

EXECUTIVE REVIEW COMMITTEE MEETING

Wednesday, April 6, 2022 – 2:30 PM
Retirement and Investment Conference Room (Virtual)
Teleconferencing: 701.328.0950 Participant Code: 669 107 791#
1600 E Century Ave, Suite 3, Bismarck, ND 58507

AGENDA

- I. Call to Order and Approval of Agenda
- II. Approval of February 23, 2022, Meeting Minutes
- III. Assessment Tools for Executive Director
 - a. SIB Survey for Executive Director
 - b. Self-Evaluation
 - c. Executive Director Effectiveness Survey
- IV. Evaluation Format
 - a. 2021 Executive Director/CIO Evaluation Attachment
- V. Compensation - Executive Session – Pursuant to N.D.C.C. § 44-04-19.1 to review and discuss confidential information
- VI. Discuss time for next Executive Review Committee meeting
- VII. Other Business
- VIII. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

**NORTH DAKOTA STATE INVESTMENT BOARD
EXECUTIVE REVIEW COMMITTEE
MINUTES OF THE
FEBRUARY 23, 2022, COMMITTEE MEETING**

BOARD MEMBERS PRESENT: Mel Olson, TFFR Board
Adam Miller, PERS
Yvonne Smith, PERS

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Missy Kopp, Exec Assistant
Jan Murtha, Exec Director
Sara Sauter, Suprv of Internal Audit

CALL TO ORDER:

Mr. Olson called the State Investment Board (SIB) Executive Review Committee (ERC) meeting to order at 3:00 p.m. on Wednesday, February 23, 2022, at the Retirement and Investment Office (RIO), 1600 E Century Ave, Ste. 3, Bismarck, ND.

MINUTES:

The ERC considered the minutes of the January 20, 2022, meeting,

IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE JANUARY 20, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. MILLER, MS. SMITH, AND MR. OLSON

NAYS: NONE

MOTION CARRIED

SIB SELF-ASSESSMENT:

Ms. Sauter reviewed the SIB self-assessment results. The Committee discussed the change in scores from last year. This assessment can provide direction to staff on what items to focus on for the upcoming year. Mr. Olson and Ms. Sauter will present the assessment results to the SIB at the February 25, 2022, meeting.

NEXT MEETING TOPICS:

The ERC needs to consider how to do the evaluation of the Executive Director position with all the changes that have occurred this past year. At the next meeting, the Committee will discuss how to get the information they need to make decisions going forward.

ADJOURNMENT:

With no further business to come before the ERC, Mr. Olson adjourned the meeting at 3:58 p.m.

Mr. Olson, Chair

Missy Kopp, Recorder



State Investment Board
RETIREMENT & INVESTMENT

2022 Executive Director Performance Survey

The following are five open-ended questions on the performance of the Executive Director, Janilyn Murtha. The survey's design is to follow the agenda topics in Board meetings (education, investments, governance, and reports). While the Executive Director may not give each presentation, they are responsible for ensuring that at each Board meeting, the information and presentations are applicable and clear. The last question is your overall satisfaction with the Executive Director's job performance.

Please have all surveys completed by Monday, April 18, 2022, at 5 p.m.

If you have any questions or issues, don't hesitate to contact the Supervisor of Internal Audit, Sara Sauter, at sasauter@nd.gov or 701-328-9896.

2022 Executive Director Performance Survey

*** 1. 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).**

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

*** 3. Please comment on the presentations presented in the Board meetings pertaining to the Board governance (e.g. informative and clear).**

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

*** 5. 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?**

2022 Executive Director Effectiveness Survey

Welcome to the 2022 Executive Director Effectiveness Survey. The purpose of this survey is to provide employees with the opportunity to evaluate the effectiveness of the Executive Director in three key areas - leadership, communication, and valuing employees.

The survey consists of 9 multiple choice questions and 1 open-ended question which will allow you to type feedback into an unlimited text box. This survey is being administered utilizing SurveyMonkey, all responses will remain strictly anonymous. Please be honest, thoughtful, and candid with your responses - your opinion matters!

Survey responses are due by Thursday, April 14, 2022 @ 5:00 PM CST. Please do not hesitate to contact the Supervisor of Internal Audit with any questions or concerns you may have.

Thank you for your participation!

