be made unless and until approved by the SIB, in its sole discretion. The SIB may award, adjust (up or down), modify or deny any incentive compensation amounts calculated pursuant to the Plan. All incentive compensation awards hereunder are discretionary.

Step 1: Set Each Participant’s Maximum Incentive Compensation Opportunity

Prior to or near the beginning of each fiscal year, or the Participant’s start date if employed after the start of the fiscal year, Participants will be assigned a maximum incentive compensation opportunity, which will be expressed as a percentage of his or her base salary. Unless approved by the Executive Director, maximum incentive compensation opportunities will vary by the position held for most of the year (i.e., position held through June 30 for existing employees) and based on differing levels of accountability and responsibility.

Current maximum incentive compensation opportunities are set forth below.

| Maximum Incentive Award | Position Title |
|--------------------------------|--|
| 100% | Chief Investment Officer Executive Director |
| 90% | Deputy Chief Investment Officer |
| 75% | Portfolio Manager (new FTE’s) Chief Risk Officer Senior Investment Officer |
| 60% | Chief Financial Officer/ Chief Operating Officer |
| 50% | Investment Officer Risk Officer Accounting Manager |
| 25% | Sr. Investment Accountant Investment Accountant |

Step 2: Calculate the Maximum Incentive Compensation Opportunity for the Plan

The maximum incentive compensation opportunity for the entire Plan will be calculated by aggregating the maximum incentive compensation opportunities for each Participant.

Step 3: Allocate each Participant’s Maximum Incentive Compensation Opportunity to Performance Components

Each Participant’s maximum incentive compensation opportunity will be weighted or allocated among standalone quantitative and qualitative performance components.

| All Roles | | |
|------------------|------------------------------|--|
| <i>Weight</i> | <i>Performance Component</i> | <i>Allocation Method</i> |
| 80% | Fund VA -3-year rolling | Minimum: (10%) \geq 1 bp Maximum: (100%) 50 bps |
| 20% | Individual Goals | Discretionary |

Any proposed changes to incentive compensation weightings will be reviewed and approved by the Executive Director and the ERCC, and approved by the SIB, prior to the beginning of each fiscal year.

Step 4: Calculate the Performance Components

VA Performance Components

The Plan's quantitative components focus on weighted average of the Legacy Fund, PERS pension fund, TFFR fund, and the WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks. Client fund performance is measured on a net of all basis (i.e., net of all direct and indirect costs). Asset Class and Team performance is measured net of direct costs.

The SIB approves an Incentive Compensation Metric (ICM) performance verified by the SIB's independent Benchmark and Hurdle Rate consultant. The Incentive Compensation Metric represents the amount of outperformance of the applicable benchmark necessary to earn the full incentive compensation opportunity. Performance-award scales are derived from the ICM and define the linkage between RIO's actual, relative, net investment performance and a corresponding percentage of the maximum incentive compensation opportunity that is earned.

Prior to or near the beginning of each performance year, any requested changes to the ICM(s) or performance-award scales must be submitted, in writing, by the Executive Director to the ERCC and from the ERCC to the SIB for review and approval, and to the Hurdle Rate and Benchmark Consultant for review and verification. There will be a comprehensive review of the ICM(s) up to every three to five years at the discretion of the SIB.

Under RIO Plan:

The percentage of the maximum *quantitative* incentive compensation opportunity earned:

- Equals 0% when performance is at or below benchmark.
- Equals 10% when net performance exceeds the benchmark by one full basis point.
- Increases pro rata, from 10% to 100%, for net performance that is between one full basis point above the benchmark, and the ICM.

- Equals 100% when net performance equals or exceeds the benchmark by the full ICM¹

Portfolio VA

In the first three years of the Plan, the first year Fund VA will be the one year weighted average Fund VA, the second year of the plan will be the two-year compound Fund VA and the third year will be the three-year compound average of the weighted average of the Legacy Fund, the PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks. Thereafter, the weighted average Fund VA applied to all participants is a rolling three-year average of the weighted average of the Legacy Fund, the PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks.

For Participants that join RIO on or after the beginning of the fiscal year, the weighted average Fund VA applied to all participants will be used. The payout will be made pro-rata based on the percentage of plan year time employed that starts with the beginning of the fiscal year on July 1.

For Participants that joined RIO prior to the plan year starting with the beginning of the fiscal year but have been employed for fewer than three years as of the start of the fiscal year, the weighted average Fund VA applied to all participants will be used.

Individual Goals Component

The Individual Goals component is set by the manager of the Participant as part of the performance evaluation process. The final performance evaluation of each Participant is approved by the Executive Director. In addition, such Participants will be evaluated on leadership/behavioral and organizational competence factors. Some factors that may be considered include training and mentoring of staff, contribution to organizational strategic planning, and participation in projects or initiatives to update business and/or analytical processes and tools and the associated technology applications. The Executive Director will determine the amounts awarded for Individual Goals in consultation with managers.

Step 5: Allocate Discretionary Components Among Relevant Participants

Quantitative components are allocated to Participants directly without modification. Discretionary components for Individual Goals components, will be allocated by the Executive Director.

Step 6: Present Final Award Recommendations to the Board of Trustees

The Executive Director's award recommendations will be made to the ERCC. The ERCC will make a recommendation regarding the incentive compensation awards to the SIB for approval. For all Participants, an incentive compensation award is contingent on approval of the award by the SIB, in its sole discretion.

Step 7: Payment of Awards

Incentive compensation awards will be determined and authorized as soon as practical

following the close of each fiscal year, with a target of within the first four months of each fiscal year for the previous fiscal year.

