

Mr. McCullough:

It is my understanding the Executive Board will be addressing the salary of the state investment officer at their May 7<sup>th</sup> meeting. As the council has done in previous years, we passed a motion at our April 10<sup>th</sup> meeting regarding such compensation. There was significant discussion (primarily instigated by Mr. Clark) regarding the “plus 1.50%” that I have highlighted in the attached motion.

In light of state budget challenges and volatility in the markets that could have a significant impact on our ability to fully fund retirees’ cost of living increases we are concerned with the optics of an increase in excess of state salary policy for the SIO. The council chose not to remove the increase from the motion, but authorized me, as chair, in consultation with the vice-chair, to continue to monitor the investment performance and the greater markets and make a final recommendation with the submittal to the E-Board.

To that end, the economic uncertainty has continued since our April 10<sup>th</sup> board meeting. While we fully support the additional compensation provided to the SIO and the investment staff, it would be our recommendation that the SIO’s adjusted compensation **not include the extra 1.5%** approved in the Investment Council’s motion. If you have questions either vice-chair Steve Pietila or I would be happy to discuss.

**Board Discussion & Motion passed by the SDIC at April 10<sup>th</sup> meeting regarding State Investment Officer’s FY 2026 Compensation:**

Steve Pietila, Chair of the Compensation Committee, reviewed the recommendation that was made by the Committee to the Investment Council at the last meeting regarding the State Investment Officer’s compensation for Fiscal Year 2026. This recommendation will be presented to the LRC Executive Board at their May 7<sup>th</sup> meeting. **There was consensus of the Council to allow the Chair the flexibility to suggest the Executive Board pull the 1.5% portion of the increase in the event of continued economic/market weakness.**

STEVE PIETILA MOVED, SECONDED BY KELLY MEINERS, THAT THE INVESTMENT COUNCIL RECOMMEND TO THE LRC EXECUTIVE BOARD THAT TOTAL COMPENSATION FOR THE STATE INVESTMENT OFFICER PAYABLE IN FY 2026 BE COMPRISED OF FY 2025 BASE SALARY INCREASED BY STATE SALARY POLICY **PLUS 1.50%** AND CONTINUATION OF THE INVESTMENT PERFORMANCE INCENTIVE PLAN, WITH ANY EARNED INCENTIVE TO BE PAID FOLLOWING COMPLETION OF THE AUDIT. MOTION PASSED UNANIMOUSLY.

Loren Koepsell

Chair, SDIC