

**EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MEETING**

**Wednesday, March 13, 2024 – 10:00 AM**

**Virtual Only**

[Click here to join the meeting](#)

**AGENDA**

- I. **Call to Order and Approval of Agenda (*Committee Action*)**
- II. **Approval of Meeting Minutes (February 20, 2024) (*Committee Action*)**
- III. **Compensation Study Presentation (30 minutes)<sup>1</sup> (*Committee Action*)** – Mr. Josh Wilson, Mercer
- IV. **Tasks and Timeline Discussion (10 Minutes)** – Mr. Skor
- V. **Executive Director Self Evaluation Format (10 Minutes)** – Ms. Seiler
- VI. **Other**  
**Next Meeting:** April 16, 2024, at 10:00 a.m.
- VII. **Adjournment**

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<sup>1</sup> Executive session possible pursuant to NDCC 44-04-18.4(1), and 44-04-19.2 to review and discuss confidential commercial information.

**NORTH DAKOTA STATE INVESTMENT BOARD  
EXECUTIVE REVIEW AND COMPENSATION COMMITTEE  
MINUTES OF THE  
FEBRUARY 20, 2024, COMMITTEE MEETING**

**MEMBERS PRESENT:** Dr. Rob Lech, TFFR, Chair  
Thomas Beadle, State Treasurer, Vice Chair  
Sen. Jerry Klein, LBSFAB

**STAFF PRESENT:** Scott Anderson, CIO  
Eric Chin, Deputy CIO  
Jennifer Ferderer, Investment Admin.  
Rachel Kmetz, Accounting Mgr.  
Missy Kopp, Executive Admin.  
Jan Murtha, Executive Director  
Sara Seiler, Internal Audit Supvr.

**GUESTS:** Aimee Kudela, Mercer  
Josh Wilson, Mercer

**CALL TO ORDER:**

Dr. Lech called the State Investment Board (SIB) Executive Review and Compensation Committee (ERCC) meeting to order at 9:33 a.m. on Tuesday, February 20, 2024. The meeting was held in the RIO Conference Room, 1600 E Century Ave. Ste. 3, Bismarck.

**ACCEPTANCE OF AGENDA:**

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA AS DISTRIBUTED.**

**AYES: TREASURER BEADLE, SEN. KLEIN, AND DR. LECH  
NAYS: NONE  
MOTION CARRIED**

**MINUTES:**

The ERCC considered the minutes of the January 9, 2024, meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUGUST 3 AND 24, 2023, MINUTES AS DISTRIBUTED.**

**AYES: SEN. KLEIN, DR. LECH, AND TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

**INCENTIVE COMPENSATION PLAN:**

Mr. Josh Wilson, Mercer, reviewed the proposed incentive compensation plan for RIO. Mercer was hired to work with RIO to design an incentive compensation plan for the implementation of the internal investment program. Mr. Wilson reviewed the plan objectives and design mechanics including eligibility, performance measurement, performance standards, incentive opportunity, and the measurement period. Mr. Wilson provided an overview of how this proposed plan compares to market practice. Incentive eligibility, metrics, and incentive targets were reviewed. Mr. Wilson commented that RIO's use of an independent Benchmark Consultant (Verus) is a good governance approach for the incentive compensation plan. The Committee had extensive discussion about the plan.

**IT WAS MOVED BY SEN. KLEIN AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO RECOMMEND THE INCENTIVE COMPENSATION PLAN TO THE SIB.**

**AYES: SEN. KLEIN, TREASURER BEADLE, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**SIB SELF AND BOARD ASSESSMENT RESULTS:**

Ms. Seiler reviewed the results of the annual SIB Self and Board Assessment. The responses and results were generally positive with an average score of 3.52 on a 4.0 scale. There were positive comments about the onboarding for new board members and the work done by the sub committees. A request was shared to allow additional time for board discussion on certain topics. Committee discussion followed.

