

EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MEETING

Wednesday, October 15, 2025 – 10:00 a.m.

Virtual Only

[Click here to join the meeting](#)

AGENDA

- I. Call to Order and Approval of Agenda (*Committee Action*)**
- II. Acceptance of Minutes (August 6, 2025) (*Committee Action*)**
- III. Incentive Compensation Overview (15 minutes) (*Information*) – Ms. Smith, Mr. Otteson**
- IV. Position Title Update (15 minutes) (*Committee Action*) – Ms. Smith, Mr. Otteson**
- V. Benchmark for Incentive Compensation Calculation (30 minutes) (*Committee Action*) – Ms. Smith, Mr. Otteson**
- VI. Adjournment**

**NORTH DAKOTA STATE INVESTMENT BOARD
EXECUTIVE REVIEW AND COMPENSATION COMMITTEE
MINUTES OF THE AUGUST 6, 2025, SPECIAL MEETING**

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

STAFF PRESENT: Scott Anderson, CIO
Rachel Kmetz, Interim CFO/COO
Missy Kopp, Executive Admin.
Sara Seiler, Supervisor of Internal Audit
Chad Roberts, DED/CRO
Jodi Smith, Executive Director

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Executive Review and Compensation Committee (ERCC) meeting to order at 2:00 p.m. on Wednesday, August 6, 2025. The meeting was held virtually.

ACCEPTANCE OF AGENDA:

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

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

ACCEPTANCE OF MINUTES:

IT WAS MOVED BY SEN. KLEIN AND SECONDED BY MR. BUCK AND CARRIED BY A VOICE VOTE TO ACCEPT THE APRIL 9, 2025, MINUTES AS DISTRIBUTED.

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

ELECTION OF OFFICERS:

IT WAS MOVED BY SEN. KLEIN AND SECONDED BY MR. BUCK AND CARRIED BY A VOICE VOTE TO APPOINT DR. LECH AS COMMITTEE CHAIR.

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

IT WAS MOVED BY SEN. KLEIN AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPOINT MR. BUCK AS COMMITTEE VICE CHAIR.

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

MEETING SCHEDULE:

The proposed meeting schedule was provided to the committee. Additional meetings were added for October and November to review incentive compensation for the fiscal year.

IT WAS MOVED BY MR. BUCK AND SECONDED BY SEN. KLEIN AND CARRIED BY A VOICE VOTE TO APPROVE THE 2025-26 ERCC MEETING SCHEDULE.

AYES: MR. BUCK, SEN. KLEIN, AND DR. LECH

NAYS: NONE

MOTION CARRIED

CHARTER REVIEW:

Ms. Smith provided an overview of the committee's responsibilities which are laid out in the committee charter. The ERCC responsibilities include the executive review process for the ED and administering the board surveys of the Chief Investment Officer and Chief Retirement Officer. The committee also oversees the agency's compensation strategy and the annual board self-assessment.

EXECUTIVE DIRECTOR (ED) EVALUATION PROCESS:

Ms. Seiler reviewed the evaluation framework for the ED and the proposed updates to the evaluation. The committee discussed the proposed changes. There was consensus that it makes sense to make some minor changes this year and then reexamine the process after the governance review is completed. The updated surveys will be brought to the committee for approval at a future meeting.

OTHER:

With no further business to come before the ERCC, Dr. Lech adjourned the meeting at 2:30 p.m.

Submitted by:

Missy Kopp, Assistant to the Board

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Jodi Smith, Executive Director
DATE: October 15, 2025
RE: Incentive Compensation Overview

The Retirement and Investment Office's (RIO) Incentive Compensation Program stems from both legislative authorization and subsequent formal approval by the State Investment Board (SIB). NDCC § 54-52.5 authorizes RIO to develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the investment management of funds under the SIB's control.

The SIB, which must approve the incentive compensation plan provisions annually, rigorously managed the process through the Executive Review and Compensation Committee (ERCC).