RIO shall be entitled to withhold or deduct, as applicable, from the amount of any payment under this Plan or any other compensation due to the Participant, all federal, state, city and other taxes and all other amounts, as applicable.

¹ ICMs are intended to reflect levels of net performance that are considered top quartile, based upon expected levels of risk and return.

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Jodi Smith, Executive Director
DATE: June 18, 2026
RE: DRAFT FY 27 Incentive Compensation Plan

North Dakota Century Code Section 54-52.5-04 authorizes the RIO to develop an incentive compensation program for the full-time equivalent investment and fiscal operations positions necessary to manage the funds under the SIB's control, and directs that the program promote profitability, productivity, and responsible fund management. The attached draft Plan has been developed to fulfill these statutory objectives.

The Plan preserves the SIB's plenary authority to establish, amend, and administer the program, with oversight by the Executive Review and Compensation Committee and verification of investment results by an independent consultant. Award ranges are capped by position, and the Executive Director will provide a statement of financial impact estimating the total potential cost of the Plan at both target and maximum award levels.

COMMITTEE ACTION: The Executive Review and Compensation Committee recommend the State Investment Board complete a first reading of the FY 27 Incentive Compensation Plan.

Incentive Compensation Plan

Summary of Proposed Changes

Jodi A. Smith, Executive Director

Purpose and What Is Changing

A restated plan, not a new program

The State Investment Board (SIB) has operated an incentive compensation plan since FY2025 (effective July 1, 2024), authorized under NDCC § 54-52.5-04 and held as Exhibit V-2 to the Program Manual.

The FY2027 draft restates that plan as a standalone policy effective July 1, 2026. The core design is retained: pay-for-performance, measured against policy benchmarks, with the greatest share of value accruing to client funds.

What is new:

- Adds a full Base Pay framework alongside incentive pay
- Lengthens the eligibility service requirement
- Revises the performance-award scale and Incentive Compensation Metric (ICM) band
- Resets maximum award opportunities by position
- Introduces three installments over a three-year period, at-risk payout of awards
- Adds an explicit total-fund payment gate
- Formalizes the approval calendar, forfeiture and claw back terms

1. Plan Structure and Base Pay

From an incentive-only exhibit to a total-compensation framework

Current: The Program Manual exhibit addresses incentive compensation only. Base pay is governed separately through general Retirement and Investment Office and Office of Management and Budget personnel policy.

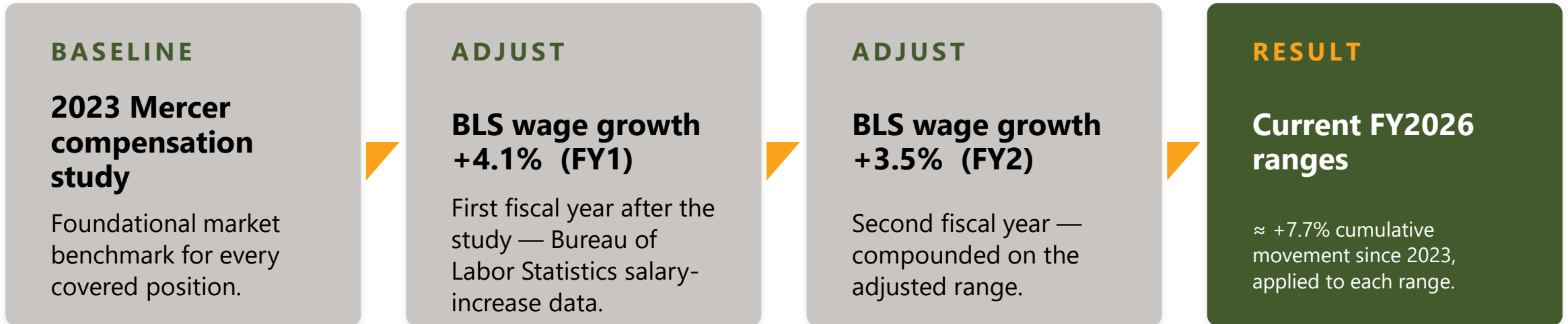
Draft: Establishes a complete compensation framework with three defined components — base pay, incentive compensation, and benefits — in one policy.

New Base Pay section adds:

- Salary ranges and quartiles set by the Executive Review & Compensation Committee (ERCC) and approved by the SIB, using blended public- and private-sector market data.
- Defined comparator groups for executive and investment positions.
- A cap at the 75th percentile of range absent ERCC approval; base pay may never exceed the range maximum.
- Market surveys refreshed at least every two years.

How base salary ranges were set

Market-anchored, then trued up to current conditions



Method notes

- Approach recommended by the Office of Management and Budget (OMB).
- Adjustments applied as cumulative annual wage growth — 4.1% then 3.5% — compounded on the Mercer baseline.
- Where possible, resulting ranges were validated against other compensation studies for reasonableness.