2022 Executive Director Effectiveness Survey

Executive Director - Leadership

Please select the choice which best reflects how strongly you agree or disagree with the following statements regarding the effectiveness of the Executive Director's leadership.

*** 1. The Executive Director provides a clear sense of purpose and direction, roles and responsibilities, for me and our team as a whole.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

*** 2. Employees have confidence in the Executive Director.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

*** 3. The Executive Director demonstrates integrity and sets an example for others to follow.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

2022 Executive Director Effectiveness Survey

Executive Director - Communication

Please select the choice which best reflects how strongly you agree or disagree with the following statements regarding the effectiveness of the Executive Director's communication with employees and the organization.

*** 4. The Executive Director takes time to understand other perspectives and is open to changing their position.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

*** 5. The Executive Director keeps employees informed about what is occurring throughout the organization, when appropriate.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

*** 6. Information and knowledge are shared openly within this organization.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

2022 Executive Director Effectiveness Survey

Executive Director - Valuing Employees

Please select the choice which best reflects how strongly you agree or disagree with the following statements regarding the effectiveness of the Executive Director in valuing employees of the organization.

*** 7. The Executive Director seeks input from team members, as appropriate.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

*** 8. The Executive Director shows genuine concern for team members.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

*** 9. The Executive Director treats employees with respect.**

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

2022 Executive Director Effectiveness Survey

Executive Director - General Feedback

*** 10. 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?**

Executive Review
Mr. David Hunter, Executive Director/Chief Investment Officer
May 12, 2021

Evaluation Process:

In compliance with the State Investment Board (SIB) Governance Policy, the SIB conducted a formal evaluation of the Executive Director/Chief Investment Officer, based on accomplishment of *Ends* and *Compliance with Executive Limitations*. An Executive Review Subcommittee, consisting of SIB board members Mel Olson, Adam Miller and Yvonne Smith, was appointed to oversee the evaluation process. Staff assistance was provided by Sara Sauter, Supervisor of Internal Audit Services, and by Bonnie Heit, Assistant to the Board.

- The primary feedback tool for this evaluation was a survey instrument designed to evaluate compliance with the SIB Governance Ends Policy and Executive Limitations Policies.
 - The survey instrument focused on board meetings, board relations, office operations, investment programs and program operations, public/legislative relations, and professional skills and development.
 - The instrument used the following three-point scale: 1- Does Not Meet Expectations, 2-Meets Expectations, and 3 - Exceeds Expectations.
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- In addition to the survey, the following reports were taken into account:
 - Independent Audit Report for the period ending June 30, 2020, issued by CliftonLarsonAllen LLP.
 - RIO Financial FY Ended 6/30/2020 – November 20, 2020
 - Quarterly Monitoring Reports – January 24, 2020, May 22, 2020, September 25, 2020, and November 20, 2020
 - Executive Limitation Audit CY 2020 – February 26, 2021
 - ED/CIO Effectiveness survey
- Mr. Hunter also completed a self-assessment of his performance for consideration.

On April 14, 2021, the Executive Review Subcommittee reviewed the results and discussed areas of strength and developmental 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 21, 2021, SIB Board Meeting.

Findings and Conclusions:

All SIB board members completed the evaluation survey. The composite results were as follows:

- The majority of the responses were “Meets Expectations” or “Exceeds Expectations.” There was only one question where a board member indicated does not meet expectations. That pertained to communications and presentations to the legislature.
- The overall average rating of Mr. Hunter’s performance has improved year over year.
- Themes of the comments regarding Mr. Hunter’s skills included:
 - **Board Meetings:** Information is provided in a comprehensive yet manageable format. The executive summary continues to be very beneficial for board members. In addition, there seems to be an educational component at all meetings. One suggestion was that receiving the board materials earlier would be helpful.
 - **Board Relations:** Consistently and conscientiously provides the board with alternatives for consideration, with an objective and thorough analysis. Timely and responsive to questions, and active in helping board members process high levels of materials.
 - **Office Operations:** Observations between Mr. Hunter and the staff appear to indicate a safe, respectful, healthy, and productive work environment. Continues work to cultivate a positive work environment. Mr. Hunter did an excellent job managing the change with the challenging year.
 - **Investment Programs and Program Operations:** Mr. Hunter does a good job of bringing the complexities of the work to the level of the different board members, clearly articulates recommendations, works hard to provide materials and rationale before the meeting, and acting with the highest ethical and fiduciary standards. Committed to monitoring asset allocation, risk levels, and money manager performance. High level of assurance that our investments are prudent and yield results that are in line with or above our benchmarks.
 - **Public/Legislative Relations:** Initiated the Fund Facts communication during the legislative session to help articulate the work of NDRIO. High level of credibility with legislators. A suggestion was made that he be more engaged in the legislative discussion.
 - **Professional Skills and Development:** Great skill in communicating complex information effectively. Mr. Hunter deflects credit for positive feedback to other individuals/groups involved in the process, thus building teamwork and a positive agency attitude.
 - **General Comments:** Extremely satisfied; Mr. Hunter is a true professional; meets all obligations. Mr. Hunter does an outstanding job of working with the staff and others to accomplish the agency's goals as the investment