**IT WAS MOVED BY SEN. KLEIN AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE SELF-ASSESSMENT RESULTS FOR PRESENTATION TO THE SIB.**

**AYES: TREASURER BEADLE, SEN. KLEIN, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**SURVEY FORMATS:**

Ms. Seiler reviewed the survey formats for the annual surveys to the SIB, TFFR, and RIO staff that are a part of the performance reviews for the Executive Director (ED), Deputy Executive Director/Chief Retirement Office (DED/CRO), and Chief Investment Officer (CIO). Ms. Seiler worked with the Communications and Outreach Director to update the surveys. They created two staff surveys: one for managers and another for non-managers. The surveys are similar but reflect different levels of interaction with the ED. Ms. Seiler reviewed the timeline for distributing and collecting the surveys. Committee discussion followed.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN AND CARRIED BY A VOICE VOTE TO APPROVE THE SURVEY FORMAT AND TIMELINE.**

**AYES: SEN. KLEIN, TREASURER BEADLE, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED.**

**OTHER:**

With no further business to come before the ERCC, Dr. Lech adjourned the meeting at 11:33 a.m.

Submitted by:

Missy Kopp, Assistant to the Board



welcome to brighter

# North Dakota Retirement and Investment Office

Market Benchmarking Findings

March 2024

A business of Marsh McLennan

# Benchmarking Methodology

- Mercer has benchmarked ND RIO's roles to six compensation surveys across four industry perspectives:
  - CBIZ Public Pension Survey, 2023 – Public Pension
  - National Conference on Public Employee Retirement Systems (NCPERS), 2023 – Public Pension
  - McLagan Asset Owners / Institutional Investors / Public Funds, 2023 – Public Pension
  - Mercer Investment Group Survey (IGS), 2023 – Endowments and Foundations (Investment roles only)
  - Mercer Benchmark Database (MBD), 2023 – Government/NFP and General Industry
  - WTW General Industry (WTW), 2023 – Government/NFP and General Industry
- Data are aged to July 1, 2024 using a 4% aging factor for 2023 and 2024
- Non-executive and non-investment roles are geographically adjusted to Bismarck, ND by a factor of -3.8%
- Executive and investment roles are scoped to the best approximation of ND RIO's asset size available
- ND RIO is compared to the quartiles of each industry perspective for both base salary and total cash

# Benchmarking Findings

## For Incentive Eligible Roles

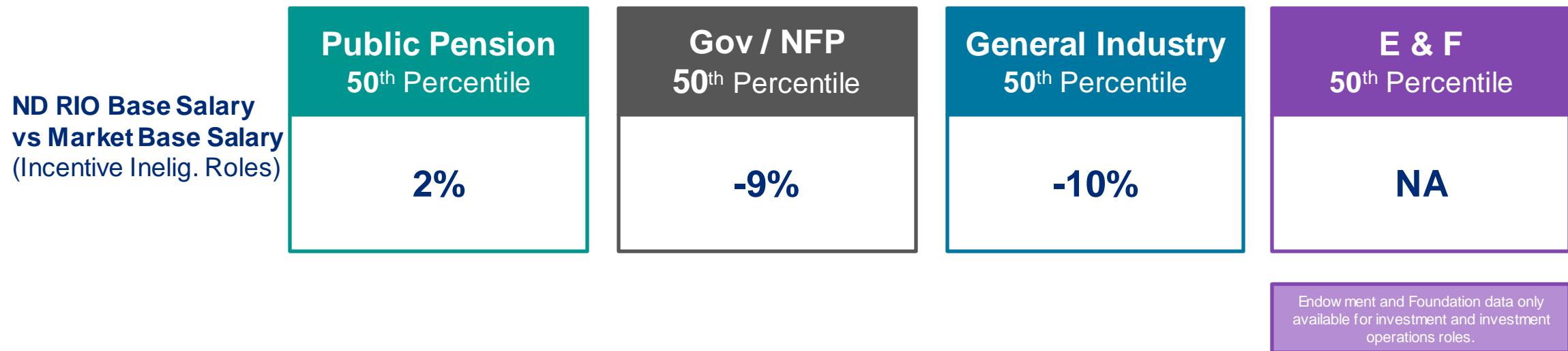
- Across the perspectives, ND RIO incentive eligible roles are **most closely aligned to the Public Pension market data**, with differences in individual roles' positioning, but with an overall gap of **-13% comparing ND RIO base salary to the Public Pension Base Salary median** and, when comparing with ND RIO's Total Cash (base salary + incentive target) to market TCC, a gap of -14%. Comparing ND RIO base salary to Public Pension total cash decreases competitiveness to a gap of -37%.
- Lower ND RIO levels tend to be more competitive than higher levels compared to both Base Salary and Total Cash.
- With the implementation of an incentive program, ND RIO can remain competitive in compensating these roles, maintaining positioning **between the 25<sup>th</sup> and 50<sup>th</sup> percentiles**.

