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

State Investment Board Executive Review & Compensation Committee

Thursday, November 12, 2026 – 9:30 a.m. - Virtual Only

The open portions of this meeting are livestreamed. Join the meeting now

AGENDA

I. CALL TO ORDER AND APPROVAL OF AGENDA ***(Committee Action)***
- *A.* Roll Call & Conflict of Interest Disclosure

II. ACCEPTANCE OF MINUTES (AUGUST 11, 2026) ***(Committee Action)***

III. EXECUTIVE DIRECTOR THIRD PARTY ANNUAL REVIEW UPDATE (10 minutes) ***(Information Only)*** – Ms. Smith, Dr. Lech

IV. FY2026 INCENTIVE COMPENSATION AWARDS (45 Minutes) ***(Committee Action)*** – Ms. Smith

V. DISCUSSION

VI. OTHER
- A. Next Meeting: February 9, 2027, at 10:00 a.m.

VII. ADJOURNMENT

Accessibility Notice: The Retirement & Investment Office (RIO) is committed to providing equitable access to its meetings and materials. Meeting packets may include draft documents that are still under development and may not be fully accessible. If you need these materials in an alternative format or require a reasonable accommodation to participate in this meeting, contact RIO and include the meeting name and document with your request.

NORTH DAKOTA STATE INVESTMENT BOARD
EXECUTIVE REVIEW AND COMPENSATION COMMITTEE
MINUTES OF THE AUGUST 11, 2026, MEETING

MEMBERS PRESENT

Dr. Rob Lech, TFFR Board, Chair
Gerald Buck, PERS Board, Vice Chair

MEMBER ABSENT
Art Thompson, Director, WSI

STAFF PRESENT

Chase Kauffeld, CRO
Missy Kopp, Executive Assistant
Sarah Mudder, Communications/Outreach Dir.
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director

GUESTS

Rick Funston, Funston Advisory
Evan Norton, Funston Advisory
Kirsten Tuntland, Assistant Attorney General

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 Tuesday, August 11, 2026. The meeting was held virtually.

ACCEPTANCE OF AGENDA

IT WAS MOVED BY MR. BUCK AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUGUST 11, 2026, AGENDA AS DISTRIBUTED.

AYES: MR. BUCK AND DR. LECH
NAYS: NONE
ABSENT: MR. THOMPSON
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 JUNE 18, 2026, MINUTES AS DISTRIBUTED.

AYES: MR. BUCK AND DR. LECH
NAYS: NONE
ABSENT: MR. THOMPSON
MOTION CARRIED

ERCC CHARTER REVIEW

Ms. Smith reviewed the Executive Review and Compensation Committee Charter, noting that only minor changes were made following the adoption of the new Governance Policy System. The Committee's primary responsibilities include annually evaluating the Executive Director's performance, recommending executive

compensation to the Board, overseeing executive succession and leadership continuity planning, and ensuring the compensation philosophy supports the agency's long-term mission. The Committee is also responsible for commissioning independent compensation benchmarking, which is included in the 2027 budget.

EXECUTIVE DIRECTOR (ED) THIRD PARTY ANNUAL REVIEW

Ms. Smith reviewed changes to the Executive Director's annual performance evaluation process under the new Governance Policy System. Previously coordinated by Internal Audit and completed by the ERCC, the evaluation must now be facilitated by either the Chief Legal Officer or an independent third party. Because RIO does not currently have a Chief Legal Officer, staff recommended engaging Funston Advisory Services under the existing master services agreement rather than conducting a separate procurement. The estimated cost is $20,000.

The Committee discussed the advantages of using Funston, including reducing demands on staff resources and establishing a consistent, repeatable evaluation framework that could eventually be administered by a Chief Legal Officer.

IT WAS MOVED BY MR. BUCK AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO NEGOTIATE A STATEMENT OF WORK UNDER THE EXISTING FUNSTON CONTRACT FOR THE THIRD PARTY ANNUAL REVIEW OF THE ED.

AYES: MR. BUCK AND DR. LECH
NAYS: NONE
ABSENT: MR. THOMPSON
MOTION CARRIED

EXECUTIVE DIRECTOR ANNUAL GOALS

Ms. Smith discussed three proposed annual goals, noting that development of the goals had been delayed by the governance restructuring, biennial budget process, and absence of an updated Board strategic plan.

