

EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MEETING

Tuesday, May 16, 2023 – 2:30 PM

Virtual Only

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AGENDA

- I. Call to Order and Approval of Agenda
- II. Approval of April 19, 2023, Meeting Minutes
- III. 2023 Executive Director Performance Evaluation
- IV. Recommendation for Executive Director Compensation
- V. 2023-24 SIB ERCC Meeting Schedule
- VI. Adjournment

**NORTH DAKOTA STATE INVESTMENT BOARD
EXECUTIVE REVIEW AND COMPENSATION COMMITTEE
MINUTES OF THE
APRIL 19, 2023, COMMITTEE MEETING**

MEMBERS PRESENT: Adam Miller, PERS, Chair
Thomas Beadle, State Treasurer
Dr. Rob Lech, TFFR

STAFF PRESENT: Scott Anderson, CIO
Missy Kopp, Exec. Assistant
Jan Murtha, Exec. Director
Chad Roberts, DED/CRO
Sara Seiler, Suprv. of Internal Audit
Ryan Skor, CFO/COO

CALL TO ORDER:

Mr. Miller called the State Investment Board (SIB) Executive Review and Compensation Committee (ERCC) meeting to order at 10:04 a.m. on Wednesday, April 19, 2023. The meeting was held virtually.

ACCEPTANCE OF AGENDA:

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA AS DISTRIBUTED.

AYES: TREASURER BEADLE, DR. LECH, AND MR. MILLER

NAYS: NONE

MOTION CARRIED

MINUTES:

The ERCC considered the minutes of the March 15, 2023, meeting,

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE MARCH 15, 2023, MINUTES AS DISTRIBUTED.

AYES: DR. LECH, TREASURER BEADLE, AND MR. MILLER

NAYS: NONE

MOTION CARRIED

SURVEY RESULTS:

Ms. Seiler reviewed the results of the Executive Director (ED) surveys from the Boards and RIO staff. The Board surveys were positive. The Committee discussed the results. The staff survey was mostly positive with some comments on areas to improve. Ms. Murtha outlined the plan to provide more accessibility for staff to communicate 1 on 1 with the ED. There will reoccurring "open office hours" provided by the ED monthly for staff who are in the office and remote. The office hours will not be available during legislative session.

The Board survey of the Chief Investment Officer (CIO) was mostly positive with some areas identified as opportunities for growth. The Committee discussed the results. The Board survey of the Deputy ED/Chief Retirement Officer (DED/CRO) was also positive. The DED/CRO hasn't completed a full year with RIO, so there is a limited sample of performance to review. The Committee discussed the survey results.

COMPENSATION DISCUSSION:

Mr. Skor provided compensation information to the Committee. At the March 15, 2023, the ERCC asked staff to gather materials on compensation-related items to assist the Committee with its responsibility to make compensation recommendations for the ED to the SIB. Mr. Skor reviewed comparison data on compensation and options for the next biennium. Committee discussion followed.

ADJOURNMENT:

With no further business to come before the ERCC, Mr. Miller adjourned the meeting at 11:22 a.m.

Submitted by:

Missy Kopp, Assistant to the Board

Executive Review
Janilyn Murtha, Executive Director
May 16, 2023

Evaluation Process:

In compliance with the State Investment Board (SIB) Governance Policy, the SIB conducted a formal evaluation of the Executive Director, based on accomplishment of *Ends and Compliance with Executive Limitations*. The Executive Review and Compensation Committee, consisting of SIB board members Adam Miller, Dr. Robert Lech, and Treasurer Thomas Beadle, was appointed to oversee the evaluation process. Staff assistance was provided by Sara Seiler, Supervisor of Internal Audit, Ryan Skor, Chief Financial Officer/Chief Operating Officer, and by Missy Kopp, Executive Assistant.