Cumulative market movement applied since 2023

+7.7%

Proposed Salary Increases

| Title | July 1 salary after 3% | Proposed Annual Equity Increase | Proposed Salary | Monthly Equity Increase | Proposed Monthly Salary |
|---|------------------------|---------------------------------|-----------------|-------------------------|-------------------------|
| Chief Investment Officer | 331,008 | 40,992 | 372,000 | 3,416 | 31,000 |
| Executive Director | 251,872 | 70,928 | 322,800 | 5,911 | 26,900 |
| Portfolio Manager - Fixed Income | 217,488 | 2,400 | 219,888 | 200 | 18,324 |
| Deputy Chief Investment Officer | 209,640 | 51,960 | 261,600 | 4,330 | 21,800 |
| Portfolio Manager of Internal Direct Equity | 198,396 | 16,404 | 214,800 | 1,367 | 17,900 |
| Portfolio Manager of Quantitative Risk & Funds Management | 195,696 | 19,104 | 214,800 | 1,592 | 17,900 |
| Portfolio Manager, Private Markets | 193,092 | 22,800 | 215,892 | 1,900 | 17,991 |
| Portfolio Manager, Alpha & Funds Management | 193,092 | 12,108 | 205,200 | 1,009 | 17,100 |
| Senior Investment Analyst | 159,144 | 7,656 | 166,800 | 638 | 13,900 |
| Senior Analyst Private Markets Fund Management | 137,940 | 6,060 | 144,000 | 505 | 12,000 |
| Public Markets Analyst | 132,624 | 2,400 | 135,024 | 200 | 11,252 |
| Deputy Chief Financial and Operating Officer | 129,780 | 6,420 | 136,200 | 535 | 11,350 |
| Public Markets Investment Analyst | 82,416 | 1,584 | 84,000 | 132 | 7,000 |
| Analyst of Internal Direct Fixed Income | 77,256 | 12,000 | 89,256 | 1,000 | 7,438 |
| TOTAL | \$2,509,444 | \$272,816 | \$2,782,260 | \$22,735 | 231,855 |

2. Eligibility

Longer service requirement before an award can be earned

Current: A participant must work in a covered position at least three consecutive full calendar months during the plan year to be eligible; awards prorated for partial years.

Draft: Raises the threshold to six consecutive full calendar months in a covered position during the plan year; awards still prorated for partial-year service.

Unchanged:

- Eligibility limited to full-time investment and fiscal operations positions necessary to manage SIB funds; temporary and project positions remain excluded.
- Participants must be designated by the Executive Director under the Annual Program.

3. Award Composition & Performance Scale

Flatter, wider quantitative scale - Same 80/20 split

Changed - the performance-award scale

(ICM):

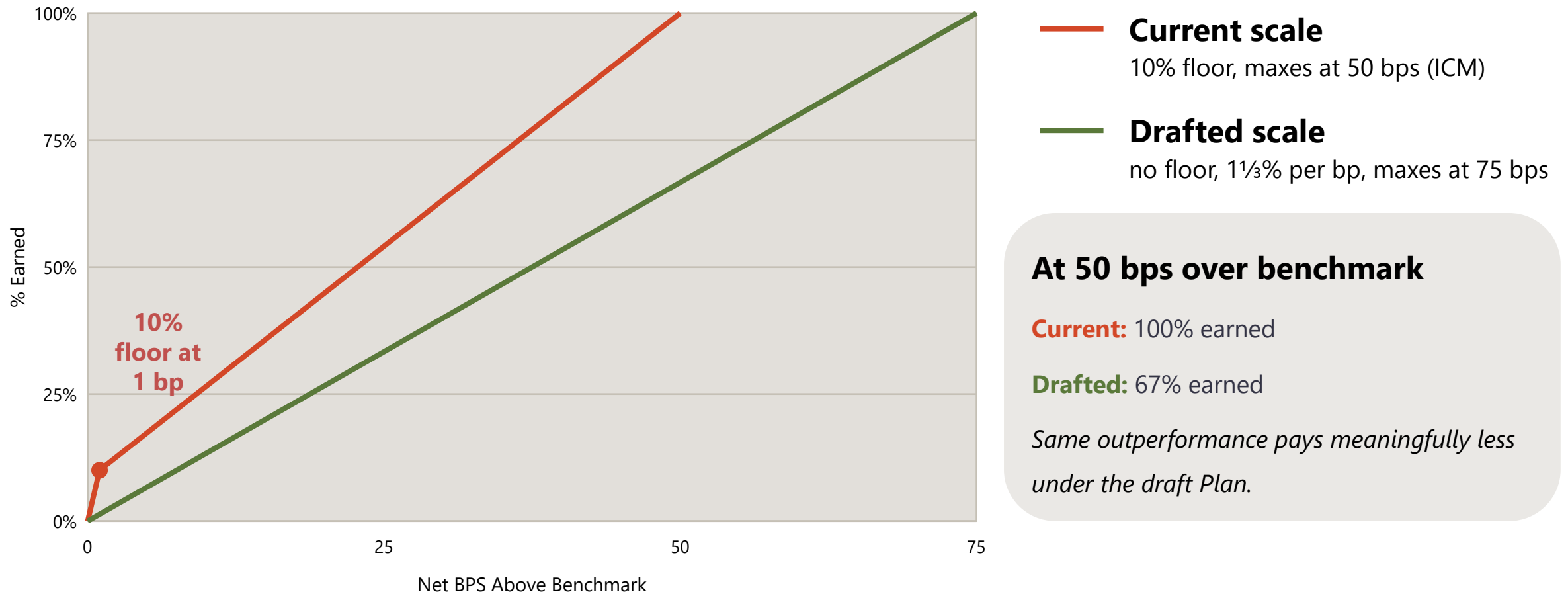
- **Current:** 0% at or below benchmark; a 10% floor at the first basis point (bp) above benchmark, then pro rata to 100%, reaching maximum near 50 bps of net outperformance.
- **Draft:** 0% at or below benchmark; earning begins at 1% at one basis point above and accrues 1⅓% per bps, reaching 100% at 75 bps

Unchanged - award composition:

- 80% quantitative (fund value-added vs. benchmark); 20% qualitative / individual goals; three-year rolling measurement.
- Measured against the weighted average of the four largest funds (Legacy, PERS, TFFR and WSI) at the client-fund level, net of costs.

