

# Review Advisory Committee Strategic Plan Initiative

February 2016

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## **Aon Hewitt**

Retirement and Investment

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## Today's Objectives

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- Discuss the history of the TMRS Advisory Committee on Retirement Matters (Advisory Committee)
- Review the research that has been conducted by Staff and AHIC
- Consider and discuss possible governance adjustments to enhance the effectiveness and efficiency of the Advisory Committee

# Agenda

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1. History of TMRS Advisory Committee on Retirement Matters
2. Research Review and Discussion
3. Consideration of Possible Governance Adjustments

## History of TMRS Advisory Committee on Retirement Matters

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- 1994 – Committee was created
  - Comprised of 7 members (3 elected positions, 3 employee positions, & 1 retiree position)
- 1996 – Committee was expanded to nine positions and terms were expanded to two years
  - Added 1 retiree position and 1 former Board member position
- 2004 – Terms were changed to staggered three-year terms
- 2006 – A task force created to provide expertise to assist the Committee on issues, such as studying “unfunded liabilities” and plan design options. This task force was made up of city officials with expertise in finance, human resources and city management

## History of TMRS Advisory Committee on Retirement Matters

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- 2007 – The Board adopted a new Committee charter to provide the Board more flexibility to appoint selected members
- 2008 – The Board appointed a “Legislative Stakeholders Group” to focus on identified changes needed to the TMRS Act
  - Made up of 9 members from ten different stakeholder organizations. These now comprise the members of the Committee’s “Group Class”
  - The Committee charter was revised to officially expand the Committee to 19 members, broken down by Individual Class (nine members) and Group Class (10 members).
  - Board appoints Group Class members for a maximum 6-year term
  - Board appoints Individual Class for a maximum of two, 3-year terms

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## Discussion of Research Efforts and Key Themes

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- Four different research efforts were conducted to inform this discussion, as follows:
  - I. TMRS staff surveyed the prevalence of similar Advisory Committees for in-state public retirement system peers, including other statewide and local retirement systems
  - II. AHIC gathered data regarding the practices of select national public retirement system peers' advisory committees
  - III. TMRS staff surveyed current and former Advisory Committee members
  - IV. AHIC conducted individual telephone interviews with the TMRS Trustees to identify general perspectives regarding the Advisory Committee

## II. Overview: Select National Public Retirement System Peers

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### ■ Methodology

- Identified a peer group of 20 public retirement systems having a similar asset size and membership makeup as TMRS (e.g., statewide, includes local government members, police and fire personnel)
- Reviewed publicly available sources to determine if each system had a legislative or benefits-related advisory committee
- Conducted a qualitative survey of the Executive Directors of those peers having a similar Committee

### ■ Key findings

- Only 4 of 20 (20%) of the peer systems had similar Advisory Committees
- Committee size ranges from 5 to 30 individuals; 75% of the Committees are smaller than TMRS'
- The peer Committees' purpose tends to be broader than the TMRS Committee; however, the majority participate in reviewing and providing input to their board on legislative proposals
- The majority of peer Committees' compositions tend to be reflective of the statewide associations, yet also aim to align with the diversity of the overall peer system
- Peer term lengths are in line with that of the TMRS Committee; the majority do not have stated term limits

## Select National Peer Systems with Similar Advisory Committees

System Name	Asset Size <sup>1</sup>	Plan Type	Audience Type Served	Board Composition
Nevada PERS	\$33.31B	Traditional DB	State employees and participating local governments, police and fire, teachers	7 member governor appointed board, with representation from private sector as well as general membership
Utah Retirement Systems	\$30.65B	Multiple Plans <sup>2</sup>	Public education, public safety, fire fighters, and other school district, municipal, county, and state employees.	7 member governor appointed board, 2 represent education and public employees community, remainder represent investment community; treasurer ex-officio
<b>TMRS</b>	<b>\$23.59B</b>	<b>Hybrid DB</b>	<b>Employees of participating municipalities</b>	<b>6 member Governor appointed Board, comprising executive trustees and employee trustees of participating municipalities</b>
Delaware PERS	\$8.9B	Traditional DB	State employees, state police, county and municipal general employees and public safety, judicial employees	Governor appointed board 7 members (2 ex-officio); no member or employer representatives
Missouri Local Government Retirement System	\$6.31B	Traditional DB	Public safety, utilities workers, EMTs, public works personnel, and other general service employees in local government	7 members, some elected by members of the system; some elected by governing bodies of employers; 1 governor appointed person who is not a member, retiree, or beneficiary and not a member of the governing body of any political subdivision