- The following surveys and reports were reviewed as part of the evaluation:
 - Executive Director Performance Survey
 - Independent Audit Report for the period ending June 30, 2022, issued by CliftonLarsonAllen LLP.
 - RIO Financial FY Ended 6/30/2022 – October 28, 2022
 - Quarterly Monitoring Reports
 - Executive Limitation Audit CY 2022 – February 15, 2023
 - Executive Director Staff Survey
 - Executive Director Self-Survey

On May 16, 2023, The Executive Review and Compensation Committee reviewed the results and discussed areas of strength and professional development opportunities. The results and subsequent discussion form the basis for the formal evaluation. The evaluation will be presented to the SIB for final approval at the May 19, 2023, SIB Board Meeting.

Board Member Responses to the Executive Director Survey:

All twelve SIB members completed the evaluation survey. The questionnaire included 13 questions: Responses to 12 questions were given on a 3-point Likert scale [Exceeds expectations, Met expectations, and Below expectations] and there was 1 open-ended question for written comments.

- Overall, Board members are pleased with the Executive Directors performance and recognize the change, organizational restructuring, and growth at the North Dakota Retirement and Investment Office (NDRIO) in 2022 was substantial. Board members feel changes at NDRIO are in a positive direction.
- Ms. Murtha operates with a high level of integrity and strength of character in the leadership of the North Dakota Retirement and Investment Office. This is a foundational ability to build relationships with stakeholders, foster trust with the

department and continue to make organizational changes for the betterment of the NDRIO, client funds, and the State of North Dakota.

- Ms. Murtha has exhibited outstanding leadership through her ability to lead transformational change in the department and the State Investment Board through a significant amount of change with a future-focus that is crucial to the evolution and growth of NDRIO. This is evidenced in initiatives to expand technological capabilities, assisted with board governance changes, and supporting the board during the legislative session.

Staff Responses to the Executive Director Survey:

Nineteen team members completed the evaluation survey. The questionnaire included 8 questions: Responses to 7 questions were given on a 5-point Likert scale [Strongly Agree, Agree, Neither Agree or Disagree, Disagree, Strongly Disagree] and there was 1 open-ended question for written comments. Overall, the survey responses were positive, although some disagreement was noted.

- Sixteen out of the nineteen responses suggest the Executive Director provides a clear sense of purpose and direction for agency staff. Two responses were neutral, and one response indicated disagreement.
- Most employees agree that the Executive Director seeks input from team members
- The Executive Director received favorable responses in valuing employees. Most staff agree that the Executive Director shows care and concern for staff.
- Responses to the open-ended question about satisfaction with the job performance of the Executive Director were mostly positive, with most employees indicating that they are very satisfied with the job being done by the Executive Director. Many staff members recognize that the job of the Executive Director is difficult, and the job is even more difficult during the legislative session.
- Two of the nineteen responses suggest there is a desire for the Executive Director to be more available and to communicate with each member of staff more regularly. In recognition of the fact that due to the size of the agency and the remote and hybrid schedules of the team members at RIO communicating with every team member on an individual basis is infeasible, Ms. Murtha has indicated that she will nonetheless schedule monthly office hours available to team members that would like to check in and are not already direct reports.

Executive Director Self-Evaluation

Ms. Murtha collaborates with Executive Team members to ensure that boards receive education materials that are both relevant and in close proximity to decisions each Board must make. Ms. Murtha ensures that investment presentations, while necessarily

complex, are nonetheless presented in a manner that distills the necessary information in an easy to digest manner that is readily disseminated to board members and stakeholders. Ms. Murtha ensures all reports required by board governance have been presented to both boards in a timely, comprehensive, and concise manner. Ms. Murtha believes her areas of strength include working with internal and external stakeholders to develop and achieve goals which are in alignment with RIO's strategic plan under an aggressive time frame and an area of improvement includes the need to allocate additional time to administrative duties to improve response time.

Summary

This evaluation shows that Ms. Murtha provides excellent leadership as the Executive Director. Ms. Murtha led RIO through many challenges the past year in a positive, professional, and strategic-focused way. Her credibility and respect among board members, stakeholders, clients, and staff are evident.

Ms. Murtha is encouraged to continue to focus on communication with legislators, clients, and the public. The anticipated growth and increasing complexity of the investment program and changes to workflows among team members will demand much attention from Ms. Murtha in the upcoming year.