Payout curve: how fast incentive is earned

% of the quantitative (80%) opportunity earned vs. net basis points above benchmark



4. Maximum Percentage Payout

| Title | Current Max % | Proposed Max % |
|---|---------------|----------------|
| Chief Investment Officer | 100% | 75% |
| Executive Director | 100% | 75% |
| Portfolio Manager – Fixed Income | 75% | 60% |
| Deputy CIO | 90% | 60% |
| Portfolio Manager of Internal Direct Equity | 75% | 60% |
| Portfolio Manager of Quantitative Risk & Funds Management | 75% | 60% |
| Chief Financial and Operating Officer | 60% | 60% |
| Portfolio Manager, Private Markets | 75% | 60% |

| Title | Current Max % | Proposed Max % |
|---|---------------|----------------|
| Portfolio Manager, Alpha & Funds Management | 75% | 60% |
| Senior Investment Analyst | 50% | 40% |
| Senior Analyst, Private Markets Fund Management | 50% | 40% |
| Public Markets Analyst | 50% | 40% |
| Deputy Chief Financial and Operating Officer | 50% | 40% |
| Analyst of Internal Direct Fixed Income | 50% | 40% |
| Senior Investment Operations | 25% | 25% |
| Investment Operations Analyst | 25% | 25% |

5. Deferred, At-Risk Payout

The most significant structural change

Current: Awards are determined and paid after fiscal year-end, generally within four months—effectively a single payment. Good standing on the payment date is required.

Draft: Each earned award is paid in three installments over three years:

- 50% in Year One (by March 15)
- 25% in Year Two (by March 15)
- 25% in Year Three (by March 15)

Continuous employment through each payment date is required; unpaid installments are forfeited on termination, subject to Executive Director discretion for death, disability, retirement, or involuntary termination without cause.

6. Total-Fund Payment Gate

Funding tied to value created for client funds

Current: Investment awards are earned only when net performance exceeds benchmark.

Draft — new Total Composite Performance Limitation:

- If total composite fund performance, net of fees, does not exceed its benchmark in a plan year, no payment on any outstanding award is made the following year. The board has discretion to withhold previously earned installments.
- SIB may reduce or suspend payments in years with negative returns.
- Suspended installments may be restored later at the SIB's sole discretion.

7. Governance, Calendar & Clawback

A formalized annual cycle and clearer separation provisions

Draft - formalized approval calendar:

- Annual Program developed in Q4; presented to the ERCC and benchmark to the Investment Committee by June 30; SIB approves the Annual Program by July 31.
- After yearend, the independent consultant verifies results; ERCC recommends awards by November 15; SIB approves by December 31; installments paid by March 15.

Draft – separation and forfeiture:

- Defines “retirement” (60-day notice, good standing) and “Protected Leave” (sick, FMLA, parental); unpaid installments forfeited on most terminations.

Draft - clawback/adjustment:

- SIB may adjust or recover payments made on erroneous data or calculations by adjusting future installments.

Appendix

Organizations Reviewed for Compensation & Incentive Studies

| | |
|---|---|
| Alaska Permanent Fund | Los Angeles County Employees Retirement Association |
| California Public Employees Retirement System | North Carolina Department of State Treasurer |
| California State Teachers' Retirement System | South Dakota Investment Council |
| Colorado Public Employees Association | State Teachers Retirement System of Ohio |
| Employees Retirement System in Texas | State of Wisconsin Investment Board |
| Florida State Board of Administration | Teachers Retirement System of Texas |



NORTH
Dakota
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| Retirement & Investment

I. PROGRAM OVERVIEW

A. Authority

North Dakota Century Code Section 54-52.5-04 authorizes the North Dakota Retirement and Investment Office (the “RIO”) to develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the State Investment Board (the “SIB”). Section III of this document sets forth the terms and conditions of the RIO Incentive Compensation Plan (the “Plan”) established under the authority provided above.

B. Rationale

The Legislature has directed that the incentive compensation program promote profitability, productivity, and responsible fund management. The Plan is established to fulfill these statutory objectives by providing a compensation framework tailored to the specialized investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB.

To accomplish these legislative directives, the SIB has determined that the Plan must account for the labor market conditions that directly affect the recruitment and retention of institutional investment professionals, most of whom are drawn from the private sector. In particular, investment management roles in the private sector are compensated substantially differently than positions under governmental entities with traditional civil service structures. Private-sector compensation uses salary structures that exceed typical civil service salary ranges and relies heavily on pay-for-performance and incentive-based compensation. As a result, step-based salary schedules are impractical for attracting and retaining professionals with the specialized skills required to manage complex institutional investment portfolios. The Plan is designed to bridge the gap between public-sector compensation structures and private-sector market realities by aligning compensation provided to the RIO investment professionals with market realities while maintaining appropriate public-sector accountability.

C. Purpose

The Plan has been developed through public review, discussion, and debate. It reflects a deliberate strategy to ensure compensation is at a competitive level in order to attract and retain highly qualified professionals, while motivating and rewarding long-term investment performance. The Plan is intentionally structured to recognize labor market realities and to reinforce high performance by placing a meaningful portion of total compensation at risk. Consistent with the statutory requirement that payouts not occur unless the risk-based performance of internally managed investments exceeds the risk-based performance of policy benchmarks, this pay-at-risk framework directly aligns individual incentives with the SIB’s mission, emphasizing the achievement of measurable, performance-based objectives. In doing so, the Plan supports the recruitment and retention of highly skilled executives and

investment professionals, which serves as the foundation for the organization's long-term success.

D. Total Compensation

While incentive compensation is a critical aspect of attracting, retaining, and rewarding investment professionals, it is simply one piece of any compensation program. The total compensation, not simply incentive compensation, is the ultimate measure of how competitive a compensation program is within a given labor market. There are three components to total compensation:

- Base Pay / Salary;
- Incentive Compensation; and
- Employee Benefits.