<sup>1</sup> As Reported in Pensions and Investments, February 2015; <sup>2</sup> Traditional DB, Hybrid defined benefit, primary defined contribution, supplemental defined contribution (401(k) and 457 plans);

# Purpose of Peer Advisory Committees

System Name <sup>1</sup>	Purpose
Nevada PERS	The committee makes recommendations to the Retirement Board concerning administration of and benefits payable from the police and firefighters' fund. The board consults with the committee on all matters concerning the fund and considers recommendations from the committee on their merits.
Utah Retirement Systems	(a) recommend to the board and to the Legislature benefits and policies for members of any system or plan administered by the board; (b) recommend procedures and practices to improve the administration of the systems and plans and the public employee relations responsibilities of the board and office; (c) examine the record of all decisions affecting retirement benefits made by a hearing officer; (d) submit nominations to the board for the position of executive director if that position is vacant; (e) advise and counsel with the board and the director on policies affecting members of the various systems administered by the office; and (f) perform other duties assigned to it by the board.
TMRS	<ul style="list-style-type: none"> <li>• <b>Provide input to the Board of Trustees on various matters relating to TMRS</b></li> <li>• <b>Provide an additional conduit for communication between TMRS and its members, member cities and retirees</b></li> <li>• <b>Intended to allow stakeholders (members and retirees), city officials and policy makers (elected officials) to share their input and perspective on issues being reviewed by the Board of Trustees.</b></li> </ul>
Delaware PERS	Advise the Board on the administration of pension plans (i.e., establishment of rules, administrative procedures and hearing procedures, develop laws, and make recommendations). Also responsible for providing communications between the board, the state pension office and the state employees represented.
Missouri Local Government Retirement System	Provide the board guidance in benefits related matters pertaining to the system. Board and its Legislative Committee (of the Board) address pending legislation; not the Advisory Committee.

# Membership of Peer Advisory Committees

System Name	Cmte Size	Composition	Appointing / Selection Authority	Reports to
Nevada PERS	5	The Advisory Committee consists of two firefighters, two police officers, and one management position which rotates between firefighters and police officers on a two-term basis.	Board of Trustees	Full Board
Utah Retirement Systems	13	3 school employees, 1 classified school employee, 2 state public employees, 1 municipal officer or employee, 1 county officer or employee, 1 judicial member, 1 public safety member, 1 firefighter member. 1 retiree from public education and 1 retiree not from public education	All selected by the governing body of the respective association who represents the majority of covered system members, except the judicial representative, who is selected by the judicial council.	Full Board
<b>TMRS</b>	<b>1 Board member + 19 other individuals</b>	<b>19 other individuals across two classes: group class representing certain statewide and local associations (see Charter) and individual class (9 individuals) reflecting the diversity of the TMRS membership</b>	<b>Board of Trustees</b>	<b>Full Board</b>
Delaware PERS	13	13 per statute, Up to 2 at-large, ad hoc members may be added to the Advisory Council in order to provide expertise needed for Council members to understand matters before the board.	Each member is selected by one of 13 organizations, including various state associations.	Full Board
Missouri Local Government Retirement System	4 Board members, 21 – 30 other individuals	21-30 other persons must reflect the diversity of the LAGERS membership	Board of Trustees	Legislative Committee of the Board

## Terms and Term Limits of Peer Advisory Committees

System Name	Term Length	Term Limits?
Nevada PERS	4 years	Only for the management position that rotates between police and fire on a two-term basis
Utah Retirement Systems	4 years	Not specified in statute or in charter
<b>TMRS</b>	<b>3 years</b>	<b>Member can serve no more than 6 years (two full terms)</b>
Delaware PERS	Not specifically stated in statute	Not specifically stated in statute
Missouri Local Government Retirement System	3 years	No specific term limits; however, when an “active” member retires, generally speaking that person ends his or her term

### III. Key Themes from Current/Former Advisory Committee Member Survey

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- Experience on the Committee

The majority of members agreed that:

- TMRS provided appropriate education and background information on study items
- Sufficient direction was provided to the Committee and the Committee was a valuable use of their time
- They had adequate opportunity to express their views

Only 9 of the members strongly agreed that the input provided by the Committee was useful to the Board

- Length of the Meetings:

- Most members thought that the meetings held were appropriate in length.

