

EXECUTIVE REVIEW AND COMPENSATION COMMITTEE MEETING

Wednesday, January 14, 2026 – 10:00 a.m.

Virtual Only

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AGENDA

- I. Call to Order and Approval of Agenda (*Committee Action*)**
- II. Acceptance of Minutes (November 5, 2025) (*Committee Action*)**
- III. SIB Self-Assessment Survey Discussion (15 Minutes) (*Committee Action*) – Ms. Seiler**
- IV. ERCC Draft Committee Charter Review (30 minutes) (*Information Only*) – Ms. Smith**
- V. Incentive Compensation (15 minutes) (*Information Only*) – Ms. Smith**
- VI. Adjournment**

**NORTH DAKOTA STATE INVESTMENT BOARD
EXECUTIVE REVIEW AND COMPENSATION COMMITTEE
MINUTES OF THE NOVEMBER 5, 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
Missy Kopp, Executive Admin.
Sarah Mudder, Communications/Outreach Dir.
Adam Otteson, CFOO
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director

OTHERS: Kirsten Tuntland, AAG

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Executive Review and Compensation Committee (ERCC) meeting to order at 10:01 a.m. on Wednesday, November 5, 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 NOVEMBER 5, 2025, 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 SEN. KLEIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE OCTOBER 15, 2025, MINUTES AS DISTRIBUTED.

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

INCENTIVE COMPENSATION POTENTIAL PAYMENT:

Ms. Smith reviewed the components of the incentive compensation payments. After committee feedback, staff developed the scoring metrics for the qualitative component using annual employee performance rating, years of service, culture and teamwork, and individual team performance. Based on the metrics, the incentive bonus amount would be \$1,258,488 or less than 0.6% of the excess returns for the fiscal year.

The committee members expressed support for allowing the program additional time to operate before making changes, noting the importance of gaining experience with the program and receiving future board input before considering adjustments.

Ms. Smith reviewed a special waiver request for an employee who delayed their retirement by several months to ensure a smooth transition.

Dr. Lech expressed the Committee's appreciation to all staff for their continued work and contributions across the organization.

**IT WAS MOVED BY MR. BUCK AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL
VOTE TO RECOMMEND A TOTAL BONUS PAYOUT OF \$1,258.48 TO THE SIB.**

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

**IT WAS MOVED BY SEN. KLEIN AND SECONDED BY MR. BUCK AND CARRIED BY A ROLL CALL
VOTE TO RECOMMEND APPROVAL OF THE SPECIAL WAIVER REQUEST FOR THE EMPLOYEE WHO
DELAYED RETIREMENT.**

**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 10:28 a.m.

Submitted by:

Missy Kopp, Assistant to the Board

MEMORANDUM

TO: Executive Review and Compensation Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: January 14, 2026
RE: SIB Self and Board Assessment

The ERCC Charter provides that the Committee will periodically administer a formal self-assessment. The SIB is currently undergoing a broader governance review facilitated by Funston, which included a board survey administered in September 2025. Considering this ongoing governance review, the Committee will need to determine whether it wishes to administer a separate self-assessment at this time.

If the Committee elects to proceed, the attached would be the proposed SIB self and board assessment. The recommended timeline is for the assessment to be distributed following the SIB meeting on Friday, January 16, 2026, with responses closing on Friday, January 30, 2026. The results would then be compiled and presented at the next ERCC meeting on March 11, 2026.

The Committee will also need to determine how the results should be communicated to the SIB. Historically, results have been shared in various formats, including raw survey data, trend analyses, comparative trend summaries, executive summaries, or presentation materials. Most recently, the Committee elected to present the results in a PowerPoint format.

Committee Action Requested: The Committee should determine whether to administer the SIB self-assessment at this time and, if so, approve the proposed survey and evaluation timeline.

State Investment Board Self and Board Assessment

Section 1: Self-Assessment (This section refers to your perspective as an individual board member.)

Board and Committee Member Responsibilities

1. I receive the training necessary to fulfill my responsibilities as a SIB member.
2. I understand the authority that has been retained by the SIB and what duties have been delegated to the committees of the SIB and RIO staff.
3. I make an effort to learn about aspects of the investment program that I do not understand by participating in education provided by RIO's staff.
4. I fully understand the policies of the SIB and/or review them as necessary to fulfill my role.

Board & Committee Meetings and Structure

5. I understand board conduct, abide by it, and avoid conflicts of interest.
6. I am prepared for meetings, reviewing the materials in advance so I can make informed decisions.
7. If I am unable to attend a SIB meeting, I review the information that was presented.
8. I am comfortable with the amount of time I devote as a Board member.

Financial Management and Investment Practices

9. I understand the legal duties and responsibilities required of me as a fiduciary.
10. I sufficiently understand all financial, performance, and audit, reports and seek clarification when necessary.

Section 2: Board Assessment (This section refers to your perspective of the performance of the Board as a whole.)