The base pay element is set forth as provided in Section II below. The incentive compensation element is set forth as provided in Section III below. The benefits provided to employees are set forth in state law or the various personnel policies of the RIO.

II. BASE PAY

Base pay will be determined based on salary ranges and quartiles that are developed by the Executive Review and Compensation Committee (the "ERCC") and approved by the SIB. These salary ranges will be developed using a blend of public- and private-sector market data and through salary surveys. The ranges will be further informed by internal equity, industry standards, and best practices in executive and investment compensation.

Relevant salary survey data utilized for the development of ranges is gathered at least every two years, or more frequently as determined by the ERCC. Additional market reviews may be conducted when a position becomes vacant, or a new position is created. The ERCC may utilize a compensation consultant in the development of salary ranges. Target quartiles for covered positions may be established based on market data at the time each survey is conducted.

Data for salary surveys and other relevant information used for the development of salary ranges and quartiles will be derived from employee data of comparator groups. Comparator groups include:

- **Executive Management Positions:** Leading U.S. public funds, banks, and insurance companies with comparable assets under management.
- **Investment Management Positions:** Large and complex institutional investors with comparable assets under management, and private-sector asset management organizations of similar size that compete for RIO talent, including investment advisory firms, university endowments, insurance companies, and banks.

Base pay ranges and associated quartiles are approved by the SIB and become effective on the date specified at approval. In years between comprehensive surveys, ranges may be

adjusted to reflect general private-sector salary movement supported by current market data.

Base pay of individual employees is established at hire by the hiring supervisor in coordination with the Chief Financial Officer/Chief Operating Officer (the “CFO/COO”) based on internal equity, skills and expertise, prior experience, and other relevant factors. Base pay for the Executive Director is determined by the SIB based on the recommendation of the ERCC. In all cases, the base pay of an individual employee may not exceed the 75th percentile of the approved range without the approval of the ERCC.

Individual base pay increases are considered annually in conjunction with the performance appraisal process and informed by the most recent salary survey data. Increases are not guaranteed and are based on overall performance, unless increases are otherwise recommended by the ERCC in connection with a salary survey for retention or pay equity purposes. Policy violations or failure to demonstrate or adhere to SIB core values will be considered in determining any base pay increases.

If any annual increase would result in base pay exceeding the approved salary range maximum, base pay for the individual shall be capped at the range maximum. Under no circumstances may base pay exceed the established range.

III. INCENTIVE COMPENSATION PLAN

Incentive awards are designed to advance the mission of the SIB by providing “at-risk” compensation consistent with the SIB’s total compensation philosophy. This at-risk framework promotes an integrated focus on achieving organization-wide, long-term strategic objectives. Covered positions may be eligible for an annual award (an “Award”), with award opportunities varying by position. Incentive compensation is structured as pay-for-performance to ensure progress toward critical organizational goals. Awards are contingent cash payments based on (i) individual and/or organizational achievement of measurable performance objectives documented in the Plan, subject to applicable conditions, and (ii) total fund performance, provided established conditions are met.

The effective date of this Plan is July 1, 2026. Each plan year coincides with the RIO’s fiscal year beginning on July 1 and ending on June 30.

A. Administration of the Plan

The Executive Director shall administer the Plan with oversight by the ERCC and the SIB. The SIB retains plenary authority to establish and amend this Plan, prescribe and amend any policies relating to it, and make any determinations outlined herein. The Executive Director has plenary authority to make all other determinations deemed necessary or advisable for the administration of this Plan and Awards hereunder other than as to the participation of the Executive Director, which determinations will be made by the ERCC. The determinations of the Executive Director and the ERCC regarding the matters referred to in this Section III shall be binding and final.

B. [Eligibility](#)

To be eligible to participate in the Plan, an employee (i) must be serving in a full-time equivalent investment or fiscal operations role necessary for the management of the investment of funds under the control of the SIB which has been designated as a covered position in connection with an annual incentive program as described in Section III.D below (an “Annual Program”), (ii) must have worked in a covered position for at least six (6) consecutive full calendar months during the plan year, and (iii) must have been designated as a participant by the Executive Director in connection with an Annual Program.

Employees serving in temporary or project-based positions are not eligible to participate in the Plan. If an employee is not employed for the entire plan year, incentive compensation shall be paid on a prorated basis.

Eligible covered positions and the employees serving in such positions that are eligible to participate in the Plan are set forth in an Annual Program designated by the Executive Director and approved on an annual basis in accordance with Section III.D.ii.a below.

C. [Annual Incentive Award](#)

i. *Nature of Award.* Each eligible employee who is designated as a participant in the Plan for a given plan year under an Annual Program will receive an annual Award that provides the participant an opportunity to receive a cash payment based on a percentage of the participant’s base salary and subject to achievement of certain performance goals and the terms and conditions of the Plan.

ii. *Performance Goals and Award Composition.* A participant will be entitled to payment under an Award based on his or her satisfaction of both quantitative and qualitative performance goals established for each participant for a given plan year. Entitlement to eighty percent (80%) of the amount of an Award will be based on performance with respect to quantitative goals, and entitlement to twenty percent (20%) of the amount of an Award will be based on satisfaction of qualitative goals. Goals are documented in the Office of Management and Budget Performance Management Review system following the approval of an Annual Program, and participants will be notified of such goals.