<b>ND RIO Base Salary vs Market Base Salary</b> (Incentive Elig. Roles)	<b>Public Pension</b> 50 <sup>th</sup> Percentile <b>-13%</b>	<b>Gov / NFP</b> 50 <sup>th</sup> Percentile <b>-41%</b>	<b>General Industry</b> 50 <sup>th</sup> Percentile <b>-31%</b>	<b>E &amp; F</b> 50 <sup>th</sup> Percentile <b>-34%</b>
<b>ND RIO Base Salary vs Market Total Cash</b> (Incentive Elig. Roles)	<b>Public Pension</b> 50 <sup>th</sup> Percentile <b>-37%</b>	<b>Gov / NFP</b> 50 <sup>th</sup> Percentile <b>-47%</b>	<b>General Industry</b> 50 <sup>th</sup> Percentile <b>-45%</b>	<b>E &amp; F</b> 50 <sup>th</sup> Percentile <b>-54%</b>
<b>ND RIO TCC (Base Salary + Incentive) vs Market Total Cash</b> (Incentive Elig. Roles)	<b>Public Pension</b> 50 <sup>th</sup> Percentile <b>-14%</b>	<b>Gov / NFP</b> 50 <sup>th</sup> Percentile <b>-30%</b>	<b>General Industry</b> 50 <sup>th</sup> Percentile <b>-25%</b>	<b>E &amp; F</b> 50 <sup>th</sup> Percentile <b>-35%</b>

# Benchmarking Findings

## For Non-Incentive Eligible Roles

- Across the perspectives, ND RIO non-incentive eligible roles are **most closely aligned to the Public Pension market base salary data**, with differences in individual roles' positioning, but overall, **+2% over the 50<sup>th</sup> percentile (aggregate median)**.
- Non-incentive eligible roles fall **within the 25<sup>th</sup> and 50<sup>th</sup> percentile range** for both **Gov/NFP** and **General Industry market base salary data**, positioning **-9% and -10% below the respective 50<sup>th</sup> percentiles**.



