Continuation of TMRS Governance Discussion – Board Officer Positions

TMRS Board of Trustees Meeting

*Presented in Connection with TMRS Strategic Plan Goal 3*

August 22-23, 2019
Recap of Governance Workshop Discussion

- Historical context – prior boards to today
- Discussion of expectations for Board Chair and Vice-Chair positions
- Time commitment and requirements
- Possible models – expressed interest in exploring those with 2-year terms
- Request for additional discussion
Common Peer Practices*


Board Officer Processes and Procedures of Responding Public Retirement Systems

- 61%: Board elects officers annually
- 17%: Statutory Term, Board Elects Officers, Sets Election Schedule
- 9%: Statute or Regulation determines Chair or Officers
- 13%: Board Elects Officers to 2-year Term

- One-year term, no term limit (86%)
- One-year term, with term limit (14%)
Difference Drivers

• Statutorily provided board structures and responsibilities
• Board size, board member terms
• Board composition – elected, appointed, ex-officio, plan members
• Statutorily designed or agreed upon balance of power between the Executive Director and the Board
• Governing styles
• Difference in board involvement and leadership expectations
• Frequency of legislative sessions, vacancies, and board turnover
• Informal practices and preferences
The Evolving Role of the Board

• Evolution of boards extends beyond corporate boardrooms
• Public retirement system boards have taken an increased interest in:
  - Strategy
  - Compliance
  - Succession planning / leadership development
  - Oversight of technology, including cybersecurity and systems modernization projects
  - Enterprise risk management
  - Organizational culture
  - Stakeholder relations and branding
• Common Challenges:
  - Finding time on the board agenda
  - Drawing clear boundaries between the board’s role and that of management
  - Striking a balance in board service - evolution in board responsibilities often translates to evolution in board chair and/or other board leadership positions

Discussion of Possible Board Chair Responsibilities

- Picture again where TMRS is in its organizational lifecycle, and the accompanying needs of the organization, both current and future.
  - What set of Board Chair responsibilities best support that picture?
  - Which responsibilities, if any, do not?
  - What responsibilities require further clarity or adjustment?
  - Are there responsibilities that are missing from this list? If so, please describe.

Notes:
The position of board chairmanship varies among public pension funds. Some boards are able to
determine their own style of board leadership through policy, whereas others have to comply
with structure established in applicable law. Responsibility for some board chairs is centered
primarily around board meetings, while other board chairs are assigned more significant
responsibilities beyond the board room and sometimes even delegated authority for specific
functions.

Please reflect on the following set of responsibilities and come to the August 2019 Board
Meeting prepared to discuss. The duties have been numbered for purposes of discussion only –
they do not appear in any particular order of importance.

1. Presides over meetings – directs the order of the meeting, recognizes persons to be heard,
   brief time, and takes action to clarify issues, and proceed.
2. Work with the board to guide management on the issues and their, strategic, issues,
   and long-term planning.
3. Serves as an accountability partner to the Executive Director, as well as a principal
   source of advice and counsel.
4. Serves as a liaison among the Board, Executive Director, and management, facilitates
   effective communications between the Board and Executive Director.
5. Provides leadership and executive board sessions without executive present.
6. Presides at open board meeting agendas.
7. Coordinates board meeting, schedules, presentations and materials in consultation with
   the with Executive Director.
8. Coordinates in partnership with the Executive Director, resources needed to
   attend/participate board meetings, including members of management and outside
   advisors.
9. Partners with the Executive Director and Government Relations staff in maintaining
   productive Legislative and Congressional relations.
10. Leads the Executive Director performance evaluation process, including mid-year
    performance alignment discussion with the Executive Director.
11. Presides over the annual self-evaluation of the Board and its committees.
Board Chair - Current Model and Alternatives for Consideration*

### Current Model
- 1-year term (Informal Practice)
- No term limit per ByLaws
- Preference for Rotation of Board Chair (Informal Practice)
- Presumption that Vice-Chair becomes Chair (Informal Practice)

### Option A
- 2-year term
  - Must sit out for one term before running for position again
  - No presumption of automatic Vice-Chair to Chair position

### Option B
- 2-year term
  - Ability to be re-elected for one additional 2-year term
  - Preference for rotation, if possible
  - No presumption of automatic Vice-Chair to Chair position

### Option C
- 2-year term
  - Vice-Chair becomes Chair after 2-year period (Chair Elect concept)
Questions | Open Discussion
Appendix: Common Organizational Lifecycle Stages

1. Formation/Development
2. Expansion
3. Maturity
4. Crisis, Redirection, or Restructuring
5. Decline

Where in the organizational lifecycle is TMRS today?