iii. *Quantitative Goals.* Eighty percent (80%) of an Award for each participant will be based on the investment performance of internally managed investments as compared to applicable benchmarks associated with such investments as specified by the SIB in connection with its approval of the Annual Program. The investment performance to be measured for a given participant will be identified in the Annual Program and will be based on total composite fund performance. The SIB may include asset class investment performance and/or investment performance of assets managed by a specific team in the investment performance measurement if administratively practical and otherwise desired by the SIB. The following provisions apply to the development of quantitative goals:

a. **Internally Managed Investments.** For purposes of the Plan, “internally managed investments” refers to the investments under the control of the SIB for which internal RIO investment staff exercises investment discretion, management, and oversight responsibility. These investments include investment of assets directly invested and managed by RIO staff, as well as investments managed through internally directed programs in which RIO staff is responsible for manager selection and termination, portfolio construction, rebalancing, performance monitoring, and ongoing oversight across both public and private markets. Internally managed investments are not limited to assets traded directly by staff but include investment portfolios for which the RIO provides active investment stewardship, including implementation through external managers when the RIO retains decision-making authority and fiduciary oversight. These funds represent the primary internally managed portfolios for purposes of determining incentive eligibility. The investment of the assets with two SIB client funds—the Job Service Employee Pension Fund and the PERS Retiree Health Insurance Fund—are currently externally managed and will not be considered internally managed investments unless and until internal RIO investment staff assumes investment discretion, management, and oversight responsibility.

b. **Total Composite Fund Performance and Benchmarks.** Investment performance measurements and relative benchmarks used to evaluate total composite fund performance will be based on the weighted average of the relative investment performance of the following SIB client funds: the Legacy Fund, the Public Employees Retirement System (“PERS”) fund, the Teachers’ Fund for Retirement (“TFFR”), and the Workforce Safety & Insurance (“WSI”) fund. The investment performance measurements and relative benchmarks are measured at the client fund level against the weighted average of the SIB-approved benchmarks for each such client fund and calculated net of all direct costs (costs directly resulting from a particular investment, such as fees and trading expenses) and indirect costs (costs resulting from the internal investment operations of the RIO).

c. **SIB Benchmark Approval.** For purposes of measuring investment performance, benchmarks will be proposed by the Executive Director to the Investment Committee, who will consult with the independent benchmark consultant in making a recommendation to the SIB in connection with the approval of the Annual Program.

d. **Applicable Performance Periods.** Quantitative performance measures will generally be based on three-year, multi-year performance against relevant benchmarks. Notwithstanding the foregoing, the three-year, multi-year performance cycle will not be utilized for any specific asset class, strategy, or subset thereof until that asset class, strategy, or subset has accumulated three full years of historical performance data. Until such time, the actual years (full and partial) of historical performance of such asset class, strategy, or subset will be used as the measurement period for purposes of calculating the quantitative component of an Award.

iv. *Qualitative Goals.* Twenty percent (20%) of an Award for each participant will be based on the achievement of individual performance goals. These individual qualitative performance goals are determined for a given fiscal year by the Executive Director in consultation with the CFO/COO, applicable division directors, and each participant's supervising manager. These goals will consist of individual objectives for each participant to achieve, as well as attainment of a performance rating based on a standardized methodology that evaluates demonstrated leadership and teamwork, contributions to culture, behavioral and organizational competencies (including staff development), strategic contributions, and participation in initiatives to improve business, analytical, or technology processes.

D. [Annual Incentive Program](#)

i. *Development of Annual Program.* In the fourth quarter of each fiscal year, the Executive Director will develop the Annual Program for the following fiscal year to be presented to the ERCC. The Executive Director will collaborate with the CIO, CFO/COO, and other applicable staff to develop the content of the Annual Program as described below. The Executive Director will present (1) the Annual Program to the ERCC and (2) any benchmark used in the Annual Program to the Investment Committee no later than June 30 for the following plan year. The ERCC will review and provide direction and suggestions to the Executive Director. The Investment Committee will review the proposed benchmark for appropriateness. After completion of the proposed Annual Program, the ERCC will recommend the proposed Annual Program, and the Investment Committee will recommend any benchmark utilized in the Annual Program, to the SIB for consideration and approval no later than June 30 for the following plan year. The SIB shall approve the Annual Program no later than July 31 for the following plan year.

ii. *Description and Contents of Program.* The Annual Program approved by the SIB for a given plan year will be described in Appendix A to this Plan, and Appendix A will be automatically updated following approval of the Annual Program by the SIB. Contents of an Annual Program will include:

a. **Covered Positions and Participants.** The covered positions eligible for participation in the Annual Program for a given fiscal year are included and described in Appendix A and are subject to approval and change each year in connection with approval of the Annual Program. Individuals who are employed in such covered positions at the beginning of a fiscal year will be designated by the Executive Director as a participant in the Annual Program for such fiscal year, and the names of such individuals will be provided in a report to the ERCC and the SIB in connection with the approval of the Annual Program. Any individuals who begin employment following the commencement of a fiscal year may be designated as a participant by the Executive Director following the commencement of the fiscal year provided that such employee satisfies the 6-month requirement for such fiscal year as provided in Section III.B. The Executive Director will report all newly-hired participants added to an Annual Program to the ERCC.

b. **Incentive Award Ranges and Target Award.** The incentive award ranges and target awards for all covered positions are set forth in Appendix A and are subject to approval and change each year in connection with approval of the Annual Program. The incentive award range represents the percentage of base pay available to be earned by a participant under an Award based on the level of achievement of the Annual Program quantitative and qualitative performance goals. The “target award” for any given annual incentive award range is set at 50% of the award range maximum. Maximum annual incentive opportunities may never exceed the ranges outlined below, but ranges may vary by position based on differing roles and responsibilities within the organization, as determined by the Executive Director, and to ensure alignment between peer positions. The Executive Director will prepare a statement of financial impact estimating the total potential cost of the Plan based on achievement of both maximum and target award levels, assuming all established performance goals are fully realized or achieved at target levels, and report the total estimated cost of an Annual Program at both target and maximum levels in connection with the presentation to the ERCC and SIB.