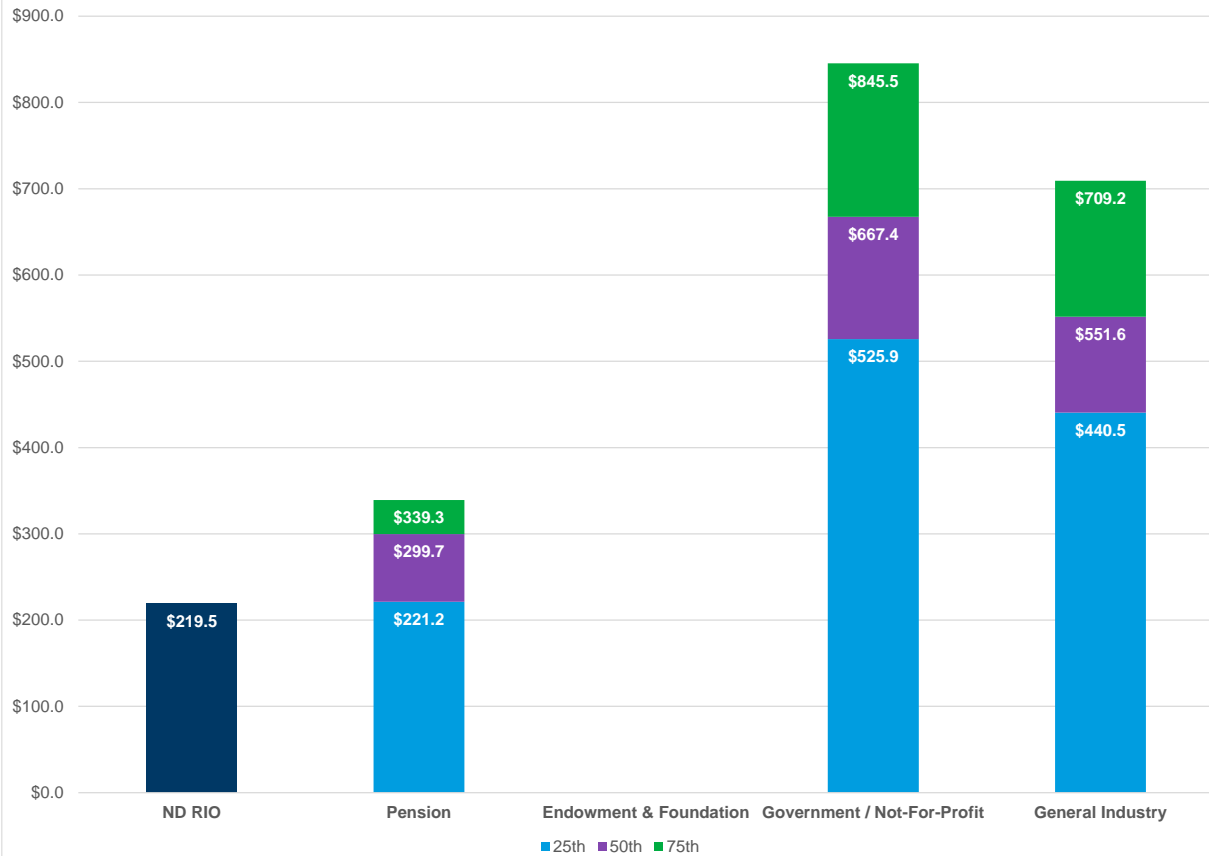
# Example Benchmarking Details



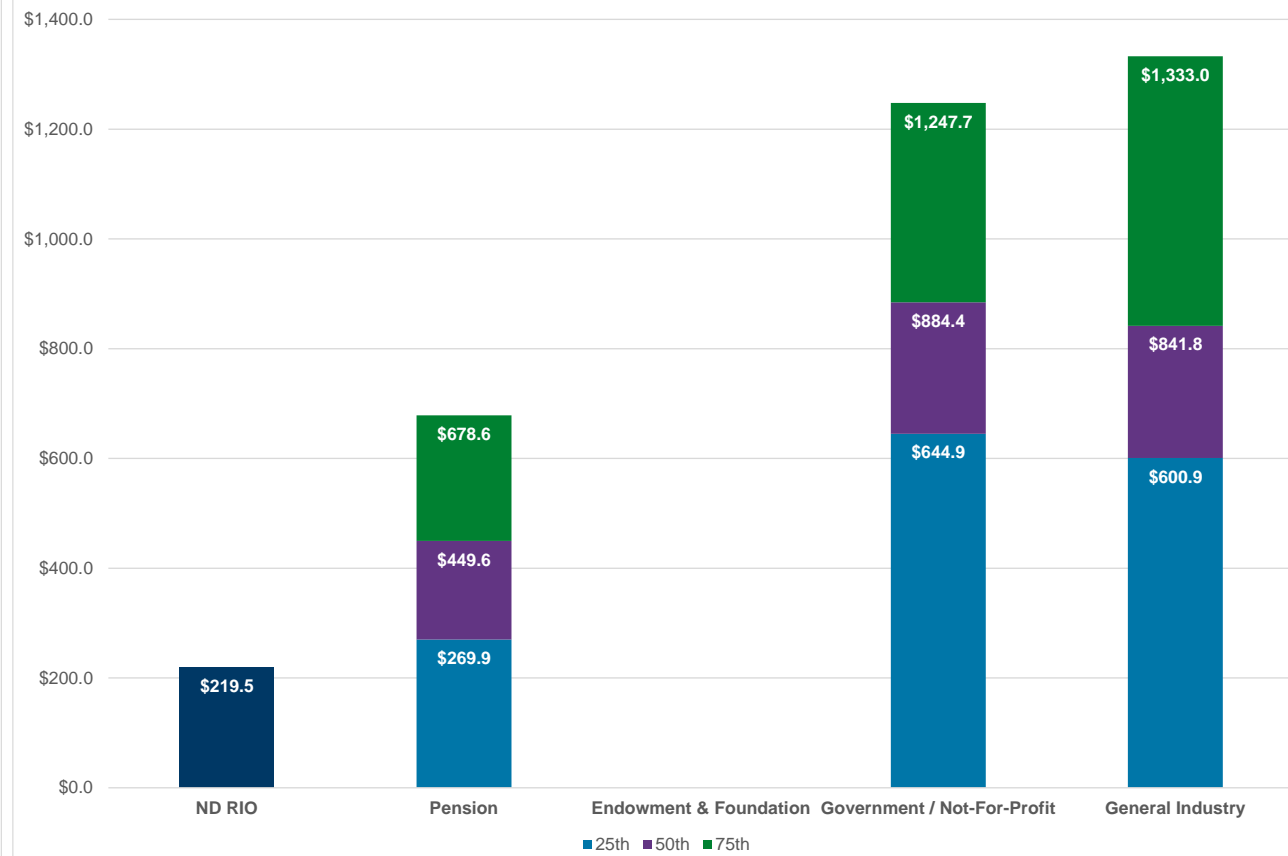
# Executive Director

RIO Base Salary vs. Pension Market	Base Salary			TCC		
	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>