- Development and Review:** The SIB initiated the process by issuing a Request for Proposals for a Compensation Consultant on June 6, 2023. Finalist presentations were made to the ERCC on August 3, 2023, leading to the execution of a contract with Mercer on November 1, 2023.
- ERCC and SIB Approval:** On February 16, 2024, the ERCC reviewed the plan proposed by Mercer and recommended it to the SIB. The targeted incentive compensation ranges were established between 25% and 50%, with the maximum ranging from 50% to 100%. The SIB voted to approve the plan as proposed on February 23, 2024.
- Policy Adoption:** The SIB Governance and Policy Review Committee (GPR) approved the proposed changes to the SIB Governance Manual, including the addition of the plan, on April 18, 2024. The SIB then approved the second reading and final adoption of the amendments to the Governance Manual on May 17, 2024.
- Implementation:** The Effective Date of the plan is July 1, 2024.

The Incentive Compensation Program Policy is established to attract and retain talented investment professionals and motivate staff to earn the highest possible returns for the SIB's client funds at reasonable costs and controlled risk levels.

- **Eligible Positions:** Positions eligible for incentive compensation are full-time equivalent investment and fiscal operations roles necessary for managing the client funds.
- **Requirements:** Participants must be employed in a covered position for at least three full consecutive months. On the day of payment, they must be employed by RIO and in "good standing" (performance rated above "developing" and not on a performance improvement plan).
- **Payment and Discretion:** The SIB reserves the right to modify, terminate, or rescind the plan provisions at any time. All incentive compensation awards are discretionary and contingent on approval by the SIB, which may award, adjust (up or down), modify, or deny calculated amounts.

Maximum incentive compensation opportunities are expressed as a percentage of the participant's base salary and vary by position based on accountability. This maximum opportunity is allocated between two components:

1. **Fund Value Added (VA) (80% Weight):** This quantitative component focuses on the weighted average of the Legacy Fund, PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance compared with SIB-approved benchmarks.
 - Performance is measured net of all direct and indirect costs at the client fund level.
 - The Fund VA utilized is a **rolling three-year average** of this weighted performance (after the first three years of the Plan).
2. **Individual Goals (20% Weight):** This discretionary component is set by the Participant's manager and approved by the Executive Director. Factors considered may include leadership, mentoring, contribution to strategic planning, and participation in projects to update business processes.

Payout Criteria: The Incentive Compensation Metric (ICM) is verified by an independent consultant and defines the outperformance required for a full incentive opportunity.

- **0%** is earned when performance is at or below benchmark.
- **10%** is earned when net performance exceeds the benchmark by one full basis point.
- The percentage increases pro rata (from 10% to 100%) for net performance between one full basis point above the benchmark and the full ICM.
- **100%** is earned when net performance equals or exceeds the benchmark by the full ICM.

The maximum incentive compensation opportunities vary by position held, based on differing levels of accountability and responsibility. The following chart outlines the Current Title and Maximum Incentive Award percentage for the listed RIO employees, based on current policy details.

Name	Previous Title	Current Title	Max Incentive
Scott Anderson	Chief Investment Office	Chief Investment Officer	100%
Eric Chin	Deputy Chief Investment Officer	Deputy Chief Investment Officer	90%
Jac (James) Collins	Senior Analyst Private Markets	Senior Analyst	75%
Cory Cox	Analyst Public Funds	Analyst Public Funds	75%
Derek Dukart	Investment Officer (AFM)	Sr Analyst of Internal Equity	50%
Timothy Forsythe	Fiscal and Investment Operations Mgr	Deputy Chief Financial and Operations Operator	50%
Chirag Gandhi	Portfolio Manager	Portfolio Manager	75%
Ross Hambrick	Chief Risk Officer	Portfolio Mgr of Quantitative Risk & Fund Management	75%
Robert Morey	Investment Accountant	Investment Operations Analyst	25%
George Moss	Sr Investment Officer (PE)	Portfolio Mgr Internal Equity	75%
Charles Napp	Senior Investment Accountant	Senior Investment Ops Manager	25%
Adam Otteson	Chief Financial and Operations Operator	Chief Financial and Operations Operator	60%
Matt Posch	Investment Analyst	Portfolio Manager Public Funds	75%
Jodi Smith	Executive Director	Executive Director	100%
Nitin Vaidya	Chief Risk Officer	Chief Risk Officer	75%

Lance Zietlow	Sr Investment Officer (In-State)	Portfolio Mgr Private Markets	75%
Alexander Weissman	Fixed Income Analyst	Fixed Income Analyst	50%
VACANT	Risk Officer	Risk Officer	50%
VACANT	Public Markets Investment Analyst	Public Markets Investment Analyst	50%

Committee action requested: Information only.