c. **Quantitative Goals, Benchmarks and Investment Compensation Metrics.** The groups of internally managed investments for which performance will be measured to determine the achievement of quantitative goals and benchmarks associated with such investments will be established under the Annual Program. The Annual Program will also contain an incentive compensation metric (the “ICM”), which represents the level of investment performance required to achieve the portion of the Award opportunity conditioned on achievement of quantitative goals. Performance award scales derived from the ICM will be included in the Annual Program to illustrate the relationship between actual net outperformance and the percentage of the quantitative goal opportunity earned under an Award. Prior to the approval of the Annual Program by the SIB, an independent benchmark consultant will verify (i) the asset composition(s) for which performance will be measured, (ii) the benchmarks against which investment performance will be compared, and (iii) the ICM and associated performance award scales. Benchmarks with respect to an Annual Program may be adjusted by the SIB to reflect changes to the investment portfolio during a given performance year.

d. **Qualitative Goals.** In connection with the presentation of the Annual Program to the ERCC, the Executive Director will describe the general employee evaluation process to be utilized in determining the achievement of the qualitative goals and receive feedback and suggestions. The details and execution of the evaluation process, however, will be under the purview of the Executive Director.

E. Determination and Approval of Award Payments

i. *Determination of the Award—Achievement of Goals.* Following the conclusion of the plan year, the Executive Director will determine the level of achievement for each Award based on the achievement of the quantitative and qualitative goals under the Award. The achievement of quantitative goals as outlined in the Annual Program will be

verified by the independent investment performance and benchmark consultant using estimated investment performance as of the end of the given plan year (June 30). The investment performance and benchmark consultant serves as an independent check on the results to ensure consistency with established performance objectives, investment policies, and compliance procedures. The achievement of qualitative goals will be determined by the Executive Director in collaboration with executive staff and appropriate division directors based on the results of each participant's annual performance review utilizing an established process as presented to the ERCC.

ii. *Determination of the Award—Payment Amount.* Following the determination of the level of achievement of the quantitative and qualitative goals under the Award, the Executive Director will determine the payment amount that a participant is entitled to under an Award. The Executive Director will adjust the payment amount pro rata for (i) any newly hired participant who did not serve the complete number of days of the plan year or (ii) any participant absent from active employment with the RIO for more than thirty (30) days in a plan year due to an approved extended leave of absence other than a Protected Leave. A "Protected Leave" is any absence from active employment attributable to (i) sick leave taken in accordance with the RIO's applicable sick leave policies, (ii) leave taken pursuant to the Family and Medical Leave Act of 1993, as amended, and (iii) parental leave taken in accordance with the RIO's applicable parental leave policies. The determination of whether an absence constitutes a Protected Leave, the number of days subject to proration, and the calculation of the proration shall be made by the Executive Director (or, in the case of the Executive Director, by the SIB) in his or her sole discretion.

iii. *Approval of the Award.* No later than November 15, the ERCC shall review the materials presented by the Executive Director and shall submit to the SIB its recommendation regarding the final Award amount for each participant. No later than December 31, the SIB in its sole discretion shall approve, or approve with modifications, each Award recommended by the ERCC; provided, however, that prior to taking final action, the SIB may refer any comments or questions regarding the ERCC's recommendations back to the ERCC for further consideration and response.

F. [Payment Terms of Award](#)

i. *Payment Schedule.* Subject to the conditions set forth in this Plan, including the continuous employment of the participant through a given payment date as provided in Section III.F, each Award earned by a participant pursuant to this Plan shall be paid in three (3) installments over a period of three (3) years, in accordance with the following schedule:

a. **First Installment:** Fifty percent (50%) of the total Award amount shall be paid no later than March 15 of the first plan year following the plan year for which the Award is granted;

b. **Second Installment:** Twenty-five percent (25%) of the total Award amount shall be paid no later than March 15 of the second plan year following the plan year for which the Award is granted; and

c. **Third Installment:** Twenty-five percent (25%) of the total Award amount shall be paid no later than March 15 of the third plan year following the plan year for which the Award is granted.

The adoption of this deferred payment schedule shall not be construed to confer upon any participant a vested right to any unpaid installment prior to the applicable scheduled payment date, and all unpaid installments shall remain subject to the forfeiture provisions set forth in Section III.G below.

ii. *Continuous Employment.* Payment of each installment payment is conditioned upon the participant's continued employment with the RIO through each scheduled payment date of such installment. In the event that a participant terminates service prior to a scheduled payment date of any unpaid installment, such unpaid installment shall be forfeited in its entirety and shall cease to be payable except as provided in Section III.G below.

G. [Forfeiture](#)

A participant's Award, and any right to receive payment thereof, shall be immediately and irrevocably forfeited upon the participant's termination of employment for any reason. Any unpaid installment payments will be forfeited, and the participant will have no further rights under the Plan.

However, the Executive Director, in his or her sole discretion and without obligation, may approve payment of an Award, including immediate payment of any future installments due under an Award, for an employee whose employment terminates due to death, total or and permanent disability, retirement, or involuntary termination without cause, provided that any such payment is made by March 15 following the calendar year in which the termination occurs. For purposes of this Plan, "retirement" occurs when: (i) a retirement request is submitted at least sixty (60) days in advance of the participant's proposed retirement date; (ii) the Executive Director (or SIB, as applicable) determines the participant is in good standing and approves the retirement date; and (iii) the participant has attained age 65. Awards for which payments are made in the case of death of the participant will be made to the employee's estate.