Ms. Janilyn Murtha, State Investment Board ED

Date

Adam M. Miller, Executive Review & Compensation
Committee Chair

Date

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Ryan K. Skor, CFO/COO
DATE: May 16th, 2023
RE: Executive Director Compensation

During the April 19, 2023, Executive Review and Compensation Committee meeting, staff were asked to compile and prepare additional information to assist the committee with its duty to make a compensation recommendation for the Executive Director to the full State Investment Board (SIB). The information requested included standard salary increase amounts and options for additional compensation in the form of allowable bonuses. In addition, staff were asked to provide an update on the agency's budget status regarding available funds in the current biennium as well as estimated budget availability for the 2023-2025 biennium.

Legislative Increase (2023-2025 Biennium)

As part of the overall budget approved during the recently adjourned 2023 legislative session, there is approved funding to allow for a 6% increase in all permanent salaries within the Retirement and Investment Office (RIO), including the Executive Director.

Based on the Executive Director's current salary of \$207,072.00, 6% would equate to an increase of \$12,424.32 resulting in a new salary of \$219,496.32. If approved, this change would go into effect on July 1, 2023, for fiscal year 2024.

Additional Compensation (Current biennium)

The second piece of information requested revolved around the availability of current funding for a retention bonus of some type. Due to turnover and vacancies in positions during the earlier portion of the current 2021-2023 biennium, the available budget would be able to support an additional retention bonus amount for the Executive Director.

There is no statutory or policy stated limit on the amount that could be awarded, it is just limited to available funds. Historically, an informal limit equal to one month's salary has been used as a top end limit. Funds currently available could support an amount matching this informal limit. Additional amounts can be confirmed if the Committee so desires.

As part of RIO's retention bonus policy, any retention bonus paid will be contingent upon the recipient remaining employed with the agency for one year following the receipt of the bonus. If the recipient voluntarily leaves employment prior to that one year, the employee will be required to repay the entire bonus. A draft retention bonus agreement detailing this has been included as well as the relevant policy and statutory language governing such compensation for the Committee's reference.

With these additional funds being available in the current biennium, if the Committee and SIB approve of an additional amount, it would have to be paid with June 2023's payroll to be included in the 2021-2023 biennium's appropriation authority.

COMMITTEE ACTION REQUESTED:

- **Approval of legislative increase to be recommended to full SIB (if so desired)**
- **Finalization and approval of additional compensation to be recommended to full SIB (if so desired)**

Statutory reference:

54-06-31. State employee recruitment and retention bonus programs - Criteria - Limitations.

State agencies may develop programs to provide bonuses to recruit or retain employees in hard-to-fill occupations.

1. State agencies may pay recruitment and retention bonuses under this section only if:
 - a. The agency has a written policy in place identifying eligible positions or occupations and provisions for providing and receiving bonuses;
 - b. The agency has filed a copy of the written policy with the North Dakota human resource management services; and
 - c. The agency reports to the North Dakota human resource management services each bonus provided to an employee under the program.
2. State agencies must fund bonus programs from within the agency salaries and wages budget.
3. The North Dakota human resource management services shall report periodically to the legislative management on the implementation, progress, and bonuses provided under agency recruitment and retention bonus programs.
4. Bonuses paid under this section are not fiscal irregularities under section 54-14-03.1.
5. As used in this section, a hard-to-fill occupation includes an occupation or position in which demand exceeds supply, special qualifications are required, competition with other employers is the strongest, there is a risk of losing an incumbent with rare skills, the position is filled by a highly skilled employee who is in high demand in the marketplace, loss of the employee would result in significant replacement costs, the position is filled by key personnel, or the position has other unique recruitment or retention issues identified and documented by the appointing authority.

Administrative Code reference:

4-07-02-20. Retention bonus.

A retention bonus may be given as an incentive to retain an employee in state government unless the employee is leaving to work for another state agency. If application of this rule would result in significant impact on the agency or negative fiscal consequences to the state, an exception may be sought under section 4-07-02-06.