\$220	-1%	-27%	-35%	-19%	-51%	-68%

ND RIO Base Salary vs Market Base Salary Percentiles (\$000s)



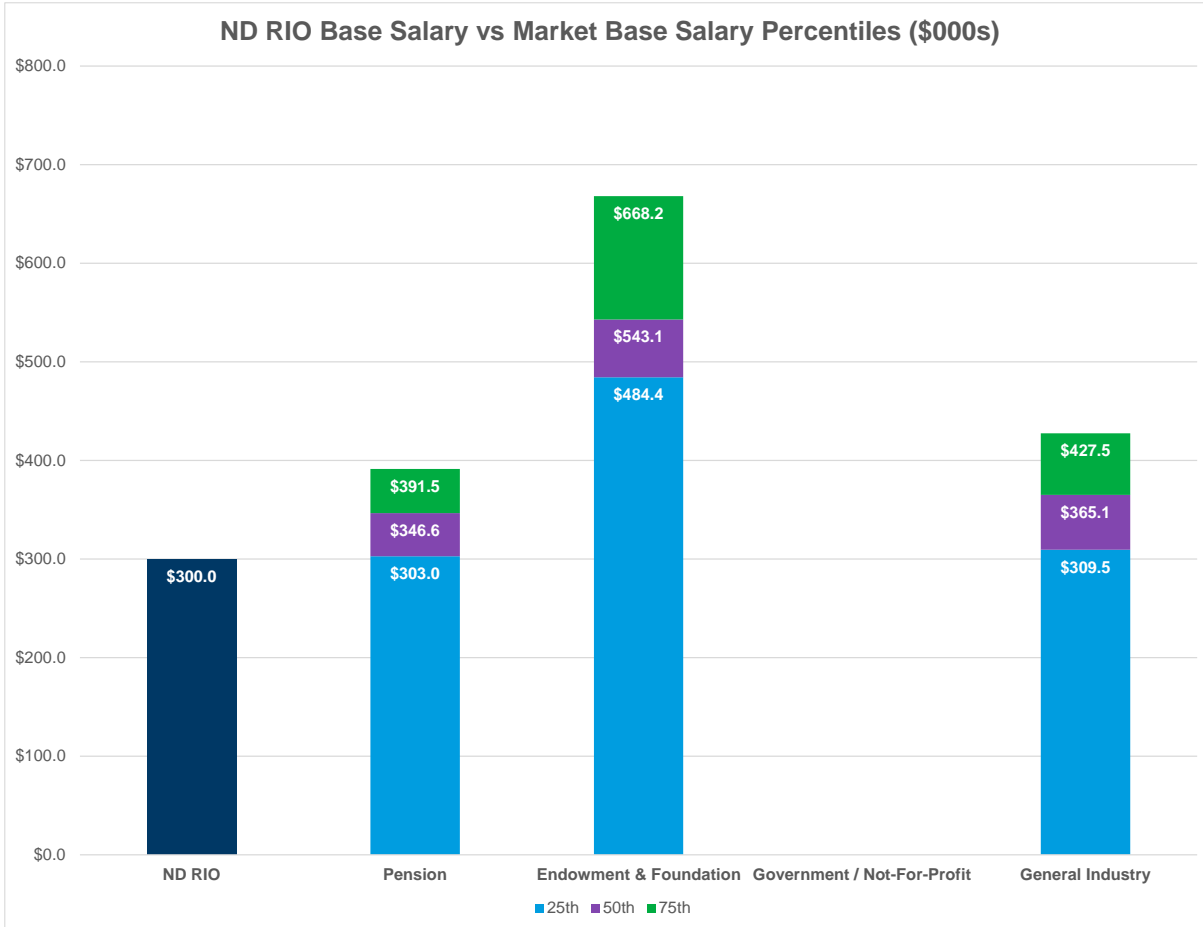
ND RIO Base Salary vs Market Total Cash Percentiles (\$000s)