The proposed goals focus on implementing the SIB Governance Policy System and completing the TFFR governance review, including operationalizing new policies and delivering BoardSmart fiduciary education; advancing transparency initiatives through the Legacy Fund disclosure website and improvements identified in the transparency assessment; and building organizational capacity to support growing assets and operational responsibilities.

The Committee discussed the importance of proactively communicating transparency initiatives to the general public, addressing staffing and technology limitations, and pursuing greater legislative flexibility to respond to agency growth. Ms. Smith outlined potential approaches, including additional staffing authority, modernization of financial systems, and alternative legislative funding and oversight structures. Committee members expressed support for the three proposed goals, and Ms. Smith indicated she would develop formal goals for presentation to the Board.

OTHER

With no further business to come before the ERCC, Dr. Lech adjourned the meeting at 8:58 a.m.

Submitted by:

Missy Kopp, Assistant to the Board

NORTH Dakota | Retirement & Investment
Be Legendary.

MEMORANDUM

TO: **Executive Review & Compensation Committee**

FROM: **Jodi Smith, Executive Director**

DATE: **November 12, 2026**

RE: **Update: Executive Director Third-Party Annual Review**

This memo updates the Committee on the third-party Executive Director annual review discussed in my August 11, 2026, memo. The engagement is now in place, and direction of the process has passed to the Committee Chair.

Because this evaluation concerns my own performance, this update is procedural only. I have stepped back from the process, and further updates will come from the Committee Chair or the evaluator.

Engagement

- **Contract.** The Statement of Work (SOW) with Funston Advisory Services (FAS) was executed on October 14, 2026, under RIO's existing Independent Governance and Risk Advisory Services Contract, consistent with Option 1 in the August memo.
- **Fee.** $20,000, fixed, paid for in three milestones, each on the Committee's acceptance of the deliverable.
- **Lead.** Matt Jacobs of FAS leads the engagement and is the Committee's primary point of contact.

Scope

Under the SOW, FAS will:

- Redesign the evaluation process and survey instrument in partnership with the Committee Chair, responding to the 2025 governance review's recommendation for more timely feedback.
- Administer a single survey to SIB trustees, SIB client funds, and RIO team members.

- Prepare the Committee's evaluation materials and an annual policy adherence summary.
- Facilitate the Committee's evaluation discussion.
- Prepare the results for reporting to the SIB.

Handoff and Independence

On October 21, 2026, I transferred direction of the engagement to Dr. Robert Lech, Committee Chair, and introduced him to Mr. Jacobs. Scope decisions, scheduling, and acceptance of deliverables now rest with the Committee. If the Chair requests support from RIO, it will be provided by an internal team member other than the Executive Director.

Timeline

The SOW anticipates two to three months from kick-off, currently targeted for February through April 2027. Dr. Lech and Mr. Jacobs will set specific dates at kick-off. This schedule supports the Charter's requirement that the evaluation take place in the first half of the calendar year, with the compensation recommendation reviewed and approved by the SIB on or before June 30.

Next Steps

- **Kick-off.** Dr. Lech and Mr. Jacobs schedule and hold the initial meeting.
- **Design.** The Committee reviews the redesigned process and survey instrument before the survey is administered.
- **Evaluation.** Survey administration, analysis, and the Committee's evaluation discussion, February through April 2027.
- **Reporting.** Results and compensation recommendation reported to the SIB on or before June 30, 2027.

Committee Action Requested: Information only.

NORTH Dakota | Retirement & Investment
Be Legendary.

MEMORANDUM

TO: **Executive Review & Compensation Committee**

FROM: **Jodi Smith, Executive Director**

DATE: **November 12, 2026**

RE: **FY2026 Incentive Compensation Awards**

This memo reports the quantitative and discretionary incentive compensation awards for fiscal year 2026 (July 1, 2025, through June 30, 2026) under the State Investment Board's (SIB) Incentive Compensation Program Policy effective July 1, 2024, (the 2024 Policy) and confirms that Callan independently calculated the investment performance results underlying the quantitative component.

Applicable Policy

FY2026 awards are calculated under the 2024 Policy, which governed the full FY2026 performance year. The Retirement and Investment Office (RIO) will move to the new Incentive Compensation Program Policy during FY2027. The new Policy, which the SIB approved on July 29, 2026, does not apply to FY2026 awards.