Board and Committee Member Responsibilities

11. The Board has healthy discussions on a topic before making a decision.
12. The Board recognizes the authority it has retained and what has been delegated to RIO's staff.
13. The Board reviews policies on a regular basis and updates them as needed. If a new policy is needed, the policy is clearly presented and discussed.

Board and Committee Meetings and Structure

14. Meetings are generally well run and make good use of time with the right allocation between Board discussions and presentations.
15. Standing and ad hoc committees complete tasks and communicate them to the full board in an effective and timely manner.

Financial Management and Investment Practices

16. The Board is regularly informed of economic trends or conditions that can affect investment performance.
17. The Board quarterly Ends reports provide adequate information relating to investment, retirement, fiscal, audit, and executive limitation activities of the agency.

MEMORANDUM

TO: SIB Executive Review and Compensation Committee
FROM: Jodi Smith, Executive Director
DATE: January 14, 2026
RE: Executive Review and Compensation Committee

At its meeting on March 28, 2025, the State Investment Board (SIB) authorized the Governance and Policy Review (GPR) Committee to conduct a governance audit, issue a Request for Proposal (RFP), select a vendor, and present a final report and recommendation to the SIB. The purpose of the governance audit is to assess the SIB's current governance framework; evaluate alignment with applicable statutes and best practices; clarify roles and responsibilities; enhance risk oversight; streamline documentation; and improve transparency and decision-making processes. The RFP included an optional second phase to update and modernize the SIB Program Manual.

In August 2025, a contract was executed with Funston Advisory Services LLC (Funston) to complete Project 1, a comprehensive governance model assessment. Project 1 included:

- a) Reviewing the SIB Program Manual.
- b) Reviewing the SIB governance model, including roles and responsibilities of the Board, staff, and committees.
- c) Meeting with key stakeholders (Board/committee members, executive staff, etc.).
- d) Evaluating the Program Manual for compliance with applicable laws, administrative rules, and policies.
- e) Assessing the organizational framework for directing, controlling, and monitoring operations, including decision-making effectiveness.
- f) Evaluating Board and committee reporting practices and recommending improvements to enhance transparency and public trust.
- g) Benchmarking the SIB governance model and Program Manual against comparable institutional investors and public pension systems.
- h) Recommending or developing a governance review process.

- i) Developing a governance risk heat map identifying key vulnerabilities and oversight priorities.
- j) Providing recommendations to the GPR Committee and the SIB on the above findings.
- k) Providing governance education to the SIB regarding governance frameworks and best-practice models.
- l) Attending GPR Committee meetings remotely as needed.
- m) Attending at least two SIB meetings in person as needed.

At the November 21, 2025, SIB meeting, the Final Governance Model Review Report was approved, pending incorporation of suggested revisions. The revised report was distributed to SIB members on December 9, 2025.

Additionally, at the November 21, 2025, meeting, the SIB authorized the GPR Committee to proceed with Project 2 (Option 1) under the contract with Funston. Project 2 authorizes:

- a) Development of a plan and timeline, in coordination with the GPR Committee, to update the SIB Program Manual.
- b) A comprehensive review and update of the Program Manual.
- c) Recommendations and assistance in developing additional governance policies to support fiduciary responsibilities.
- d) Development of a regular cadence for internal review of the Program Manual by staff and the GPR Committee.
- e) A high-level implementation roadmap with timelines, responsible parties, and milestones.
- f) Education for the SIB on program manual updates as needed.
- g) Remote participation in GPR Committee meetings as needed.
- h) In-person attendance at a minimum of two SIB meetings.

Since the approval of Phase2, the Funston team has rewritten much of the SIB Governance Manual to create a plain-language, easy-to-navigate governance policy system that improves usability, clarity, and transparency.

The updated manual is built around the following guiding principles:

- **Purpose-first orientation** with clearly defined intent for each section
- **Clear information architecture** that is intuitive and searchable
- **Consistent policy framework** across all sections
- **Progressive disclosure** that presents essential content first, with detail available as needed
- **Visualizations** to clarify complex concepts

- **Low-friction navigation** (1–2 clicks to key content)
- **Plain-language drafting** that is ADA-compliant and accessible

The draft includes:

- Assessing current content and identifying and correcting gaps
- Aligning policies with the Governance Effectiveness Model and leading industry practices
- Developing a delegation matrix and validating assignments
- Rewriting policies in plain language and positive terms
- Embedding hyperlinks to Century Code and related governing documents

A structured change-management process will be needed to support adoption by both the Board and staff.

ERC Committee Charter Updated Version vs. Original Policy

The ERCC Charter has been refreshed to clarify the Committee's role in executive oversight, compensation governance, and leadership continuity, and to align responsibilities with recognized fiduciary and governance practices.

The revisions strengthen independence, transparency, and process discipline while ensuring the Board retains final approval authority.

Key Enhancements

1. Clearer Purpose and Role

- Confirms the ERCC's mandate to evaluate executive director performance.
- Positions compensation strategy as aligned with agency mission and long-term objectives.
- Clarifies advisory role to the full Board.