History: Effective July 1, 2004.

General Authority: NDCC 54-44.3-12(1)

Law Implemented: NDCC 54-06-31, 54-44.3-12(1)

RECRUITMENT AND RETENTION BONUS

A recruitment or retention bonus may be given as an incentive to recruit or retain employees in hard-to-fill occupations unless the employee is leaving to work for another state agency. Hard-to-fill occupations include occupations in which demand exceeds supply, special qualifications are required, competition with other employers is the strongest, there is a risk of losing an incumbent with rare skills, the position is filled by a highly skilled employee who is in high demand in the marketplace, loss of the employee would result in significant replacement costs, the position is filled by key personnel, or the position has other unique recruitment or retention issues identified and documented by management.

In general, recruitment and retention bonuses will be utilized within non-classified and management level positions. However, they may be utilized in other positions depending upon the current employment market. Factors that may be considered when determining whether to offer a recruitment or retention bonus include receipt of sufficient qualified applicants, lack of interest due to salary offered and relocation concerns.

This policy, along with all bonuses approved under this section must be reported to the North Dakota Human Resource Management Services (HRMS) division. HRMS will periodically report bonuses provided under this section to the legislative management.

Bonuses within this section must be funded from within RIO's salaries and wages budget and are subject to final approval by the Executive Director. Amounts will be determined based on the circumstances prevailing and budget availability. Recruitment and retention bonuses will be contingent upon the recipient remaining employed with the agency for one year following the receipt of the bonus. If the recipient voluntarily leaves employment prior to that one year, the employee will be required to repay the entire bonus. Termination due to state mandated reduction in force (RIF) or other circumstances beyond the recipient's control will not trigger this repayment requirement.

NDCC 4-07-02-19 and 4-07-02-20

MEMORANDUM

TO: State Investment Board
FROM: Executive Review and Compensation Committee
DATE: May 18th, 2023
RE: Executive Director Compensation

During the May 16, 2023, Executive Review and Compensation Committee (ERCC) meeting, the committee met to formalize its compensation recommendation for the Executive Director to the full State Investment Board (SIB).

As part of the overall budget approved during the recently adjourned 2023 legislative session, there was approved funding to allow for a 6% increase in all permanent salaries within the Retirement and Investment Office (RIO), including the Executive Director.

- The committee is recommending an increase of ___% to the current annual salary for the Executive Director.

BOARD ACTION REQUESTED:

- Approval of recommended increase of ___%

Retention Bonus Agreement

This agreement is made between the Retirement & Investment Office and _____ (hereafter referred to as "Employee"). The Retirement & Investment Office and Employee agree to the following:

1. The Retirement & Investment Office agrees to pay Employee a retention bonus of \$_____, as additional compensation to be paid in Employee's payroll check, in consideration for Employee's agreement to continue employment with the Retirement & Investment Office for a period of one year, beginning on _____.
2. Employee understands the bonus is compensation for employment, subject to required deductions for State and Federal tax withholding, FICA and other purposes, which will reduce the net amount of the bonus received by Employee.
3. If Employee voluntarily resigns employment, employment is terminated due to unsatisfactory performance, or if Employee fails to obtain and maintain in good standing all licenses, certificates, or permits, necessary to perform his or her employment duties resulting in termination of employment prior to completing the period of full-time employment listed in section 1 above, Employee must repay the entire bonus. Termination due to state mandated reduction in force (RIF) or other circumstances beyond the recipient's control will not trigger this repayment requirement.
4. Retention bonus payments still owed to the Retirement & Investment Office will first be withheld from Employee's last paycheck; any unpaid balance is due and payable upon termination.
5. If employment is terminated as stated above, the Employee hereby authorizes the employer, the Retirement & Investment Office, to deduct the Retention Bonus money received from the Employee's final paycheck. This deduction will be reflected on the Employee's W-2 form.
6. This agreement is not an employment contract and does not alter other terms and conditions of employment.

