

HB 1348

For the record, my name is Mitch Ostlie, Representative District 12. I am here today to discuss an incentive compensation plan for employees of the state retirement and investment office or (RIO)

About a year ago when I was doing research on another bill, I ran across what the legislative assembly approved last session regarding a new compensation plan for some employees of RIO. What the State Investment Board (SIB) came up with for a plan is somewhat different than what I recalled was going to happen. When I asked many other legislators for clarification or if their memory was different than mine, the common response was, we do not recall that that's what we agreed to or we probably should have been vetted more. What this bill in front of you does is to go back and undo the legislation that allowed this incentive compensation plan to be put forth.

Let's go back about 2 ½ years. RIO staff went to the state investment board with an idea to do in-state investing. Currently we hire out of state fund managers. The idea was that if we have our own fund managers, we would have more control over what we invest in and also save money on the fees we have been paying these out of state fund managers. But to do this, we would have to pay these individuals that are doing the buying and selling of these stocks a little differently than what we have traditionally done as a state employee. There was a presentation to appropriations and an amendment to the RIO budget to allow this to happen. We gave SIB authority to come up with a compensation plan to do this.

We could say last sessions plan fit the definition of an Agency Bill that went directly to appropriations. Past practices like this are the reason why we are hearing in policy committees this session, bills that many times went right to Appropriations.

Now that you have a little history of where we were and what the intent was, I will direct you to another document of what actually happened as a result of action from the state investment board.

There are approximately 20 positions ~~declassified~~ <sup>investment</sup> to be eligible for this new "incentive compensation". Including the Chief Financial Officer and the executive director of up to 100% of their salary if certain benchmarks are hit. Example, if this position has a salary of \$300,000, their bonus could be \$300,000 for a total compensation that year of \$600,000. I do not believe that all of these other classes of employees were intended by the legislature to be in this new comp plan,

I think we have a serious conflict of interest. These top 2 positions had significant influence on the consultant used to recommend this new plan. They also have significant influence on what the benchmark is to be eligible for this "bonus" and have the highest eligible bonus at 100%.

I initially thought about drafting this bill to be more closely align to what I recall what the intent of past legislation. But then decided to just start over from the beginning. With a new governor and chairperson of the state investment board. It will allow that individual to have their input in the process. This will also allow all legislators to have input and awareness during this vetting process.

Thank you for your time and I will try answer any questions you may have.