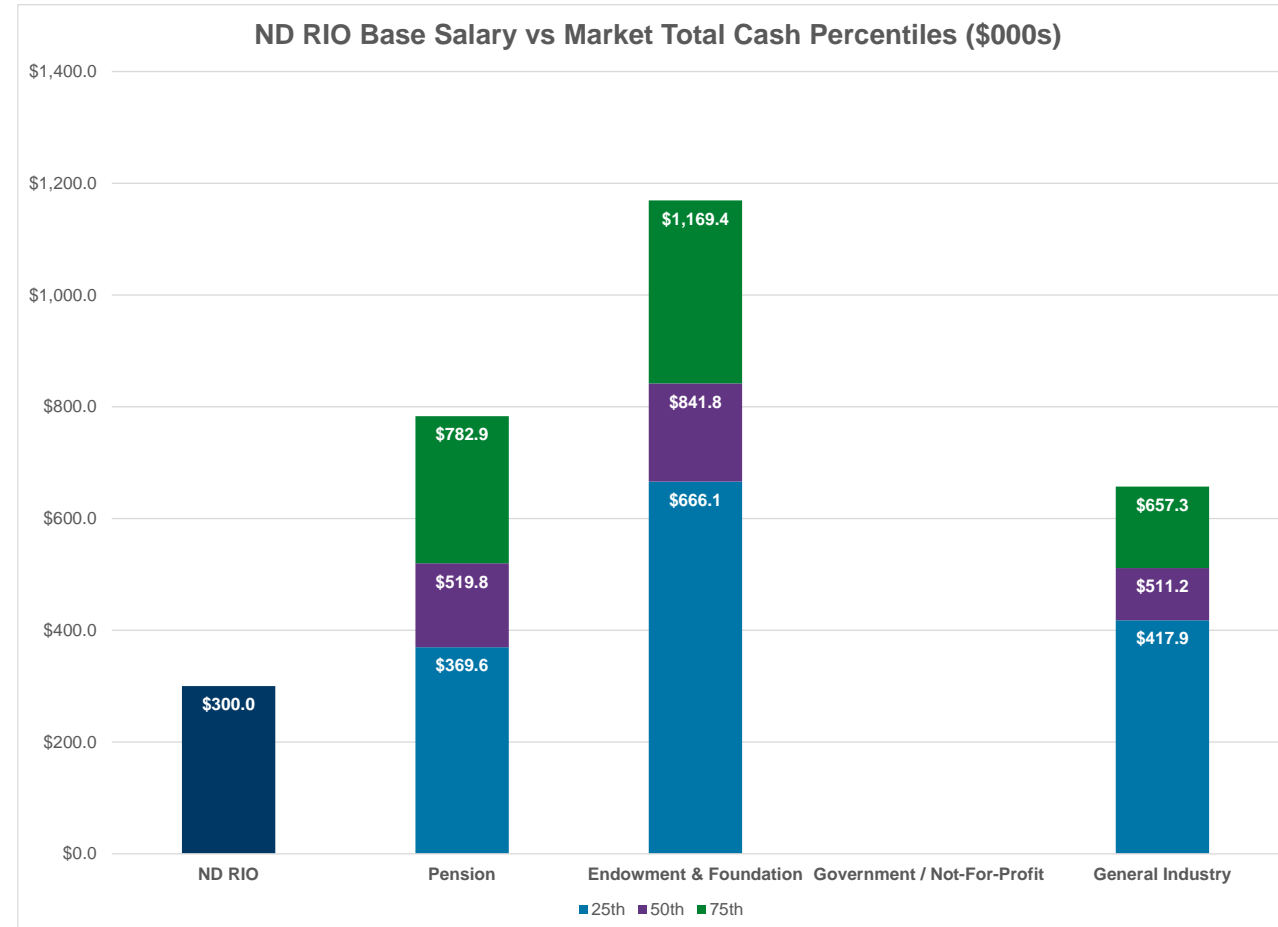
# Chief Investment Officer

RIO Base Salary vs. Pension Market	Base Salary			TCC		
	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>
<b>\$303</b>	-1%	-13%	-23%	-19%	-42%	-62%