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Jodi Smith, Executive Director
DATE: October 15, 2025
RE: Incentive Compensation Position Titles Update

While reviewing the Incentive Compensation Program Plan, we identified several position titles within the Retirement and Investment Office (RIO) that have been updated since the plan's adoption.

This is a formal request for approval to update the plan to reflect the current position titles and ensure alignment with the corresponding maximum incentive compensation percentages. These updates are administrative in nature and do not alter the structure or intent of the plan.

Background and Clarity Issue

The plan is designed to help attract and retain talented investment professionals, rewarding long-term investment performance by ensuring payouts occur only when net investment performance exceeds benchmarks. Maximum incentive compensation opportunities for participants are expressed as a percentage of their base salary and vary by position based on differing levels of accountability and responsibility.

The plan currently defines maximum opportunities based on generic position titles:

Maximum Incentive Award	Position Title Listed in Policy
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

While the established policy provides broad categories, the updated staff roles listed in the compensation chart reflect more specific and customized titles, leading to a lack of clarity in the formal documentation matching the new role to the approved maximum percentage category.

Request for Approval of New Titles and Maximum Percentages

To ensure the Incentive Compensation Plan remains rigorously managed and compliant, and because the State Investment Board (SIB) must approve any question or matter whose resolution requires material modification to the plan, such as a change to the performance standards or maximum award levels, we request approval for the following current position titles and their associated maximum incentive compensation percentages:

Previous Title	Max Incentive	Current Title
Chief Investment Office	100%	Chief Investment Officer
Deputy Chief Investment Officer	90%	Deputy Chief Investment Officer
Senior Analyst Private Markets	75%	Senior Analyst
Analyst Public Funds	75%	Analyst Public Funds
Investment Officer (AFM)	50%	Sr Analyst of Internal Equity
Fiscal and Investment Operations Mgr	50%	Deputy Chief Financial and Operations Operator
Portfolio Manager	75%	Portfolio Manager

Chief Risk Officer	75%	Portfolio Mgr of Quantitative Risk & Fund Management
Investment Accountant	25%	Investment Operations Analyst
Sr Investment Officer (PE)	75%	Portfolio Mgr Internal Equity
Senior Investment Accountant	25%	Senior Investment Ops Manager
Chief Financial and Operations Officer	60%	Chief Financial and Operations Officer
Investment Analyst	75%	Portfolio Manager Public Funds
Executive Director	100%	Executive Director
Sr Investment Officer (In-State)	75%	Portfolio Mgr Private Markets
Fixed Income Analyst	50%	Fixed Income Analyst
Risk Officer	50%	Risk Officer
Public Markets Investment Analyst	50%	Public Markets Investment Analyst

We seek the committee's recommendation of approval of these current titles and their accompanying maximum incentive compensation percentages to the SIB to formalize their participation within the framework of the approved Incentive Compensation Plan.

Committee Action Requested: Recommend approval of the current titles and their accompanying maximum incentive compensation percentages to the SIB.

MEMORANDUM

TO: Executive Review and Compensation Committee

FROM: Jodi Smith, Executive Director

DATE: October 15, 2025

RE: Benchmark (Policy Index vs. Corridor Target Index) for Incentive Compensation Value Added (VA) Calculations

Clarification is required regarding the appropriate investment benchmark to be used in calculating Value Added (VA) performance metrics under the Incentive Compensation Policy. Specifically, guidance is needed to determine whether VA calculations should reference the Policy Index or the Corridor Target Index as the benchmark standard for performance measurement.

Background on Benchmark Definitions and Usage

The Incentive Compensation Policy is designed to reward staff when investment performance is above defined benchmarks, providing payment only when net investment performance exceeds investment benchmarks. The calculation for the main quantitative component of the Policy, Value Added (VA), is based on the weighted average outperformance of the Legacy Fund, PERS pension fund, TFFR fund, and the WSI fund, relative to **State Investment Board (SIB)-approved benchmarks**.