- Communication to Constituencies:

A majority of the members:

- communicated the results to their constituents
- always or sometimes used the TMRS meeting summary to communicate information to their constituents

Predominant method of communication was email; majority communicated after the meetings

The majority of members responded that they did not need TMRS to assist with communication to their constituents

# Key Themes from Current/Former Advisory Committee Member Survey

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- Strengths of the Committee:
  - Diversity of viewpoints
  - Networking; vetting opportunities and information-sharing
  - Opportunity to provide input to the Board
  
- Weaknesses of the Committee:
  - Committee is too large
  - Diversity can make consensus difficult
  - Term limits
  - Insufficient direction, gridlock and concerns about specific group classes
  
- Suggestions for Improvement:
  - Committee is too large
  - Remove term limits
  - Subcommittees or ad hoc committees would be helpful
  - Orientation Session and “TMRS tour”
  
- Other Comments:
  - Expressed appreciation for and approval of the Committee and/or the Board
  - Reduce Committee size, redefining its purpose, creating “conference committees” to resolve issues and support for term limits

## IV. Key Themes from Individual Trustee Phone Interviews

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- The majority of Trustees agree with the concept of having the Committee
- Most Trustees believe that the purpose of the Committee has drifted over time and needs revision and refinement by the Board
- All Trustees believe that it is the Board's responsibility, as fiduciaries to the System, to guide and inform TMRS legislative efforts based upon input from several sources: the Advisory Committee, the TMRS legislative relations consultant, other Board advisors including its actuary, and the TMRS membership
- Some Trustees strongly correlate Committee size with the overall purpose of the Committee itself
- The majority of Trustees believe that the Committee composition needs to be reevaluated
- Trustee sentiment was unanimous on term length, but mixed on the issue of term limits

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## Key Questions for Consideration

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1. What actions could the Board take to provide stronger direction to the Committee?
2. Is the purpose of the Advisory Committee still relevant and appropriate given the current needs of the Board?
3. Is the Advisory Committee's size appropriate given the desired Board purpose?
4. Does the Committee's composition serve to further the Board's desired purpose? If adjustments are warranted, what are they?
5. Are the term lengths and limits appropriate given the Advisory Committee's purpose?

## Possible Options for Consideration

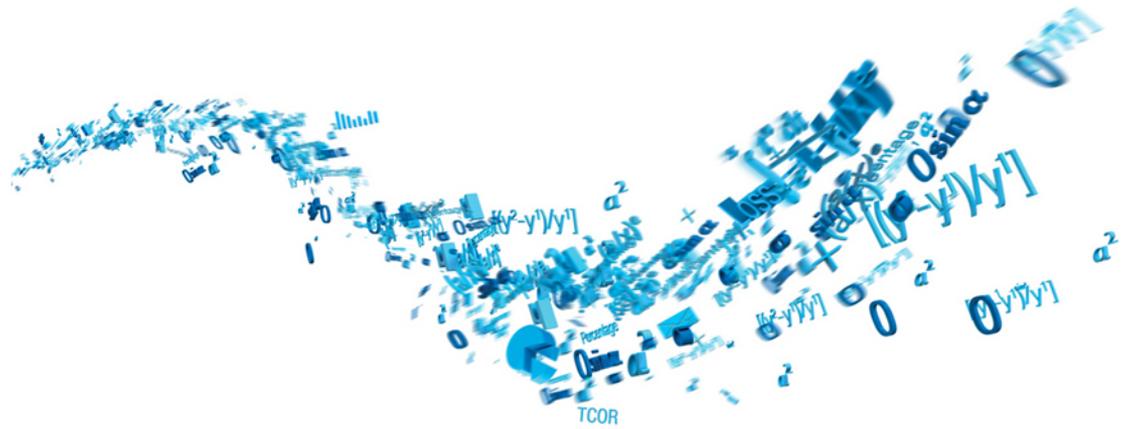
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- A. Make no change; keep the current structure of the Advisory Committee
- B. Provide more Board direction to the Advisory Committee either through the full Board, or by establishing a Legislative Committee of the Board
- C. Reconstitute the Advisory Committee to some degree to make it more reflective of the range of diversity within the TMRS membership
- D. Encourage, through even more general member outreach, engagement / input to the Board on the issues that the Advisory Committee also addresses
- E. Some combination of the above
- F. Others?

## Next Steps

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- AHIC will document the outcomes of today's discussion
- AHIC and Staff will conduct any additional research requested by the Board
- The item will be brought back to the Board for further discussion and possible action in March



# Thank You for Your Time!