ND RIO Base Salary vs Market Base Salary Percentiles (\$000s)



ND RIO Base Salary vs Market Total Cash Percentiles (\$000s)





## MEMORANDUM

**TO: Executive Review and Compensation Committee**  
**FROM: Ryan K. Skor, CFO/COO**  
**DATE: March 11<sup>th</sup>, 2024**  
**RE: Tasks and Timeline**

The Executive Review and Compensation Committee charter details the key responsibilities of the committee along with the specific deadlines (if applicable) of each responsibility.

Of those responsibilities, the following are annual and have a deadline of June 30<sup>th</sup>...

- Conduct a formal evaluation of the Executive Director;
- Obtain SIB approval of Executive Director evaluation;
- Make a compensation recommendation for the Executive Director to the SIB; and
- Obtain performance surveys of the CIO and DED/CRO.

Based on actions already taken by the committee, these are all currently in process. The format of the Executive Director performance surveys was approved by the committee during the February 20<sup>th</sup> meeting. Results will be compiled and presented to the committee during its April meeting to be incorporated into its formal evaluation of the Executive Director. Additionally, the committee is to make a compensation recommendation to the SIB.

The format of the CIO and DED/CRO performance surveys was also approved during the February 20<sup>th</sup> meeting and the results of those surveys will be used by the Executive Director as part of her annual performance review of both positions.

Additionally, the following responsibilities of the committee are more periodic in nature...

- Administer formal self-assessment of the SIB;
- Review and make recommendations regarding RIO's compensation policy; and
- Conduct or procure a new peer compensation study or survey at least every three years and recommend policy changes as appropriate.

The annual self-assessment of the SIB was approved by the committee during the January 9<sup>th</sup> meeting. Results of the assessment were received in February and presented to the full SIB for approval.

The final two periodic responsibilities are currently ongoing and will continue with the information received by the committee during today's meeting.

**COMMITTEE ACTION REQUESTED: Information only.**

## **MEMORANDUM**

**TO: Executive Review and Compensation Committee**  
**FROM: Sara Seiler, Supervisor of Internal Audit**  
**DATE: March 12, 2024**  
**RE: Executive Director Self-Evaluation Format**

In past years, the ERCC has required the executive director (ED) to complete a self-evaluation as part of the ED's annual performance evaluation. Attached is a proposed self-evaluation for the ED to complete before the April ERCC meeting.

**COMMITTEE ACTION REQUESTED: Approval of self-evaluation format.**

## **Executive Director Self-Evaluation 2024**

**Q1: How do you assess the effectiveness of the educational sessions you provide to the Board? Are the topics covered relevant, understandable, and beneficial from your perspective?**

**Q2: Could you describe your approach to preparing for Board meetings, including the development of agendas, identification of action items, and presentation of staff recommendations?**

**Q3: Reflecting on your presentations and reports during Board meetings, how would you evaluate their relevance, accuracy, comprehensibility, usefulness, and timeliness?**

**Q4: How do you ensure the Board is kept informed of current issues and provided with necessary information between meetings?**

**Q5: How do you respond to Board requests, adapt to Board policy, and collaborate effectively with the Board as a team member?**

**Q6: Can you describe your process for developing legislative proposals in partnership with the Board and representing their positions to the legislature?**

**Q7: How do you approach leading the RIO staff and agency? What strategies do you employ to foster effective leadership and teamwork?**

**Q8: Reflecting on your overall performance, what areas do you believe you excel in, and where do you see opportunities for improvement?**



### **Executive Director Self-Evaluation 2023**

**Q1: Please comment on the presentations and information the Executive Director has presented in the Board meetings pertaining to the Board education (e.g., topics relevant, information easy understandable and beneficial).**

**Q2: Please comment on the presentations presented in the Board meetings pertaining to the investments (e.g. understandable and informative).**

**Q3: Please comment on the presentations presented at Board meetings pertaining to the reports (timely and communicative).**

**Q4: Overall, how satisfied are you with the job being done by the Executive Director? What has the Executive Director done well? What could be done to improve your overall satisfaction with the job being done by the Executive Director?**