2. Structured Primary Responsibilities

The updated charter clearly defines the Committee's core functions:

- **Evaluate** Executive Director performance.
- **Recommend** executive compensation to the Board.
- **Oversee** executive succession and leadership continuity planning.
- **Ensure** compensation philosophy supports long-term goals.
- **Commission** independent compensation benchmarking.

3. Independence and Governance Strengthening

- Shifts administrative support to an internal Chief Legal Officer or a third party, reducing conflicts of interest.
- Internal Audit may verify processes but does not lead evaluations.
- Encourages use of independent advisors for evaluations and compensation benchmarking.

4. Succession Planning

Adds responsibility for oversight of succession and continuity planning for:

- Executive Director
- Chief Investment Officer
- Chief Financial Officer

This reduces key-person risk and improves organizational resilience.

5. Compensation Governance

- Retains periodic compensation benchmarking (at least every three years).
- Links compensation philosophy to mission, strategy, and risk alignment.
- Reinforces market-based, defensible, competitive compensation.

6. Clarified Authority and Boundaries

- ERCC remains **advisory** — not authorized to approve unless explicitly delegated.
- Board approval is required for compensation decisions and engagement of third-party advisors.

This preserves Board decision authority and strengthens transparency.

What Does Not Change

- The Board remains responsible for approving executive compensation.
- The ERCC does not manage day-to-day operations.
- The Committee continues to support performance oversight and compensation alignment.

Overall Impact

The updated ERCC Charter improves clarity, independence, and governance rigor around executive evaluation and compensation. It adds thoughtful oversight of succession planning while maintaining appropriate Board authority and preventing operational overreach.

The revisions help ensure that leadership oversight remains objective, structured, and aligned with the SIB's fiduciary responsibilities.

Committee Action: Information Only

SECTION ? . COMMITTEES

Executive Review & Compensation Committee (ERCC)

The Executive Review and Compensation Committee (ERCC) is a standing committee of the State Investment Board (SIB). The Committee assists the Board in fulfilling its fiduciary oversight responsibilities related to monitoring executive performance and aligning compensation strategy with the agency's mission and strategic plan.

Monitoring executive performance is synonymous with monitoring organizational performance against Board policies. The Committee also assists the Board in developing compensation goals and strategies for the agency that support the long-term interests of the funds and stakeholders.

The primary roles of the Committee are to:

- evaluate the Executive Director annually;
- recommend executive compensation to the Board;
- oversee executive succession and leadership continuity;
- ensure compensation philosophy supports the long-term mission; and
- commission independent compensation benchmarking.

Authority and Limitations

The following authorities and limitations apply to the Committee:

1. It has authority to review, assess, and recommend.
2. It does not have authority to approve policy or compensation actions, except where specifically delegated by the Board.
3. It does not direct management operations.
4. It may request information, analyses, legal support, and external advisory assistance as necessary to fulfill its duties.

Staff Liaison: Chief Legal Counsel (CLO) or designated third-party advisor.

The CLO or third-party advisor will prepare Committee materials (excluding internal survey and audit materials), prepare the annual summary of required executive reporting, and assist with administration of executive performance surveys.

Powers and Responsibilities

1. Conduct – Evaluations and Surveys

The Committee shall conduct a formal evaluation of the Executive Director annually prior to June 30 and oversee performance surveys of the Chief Investment Officer and Deputy Executive Director–Chief Retirement Officer during the first half of each calendar year.

Survey results for all three positions shall be reported to both the SIB and the TFFR Board.

Independent third-party advisors shall be used, as appropriate, to support performance evaluations and compensation benchmarking to preserve independence. Internal Audit may verify process integrity but shall not lead executive assessments.

2. Set – Research and Recommend

a. Compensation and Performance Framework

The Committee shall:

- recommend SIB approval of the Executive Director's annual performance evaluation;
- recommend compensation adjustments for the Executive Director; and
- review and recommend changes to RIO's compensation policy to ensure the agency can recruit and retain the talent necessary to fulfill its mission and strategic plan.

b. Compensation Benchmarking

The Committee shall conduct or procure a peer compensation study at least every three years and use results to inform policy and compensation recommendations.

The Committee and/or RIO shall seek SIB approval prior to engaging any third-party advisors to support the executive review or compensation process.

3. Approve

The Committee is not authorized to approve, except where explicitly delegated by the Board. The Committee shall abide by Board governance provisions related to meetings and actions.

4. Oversee

The Committee shall oversee executive succession and leadership continuity planning for key positions, including:

- Executive Director,
- Chief Investment Officer, and
- Chief Financial Officer,

to mitigate key-person risk and support organizational resilience.

5. Verify and Report

The Committee shall:

- verify that executive performance review processes are objective, documented, and aligned with Board expectations; and
- report survey results and evaluation outcomes to the State Investment Board and the TFFR Board, as applicable.

Reports and recommendations shall be clear, decision-ready, and include rationale and implications where appropriate.