Signatures:

Employee: _____ Date: _____

Approvals:

SIB Approval: _____ Date: _____

A copy of the letter will be placed in the employee's personnel file.

Cc: Payroll/Personnel file
Fiscal Management

SIB & TFFR Board/Committee Calendar 2023-24

July 2023

July 10, 2023 – SIB GPR @ 10:00 AM
July 12, 2023 – SIB ERCC @ 10:00 AM
July 14, 2023 – Investment Comm @ 9:00 AM
July 20, 2023 – TFFR @ 1:00 PM
July 21, 2023 – SIB @ 8:30 AM

August 2023

August 2, 2023 – SIB Audit Committee @ 2:30 PM
August 10, 2023 – TFFR GPR @ 10:00 AM
August 11, 2023 – Investment Comm @ 9:00 AM
August 11, 2023 – SIB GPR @ 2:00 PM
August 25, 2023 – SIB @ 8:30 AM

September 2023

September 8, 2023 – Investment Comm @ 9:00 AM
September 12, 2023 – SIB Securities @ 10:00 AM
September 14, 2023 – SIB GPR @ 10:00 AM
September 21, 2023 – TFFR @ 1:00 PM
September 22, 2023 – SIB @ 8:30 AM
September 27, 2023 – SIB ERCC @ 10:00 AM

October 2023

October 12, 2023 – SIB GPR @ 10:00 AM
October 23, 2023 – Investment Comm @ 9:00 AM
October 27, 2023 – SIB @ 8:30 AM

November 2023

November 6, 2023 – SIB ERCC @ 10:00 AM
November 7, 2023 – TFFR GPR @ 3:30 PM
November 8, 2023 – SIB GPR @ 10:00 AM
November 9, 2023 – Investment Comm @ 9:00 AM
November 14, 2023 – SIB Audit Committee @ 2:30 PM
November 16, 2023 – TFFR @ 1:00 PM
November 17, 2023 – SIB @ 8:30 AM

December 2023

December 5, 2023 – SIB Securities @ 10:00 AM
December 8, 2023 – Investment Comm @ 9:00 AM
December 15, 2023 – SIB @ 8:30 AM (tentative)

January 2024

January 9, 2024 – SIB ERCC @ 10:00 AM
January 11, 2024 – Investment Comm @ 9:00 AM
January 18, 2024 – SIB GPR @ 10:00 AM
January 25, 2024 – TFFR @ 1:00 PM
January 26, 2024 – SIB @ 8:30 AM

February 2024

February 6, 2024 – TFFR GPR @ 3:30 PM
February 7, 2024 – SIB ERCC @ 10:00 AM
February 9, 2024 – Investment Comm @ 9:00 AM
February 15, 2024 – SIB Audit Committee @ 2:30 PM
February 23, 2024 – SIB @ 8:30 AM

March 2024

March 8, 2024 – Investment Comm @ 9:00 AM
March 12, 2024 – SIB Securities @ 10:00 AM
March 13, 2024 – SIB ERCC @ 10:00 AM
March 14, 2024 – SIB GPR @ 10:00 AM
March 21, 2024 – TFFR @ 1:00 PM
March 22, 2024 – SIB @ 8:30 AM

April 2024

April 12, 2024 – Investment Comm @ 9:00 AM
April 16, 2024 – SIB ERCC @ 10:00 AM
April 18, 2024 – SIB GPR @ 10:00 AM
April 25, 2024 – TFFR @ 1:00 PM
April 26, 2024 – SIB @ 8:30 AM

May 2024

May 1, 2024 – TFFR GPR @ 3:30 PM
May 7, 2024 – SIB ERCC @ 10:00 AM
May 8, 2024 – SIB GPR @ 10:00 AM
May 9, 2024 – SIB Audit Committee @ 2:30 PM
May 10, 2024 – Investment Comm @ 9:00 AM
May 17, 2024 – SIB @ 8:30 AM

June 2024

June 11, 2024 – SIB Securities @ 10:00 AM
June 13, 2024 – TFFR Board Retreat @ 1:00 PM
June 14, 2024 – Investment Comm @ 9:00 AM