FY2026 Plan Provisions (2024 Policy)

NDCC 54-52.5-04 authorizes RIO to maintain an incentive compensation program for the investment and fiscal operations positions that manage funds under the SIB's control. Under the 2024 Policy:

- **Maximum opportunity.** Each Participant's maximum award is a percentage of base salary at the start of the fiscal year, ranging from 25% to 100% by position.
- **Weighting.** 80% of each maximum is based on Fund Value Added (VA) and 20% is discretionary.
- **Measurement.** Fund VA is the weighted average net-of-fee outperformance of the Legacy Fund, Public Employees Retirement System (PERS), Teachers' Fund for Retirement (TFFR), and Workforce Safety & Insurance Fund (WSI) against their SIB-approved benchmarks. FY2026 is the second year of the 2024 Policy, which calls for two-year compound Fund VA in its second year. As the SIB approved on October 24, 2025, performance is measured against each fund's corridor target index.
- **Payout scale.** Nothing is earned at or below benchmark. Outperformance of one full-based point earns 10% of the quantitative opportunity, rising pro rata to 100% at the Incentive Compensation Metric (ICM) of 50 basis points.

FY2026 Quantitative Results

- **Two-year compound Fund VA (annualized):** 96.5 basis points
- **Share of the maximum quantitative opportunity earned:** 100%
- **Eligible Participants:** 17
- **Total quantitative awards:** $1,511,101

Quantitative components are allocated to Participants directly, without modification, as Step 5 of the 2024 Policy requires. Awards for Participants who joined during the year are prorated by time employed.

Callan Review

Callan independently calculated the FY2026 two-year net returns, benchmark returns, and excess returns used for the quantitative component. In its memorandum dated November 6, 2026, Callan confirmed annualized excess returns of 96.8 basis points for the Legacy Fund, 101.2 for PERS, 97.5 for TFFR, and 82.8 for WSI, and 96.5 basis points for the total of the four funds (13.83% actual versus 12.86% benchmark). Because 96.5 basis points exceeds the 50-basis-point ICM, the full quantitative opportunity is earned. Over the two years, the four funds' net of fees outperformance produced $440.8 million more than a passive investment in each fund's corridor target index would have. Callan's confirmation covers these performance results only; applying the payout scale and determining individual awards remain the responsibility of the SIB and RIO. Callan's confirmation is attached.

Discretionary Component

Under the 2024 Policy, the Individual Goals component (20% of each maximum) is set by each Participant's manager as part of the annual performance evaluation, and the Executive Director approves the final evaluations. Participants are also evaluated on leadership, behavioral, and organizational competencies. Factors that may be considered include, but are not limited to:

- Training, mentoring, and development of staff.
- Contributions to organizational strategic planning.
- Participation in projects or initiatives that improve business, analytical, or technology processes and tools.

At its October 15, 2025, meeting, the Committee raised concerns about the ambiguity of this "discretionary" component and asked for a more structured and transparent way to determine it. In response, the Executive Director developed a scoring methodology, which the Committee reviewed with the FY2025 awards on November 5, 2025. The same methodology is applied for FY2026. Each Participant is scored on four factors, for a maximum of 20 points:

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

Each point equals 5% of the Individual Goals component, so a Participant's score out of 20 sets the share earned. For example, 14 points earns 70%. For FY2025, Participants earned between 60% and 85% of the component. For FY2026, Participants scored between 13 and 19 points, earning between 65% and 95% of the Individual Goals component, for total discretionary awards of $312,350.

Each Participant's total award is then calculated as: base salary × maximum incentive percentage × [(80% × quantitative share earned) + (20% × Individual Goals share earned)] × share of the fiscal year employed.

Total recommended FY2026 awards are $1,823,451, or 96.5% of the $1,888,876 maximum.