results indicate. The one area of improvement would be to improve communications with stakeholders and constituents.

Investment Performance

- SIB client investments exceeded \$18.4 billion as of December 31, 2020. This is a 13.9% rise in the past year. SIB client investments earned over \$2.9 billion of net investment income in the current biennium including \$1.35 billion for Legacy Fund in the 20 months ended Feb. 28, 2021.
- SIB client investment returns have exceeded performance benchmarks by 0.50% for the 5-years ended Dec. 31, 2021, which translates into \$300 million of incremental income based on average assets under management of \$12 billion during this 5-year period (e.g. \$12 billion x 0.50% = \$60 million per year x 5 years = \$300 million).
- The Pension Trust posted a net return of +12.1% in the last year ending 12/31/20. The Pension Trust generated a net annualized return of 9.7% during the last 5-years exceeding the policy benchmark of 9.3%.
- The Insurance Trust generated a net investment return of +8.2% in the last year ending 12/31/20. During the last 5-years, the Insurance Trust posted a net annualized return of 7.0%, exceeding the performance benchmark of 5.9%.
- The Legacy Fund generated a net investment return of +12.2% in the last year ending 12/31/20. During the last 5-years, Legacy Fund earned a net annualized return of 9.3%, exceeding the policy benchmark of 8.6%.
- SIB investment expense has reduced by 50% since fiscal 2010. In fiscal 2010 investment fees were .84% and in fiscal 2020 investment fees were .42%. The 0.42% decline in fees translates into \$42 million of annual fee savings (e.g. \$10 billion x 0.42% = \$42 million).

Executive Director/DIO Effectiveness Survey Results

- Survey participation responses were received from fourteen out of nineteen employees. This is 74% participation rate. Overall survey responses continued to trend positive although some minor dissent was noted.
- Thirteen employees believe the Executive Director/CIO demonstrates integrity and sets an example for others.
- Thirteen out of the fourteen responses also agreed that the Executive Director/CIO provides a clear sense of purpose direction, roles and responsibility for staff.
- Twelve of the employees agree that the Executive Director/CIO keeps employees informed about what is occurring throughout the organization when appropriate.
- The majority of employees agreed the Executive Director/CIO takes time to understand other perspectives and is open to changing his position.
- Consistent with prior years, the Executive Director/CIO received favorable responses in the area of valuing employees. Staff overwhelmingly agrees that the Executive Director/CIO shows genuine concern for staff and treats everyone with respect.

- The responses to the open ended question were very positive with a majority of employees indicating that they are very satisfied with the job being done by the Executive Director/CIO.

Executive Director Self-Evaluation

- Mr. Hunter ranked his performance as meeting expectations in all survey items, except for rating himself “Exceeding Expectations” on question 16 in Category 4, Investment Programs and Program Operations in regard to at board meetings and other interactions, the Executive Director/CIO maintains high fiduciary standards. The annual review of Executive Limitations policy provides corroborating evidence to support this statement.

Summary

This evaluation shows that Mr. Hunter continues to provide excellent leadership as the Executive Director/Chief Investment Officer. His credibility and respect among board members, stakeholders, clients, and staff continues.

Improvements have been achieved during the year in regard to increasing transparency, improving clarity in communication in SIB meeting materials, continued efforts to reduce fees, continued efforts to provide critical education for the SIB, and increasing emphasis on investment management risk, due diligence reporting and compliance monitoring.

Mr. David Hunter, State Investment Board ED/CIO

Date

Yvonne M. Smith, Executive Review Committee Chair

Date

Confidential information will be sent to Committee members via secure link.