However, RIO documentation presents two distinct, SIB-approved benchmarks for the major funds: the "Policy Index" and the "Corridor Target Index."

Policy Requirement for Evaluation: SIB Ends policies state that the evaluation of a client fund's rate of return (net of fees and expenses) and the client fund's risk (measured by standard deviation of net returns) must be compared to the client's policy benchmark over a minimum evaluation period of 5 years. Furthermore, the Incentive Compensation Policy mandates that payouts should not occur unless the risk-based performance exceeds the risk-based performance of policy benchmarks.

Observed Practice in Reporting: When reviewing detailed performance and risk metrics, the reports frequently utilize the Corridor Target Index as the basis for evaluation:

- For the Consolidated Pension Trust (CPT), the analytic used for Rolling Performance Relative to Policy and for Risk Analysis (including Sharpe Ratio, Tracking Error, Up Capture, and Down Capture) is explicitly the Corridor Target Index.
- This trend is consistent across other key funds, including the Public Employees Retirement System (PERS), the Teachers' Fund for Retirement (TFFR), and the Legacy Fund, where the analytic used for risk measurement and performance relative to Policy is the Corridor Target Index.

The Ambiguity Regarding VA Calculation

The coexistence of the Policy Index (often cited in SIB Ends Policy as the formal evaluation comparison) and the Corridor Target Index (frequently used as the operational benchmark for tracking and risk analysis in performance reports) creates ambiguity in calculating Value Added (VA).

The Corridor Target Index and the Policy Index often show different return profiles across various measurement periods (e.g., for the Consolidated Pension Trust 5-year return, the Total Fund returned 9.2%, the Policy Index returned 9.0%, and the Corridor Target Index returned 8.6%). Similarly, they possess different annualized standard deviations (for CPT 5-year Risk Analysis, the Total Fund was 8.41%, the Corridor Target Index was 8.78%, and the Policy Index was 8.9% though the latter is found only in the Risk Summary table). These differences arise because the Corridor Target Index reflects actual portfolio weightings, while the Policy Index generally uses static allocations, adjusting only for Timber.

Since the incentive compensation mandates a measurement of performance against benchmarks, and the VA calculation is explicitly compared against SIB-approved benchmarks, formal direction is necessary to ensure consistent and accurate compensation calculations.

The SIB must approve any question or matter whose resolution requires material modification to the plan, such as a change to the performance standards. Clarifying the applicable benchmark is critical prior to determining final incentive compensation awards.

Benchmark method impact

To illustrate the impact of benchmark selection on performance outcomes, the table below presents FY 2025 results. Depending on which benchmark is applied, the difference in calculated performance between the two methods was **0.24%**, which could materially affect future incentive compensation awards.

Policy Index					
	Legacy	PERS	TFFR	WSI	Total
Balance	13,018,872,768	4,867,527,021	3,582,302,910	2,268,643,424	23,737,346,123
% Weight	54.85%	20.51%	15.09%	9.56%	
Return	12.70%	12.00%	11.42%	8.71%	
Benchmark	11.56%	10.51%	10.00%	7.75%	
Over/(Under) Performance	1.14%	1.49%	1.42%	0.96%	
Weighted Over/(Under)	0.62%	0.31%	0.21%	0.09%	1.24%

Corridor Target Index					
	Legacy	PERS	TFFR	WSI	Total
Balance	13,018,872,768	4,867,527,021	3,582,302,910	2,268,643,424	23,737,346,123
% Weight	54.85%	20.51%	15.09%	9.56%	
Return	12.70%	12.00%	11.42%	8.71%	
Benchmark	12.06%	10.57%	9.68%	7.79%	
Over/(Under) Performance	0.64%	1.43%	1.74%	0.92%	
Weighted Over/(Under)	0.35%	0.29%	0.26%	0.09%	0.99%

Difference	0.24%
------------	-------

Committee Action Requested:

We request that the ERCC formally recommend to the SIB which benchmark shall be used as the single, definitive measure for calculating the "Value Added" performance component of the Incentive Compensation Plan:

- **Option 1:** The **Policy Index** as defined in the fund documentation.
- **Option 2:** The **Corridor Target Index** due to its predominant use in detailed risk analysis (e.g., tracking error and information ratio) within the performance review reports.