Table 1. FY2026 Recommended Incentive Awards by Participant

Title	Compensation Base	Max Incentive	Quantitative	Qualitative	Year Start Date	% of Year	Incentive Bonus
Analyst	$128,760	50%	100%	75%	7/1/2025	100%	$61,161
Analyst	76,188	50%	100%	65%	11/17/2025	62%	21,936
Analyst	75,000	50%	100%	70%	7/1/2025	100%	35,250
CFOO	190,000	60%	100%	70%	9/22/2025	77%	82,792
CIO	321,360	100%	100%	90%	7/1/2025	100%	314,933
Deputy CFOO	120,000	50%	100%	70%	9/29/2025	75%	42,493
Deputy CIO	203,532	90%	100%	95%	7/1/2025	100%	181,347
Executive Director	244,536	100%	100%	80%	7/1/2025	100%	234,755
Investment Operations	88,416	25%	100%	80%	7/1/2025	100%	21,220
Portfolio Manager	211,152	75%	100%	75%	7/1/2025	100%	150,446
Portfolio Manager	190,000	75%	100%	70%	9/29/2025	75%	100,921
Portfolio Manager	192,612	75%	100%	85%	7/1/2025	100%	140,125
Portfolio Manager	187,464	75%	100%	95%	7/1/2025	100%	139,192
Portfolio Manager	187,464	75%	100%	85%	7/1/2025	100%	136,380
Senior Analyst	133,920	50%	100%	75%	7/1/2025	100%	63,612
Senior Analyst	154,500	50%	100%	85%	7/1/2025	100%	74,933
Sr. Investment Operations	110,000	25%	100%	70%	8/25/2025	85%	21,955
Total							**$1,823,451**

Timing and Conditions

Callan presented its FY2026 year-end performance report at the SIB's October 28, 2026, meeting, and the Board accepted it. With final, Board-accepted performance results in hand, the FY2026 incentive compensation awards are now ready for the Committee's review. The 2024 Policy targets determining awards within the first four months of the fiscal year, and otherwise "as soon as practical" after year-end. Following the Committee's review, the awards will go to the SIB on December 7, 2026. No award is paid until the SIB approves it, in its sole discretion, and a Participant must be employed in good standing on the payment date to receive one, with limited exceptions for retirement, disability, or death.

Committee Action Requested: Committee recommends the awards to the SIB for approval on December 7, 2026.

Callan

Callan LLC
One Bush Street
Suite 700
San Francisco, CA 94104

Main 415.974.5060

www.callan.com

Memorandum

To: North Dakota State Investment Board

From: Callan LLC

Date: November 6, 2026

Subject: Independent Investment Performance Calculation for Incentive Compensation Purposes – Fiscal Year Ended June 30, 2026

Purpose

As the North Dakota State Investment Board's (SIB) independent investment performance measurement consultant, Callan has calculated the investment performance results applicable to the Retirement and Investment Office's (RIO) Incentive Compensation Program for the fiscal year ended June 30, 2026.

The purpose of this memorandum is to formally confirm the independently calculated investment returns, corresponding benchmark returns, and relative performance results used in determining the quantitative investment performance component of the incentive compensation program.

Investment performance results

Callan independently calculated the following investment performance results for the four client funds included in the Incentive Compensation Program:

FY25-FY26	Legacy	PERS	TFFR	WSI	Total
2 Yr Annualized actual return	14.96%	13.91%	13.00%	8.64%	13.83%
2 Yr Annualized benchmark return	13.99%	12.90%	12.02%	7.81%	12.86%
2 Yr Annualized excess return (bps)	96.8	101.2	97.5	82.8	96.5
2 Yr Total excess return ($mm)	$234.9	$96.3	$70.3	$39.3	$440.8

Calculation methodology

Callan's independent calculations presented above were prepared using the benchmark methodology described in Attachment A. Client fund returns reflect investment performance net of investment costs to the extent captured in custodial data. Excess returns represent the difference between each fund's net return and its corresponding benchmark return.

Callan

Confirmation

Based on our independent calculations using third-party data provided to Callan, we confirm that the results presented above reflect the net returns, benchmark returns, and relative performance for the specified measurement periods.

These results are provided for use by the SIB and RIO in evaluating the quantitative investment performance component of the Incentive Compensation Program. Determinations regarding individual employee eligibility, incentive compensation awards, and final payment approval remain the responsibility of the SIB and RIO.

Disclaimers

Information contained herein has been compiled by Callan from a variety of third-party sources, which Callan has not verified or otherwise audited for accuracy or completeness. Callan's performance, market value, and excess return calculations are inherently estimates based on data available at the time each calculation is performed and may later be determined to be incorrect or require subsequent material adjustment due to many variables, including, but not limited to, reliance on third party data, differences in calculation methodology, the timing and magnitude of unrecognized cash flows, and other data/assumptions needed to prepare such estimated calculations. Callan assumes no responsibility for the accuracy of the underlying data sources and undertakes no obligation to update the information contained herein. Any decision made on the basis of this document is the sole responsibility of the client, as the intended recipient, and it is incumbent upon the client to make an independent determination of the suitability and consequences of such a decision.