H. [Limitations and Adjustments](#)

i. *Total Composite Performance Limitations.* If the total composite fund investment performance net of fees for a given plan year does not exceed its corresponding benchmark as set forth in the Annual Program for such plan year, no payment will be made with respect to performance for such plan year under an Award; *provided, however,* installment payments due for positive performance in a prior plan year that have been

previously-approved by the SIB in Section III.E.iii may be still paid subject to the conditions set forth in Section III.F.

ii. *Adjustment.* In the event that the RIO discovers that a payment amount under an Award for a plan year is inaccurate, including, without limitation, as a result of an error in the calculation of a payment due under an Award or the update or modification of performance numbers or results used in the calculation of a payment amount, such payment amounts for the fiscal year under the Award are subject to adjustment upon action by the SIB. The SIB may approve the increase or reduction of any future payments under such Award or any other Award to reconcile the difference between the inaccurate payment amount and the corrected payment amount to address any underpayment or overpayment that may have been made to a participant. The SIB may adjust Award payments at its sole discretion and is not obligated to take any action contemplated by this subsection.

I. [Amendment and Termination of the Plan](#)

The SIB reserves the right to terminate or amend this Plan and all Awards at any time in its sole discretion, including, without limitation, the terms and conditions of any Annual Program; provided, however, that no termination or amendment of this Plan will modify a participant's right to payment under any Award for which the payment amount has already been approved except as provided in Sections III.G. or III.H.

IV. MISCELLANEOUS

A. [No Right to an Award](#)

Neither the adoption of this Plan nor any action of the SIB, the ERCC, the Investment Committee or the Executive Director will be deemed to give an employee any right to be granted an Award, any right to receive an Award, or any other rights under this Plan.

B. [Continuous Employment; No Employment or Other Service Rights](#)

For purposes of this Plan, a participant shall be considered to be in continuous employment for so long as the participant remains employed by the RIO. Any question as to whether and when there has been a termination of employment shall be determined by the Executive Director in his or her sole discretion; provided, however, that in the case of an Award granted to the Executive Director, termination shall be determined by the SIB. Any such determination shall be final and binding. Nothing contained in this Plan will (i) confer on any participant any right with respect to his or her continuation of service with the RIO or (ii) interfere in any way with the right of the RIO to terminate any participant's service relationship at any time.

C. [Tax Matters](#)

i. *Withholding.* With respect to any Award, the RIO will have the right to deduct or cause to be deducted any taxes required by law to be withheld and to require the

employee to make any payments required to satisfy applicable withholding obligations. Notwithstanding the above, the employee is solely responsible for satisfying any and all tax obligations that may be associated with an Award.

ii. *Section 409A.* The Plan, and all Awards granted hereunder, are intended to be exempt from or comply with Section 409A (“Section 409A”) of the Internal Revenue Code of 1986, as amended (the “Code”) and Section 457(f) of the Code (“Section 457(f)"). To the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan and all Awards shall be interpreted and administered to be in compliance therewith. Any payments to be made under this Plan upon a termination of employment will only be made on a “separation from service” as such term is defined under Section 409A. For purposes of Section 409A, each payment provided under this Plan will be treated as a separate payment. Notwithstanding the foregoing, the RIO shall have no obligation to take any action to prevent the assessment of any additional tax or penalty on any employee under Section 409A and shall have no liability to any employee for such tax or penalty.

D. [Restrictions on Transfer](#)

Neither a participant nor any other person shall have any right to sell, assign, transfer, pledge, anticipate, encumber, hypothecate, or otherwise convey any Award or any amounts payable hereunder prior to the date that such amounts are paid other than by will or the laws of descent and distribution or with the consent of the SIB.

E. [Severability](#)

If any provision of the Plan is held to be invalid, illegal, or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent of such invalidity, illegality, or unenforceability and the remaining provisions shall not be affected.

F. [Governing Law; Venue; Forum](#)

This Plan and any litigation related to this Plan (whether grounded in contract, tort, statute, law, or equity) shall be governed by, construed in accordance with, and interpreted pursuant to the laws of the State of North Dakota. Any action with respect to any matter under this Plan or an Award must be adjudicated exclusively in the state District Court of Burleigh County, North Dakota.

APPENDIX A

Annual Investment Program for Plan Year 2026

Effective July 1, 2026

| Incentive Award Ranges | | | |
|---|-------------------------|---------------------|-------------------------|
| Position | Minimum Incentive Award | Annual Target Award | Maximum Incentive Award |
| Chief Investment Officer & Executive Director | 0% | 37.5% | 75% |
| Chief Financial/Operating Officer, Deputy Chief Investment Officer, Portfolio Manager | 0% | 30% | 60% |
| Deputy Chief Financial/Operating Officer, Senior Analyst, Analyst | 0% | 20% | 40% |
| Senior Investment Operations Manager, Investment Operations Analyst | 0% | 12.5% | 25% |

Asset Group(s): Total Fund Composite

Benchmarks:

- *Total Fund Composite: [Blended benchmark of asset classes involved; static vs. dynamic; TBD by consultant]*

Incentive Compensation Metric: The ICM for 2026 is the level of investment performance of the assets per basis point of the total composite fund performance over the benchmark. Achievement of the quantitative goal begins at one basis point above benchmark and is earned at a rate of 1 ⅓% per basis point, up to 100% of the quantitative Award opportunity, which is 80% of the total Award opportunity.

| Performance Award Scale for Quantitative Goal (80% of Award) | | |
|--|--------------------------------------|------------------|
| Net Outperformance (bps above benchmark) | % of Quantitative Opportunity Earned | Achievement Rate |
| 0 or below | 0% | — |
| 1-75 bps | 1%-100% | 1 ⅓% per bp |