Callan

Attachment A
Methodology: Data Sources, Definitions, and Calculations

Excess Returns in Basis Points and Dollars

Scope

Funds	Legacy Fund, PERS, TFFR, and WSI total funds
Periods	FY2025 (July 2024 – June 2025), FY2026 (July 2025 – June 2026), and the 2-year period (July 2024 – June 2026)
Currency	U.S. dollars; tables display dollar amounts in millions

1. Data Sources

Market values	Month-end total fund market values come from Callan's performance measurement system (historical data as provided by the North Dakota State Investment Board). Each month's beginning market value equals the prior month's ending market value.
Actual returns	Monthly total fund returns come from Callan's performance measurement system (historical data onboarded as provided by the North Dakota State Investment Board). These returns are net of investment management fees.
Benchmark returns	Monthly benchmark returns are those of each plan's Corridor Target Index, as reported in the performance reports.
Cash flows	Monthly net cash flows are aggregated from the Northern Trust Plan Summary statements. Net flow = Inflows (contributions/transfers in) − Outflows (withdrawals/transfers out), excluding fee payments. Fees are reflected in the net-of-fee actual returns and are not treated as external cash flows.
Flow timing inputs	Inflow and outflow amounts, together with their time-weighting factors (tf_pos for inflows, tf_neg for outflows), come from the same Northern Trust data and appear in the Flow Timing Inputs columns on each plan tab.

2. Flow Timing

Purpose	Cash flows occur during the month. A flow timing factor w (0 to 1) estimates the fraction of the month that the net flow was invested, so that flows receive only a partial month of return.
Calculation	w = (Inflows × tf_pos + Outflows × tf_neg) ÷ (Inflows + Outflows) If a month has no inflows or outflows, w defaults to 0.5 (mid-month convention). A value near 1 means flows arrived early in the month; a value near 0 means flows arrived late.
Effective capital	Effective capital = Beginning MV + w × Net flow This represents the average capital at work during the month (the Modified Dietz denominator) and weights plans in the Aggregate tab.

3. Excess Returns ($)

Definition	Excess Returns ($) compares each fund's actual ending market value with the ending value of a hypothetical passive implementation: investing the same beginning market value and the same cash flows (on the same dates) in the plan's Corridor Target Index. A positive amount means active management produced more dollars than the passive Corridor index alternative.
Monthly step	For each month: Excess $ = Actual investment gain − Hypothetical passive gain Actual investment gain = Ending MV − Beginning MV − Net flow Hypothetical passive gain = Beginning MV × Benchmark return + Net flow × ((1 + Benchmark return)^w − 1)
Compounding	Each month's excess dollars grow to fiscal year end at the benchmark return, reflecting that those dollars would have remained invested in the passive portfolio. BM growth to FYE = Cumulative benchmark growth factor at June 30 ÷ Cumulative benchmark growth factor at month end The fiscal-year Excess Returns ($) equals the sum of the compounded monthly amounts.
2-year amount	2-year Excess Returns ($) = FY2025 Excess Returns ($) × (1 + FY2026 benchmark return) + FY2026 Excess Returns ($)

Callan

4. Excess Return (%, bps)

Period returns	Fiscal-year actual and benchmark returns geometrically link the monthly returns: $(1 + r_1) \times (1 + r_2) \times \ldots \times (1 + r_{12}) - 1$ The 2-year cumulative return links the two fiscal years.
Excess return	Excess return = Linked actual return − Linked benchmark return Shown in percent and in basis points (1 bp = 0.01%).
Annualized	Annualized return = (1 + Cumulative return)^(12 ÷ Number of months) − 1 Annualized excess return = Annualized actual − Annualized benchmark

5. Aggregate (All Funds)

Weights	Each plan carries a weight equal to its average effective capital over the period (the average of monthly effective capital).
Total returns	Total actual and benchmark returns are the capital-weighted averages of the plan returns. Total excess return equals weighted actual minus weighted benchmark, which also equals the sum of each plan's weighted excess return.

6. Limitations

Estimates	Flow timing factors are estimates derived from transaction dates in the Northern Trust data; actual intra-month exposure may differ. Results depend on the accuracy of the source market values, returns, and benchmark returns.
Comparability	Excess Returns ($) measures the dollar difference against a passive Corridor index alternative. It will differ from other dollar value-added methods (for example, summing monthly excess return × beginning market value without compounding or flow adjustment). Figures may not sum exactly due to rounding.