Governance Workshop
TMRS Board of Trustees

Presented in Connection with TMRS Strategic Plan Goal 3

July 18, 2019
Agenda

Governance Structure and Responsibilities

Break (10:45 a.m.)

Governance Structure and Responsibilities (cont’d)

Lunch (11:45 a.m.)

Governance Structure and Responsibilities/Investment Beliefs

Break (2:45 p.m.)

Governance Policy Manual
Readying the Discussion

March 2019 Board Meeting
Present overall approach, invite Board feedback
Present Investment Beliefs education primer (Step 1)

April 2019 Board Meeting
Board Culture and Dynamics
Refinement of Areas of Focus for Governance Workshop

May 2019 Board Meeting
Presentation from External Speakers – Colorado PERA
Initial Results of Beliefs Survey (Step 2)

June 2019 Board Meeting
Presentation: TMRS Governance Structure and Board Responsibilities
Investment Beliefs (Step 3)

Governance Workshop: July 2019
Governance Structure, and Responsibilities Review
Investment Beliefs (Step 4)
Governance Policy Manual

August 2019 Board Meeting
Summarize Board direction
Investment Beliefs (Step 5)
Desired Outcomes for Today

Governance Structure and Responsibilities
- Refresh awareness of significant Board required responsibilities and preferences
- Discuss the role of committees and reach consensus on their strategic value
- Discuss the role of experts to assist in carrying out responsibilities and refresh their purpose

Investment Beliefs
- Discuss governance-related results of investment beliefs survey
- Clarify investment responsibilities and how they are executed
- Provide additional high-level direction as to what topics to subsequently explore

Governance Policy Manual
- Understand the key governance documents that reflect the Board’s operations, principles, and policy direction
- Receive a briefing of the current status of TMRS governance policy documents
- Provide high-level consensus direction as to how to move forward
Translating Outcomes After the Workshop

• Review and suggest changes where needed to:
  – Number of meetings
  – Structure of the agendas
  – Scope and role of Committees
  – Scope and role of consultants
• Update Bylaws if needed
• Update charters and policies or develop policies where needed
• Develop consultant evaluation framework
• Comments? Questions?

The Governance Workshop is part of a broader picture (Strategic Plan Goal 3). It provides the time needed to focus, share perspectives, and gain consensus on how to move forward.
• Be expansive in your thinking – ask questions and invite responses
• Keep in mind that time is limited so be concise to the degree possible
• Try not to “pile on” if an issue has already been identified and recorded
• Stay engaged and, if possible, wait until breaks to use electronics
• Expect the facilitator(s) to interrupt, focus, guide, and give input
• Others?
Governance Structure and Responsibilities Discussion
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?
What is TMRS’ Reflection?

For example:
• Quasi Governmental Agency
• Asset Manager/Institutional Investor
• Annuity Provider
• Retirement Services Organization
• Others?
Which Ideas Could Have the Biggest Impact on TMRS’ Ability to Achieve Its Vision?

1. Clarifying vision, values and mission
2. Streamlining work processes
3. Changing organization structure
4. Insourcing activities currently performed externally
5. Outsourcing activities currently performed internally
6. Sponsoring organizational culture change
7. Encouraging employee development
8. Instituting performance management
9. Improving measurement systems

Others?

Break
Lunch
Governance Structure and Responsibilities Discussion/Investment Beliefs
Strategic Asset Allocation Drives Performance

*Strategic asset allocation is the most powerful determinant of long-run total fund performance*

- **100% of Return Over Time**
  - Multiple studies have found that investors making timing and selection bets against their long-term asset allocation targets were unsuccessful in adding significant value by engaging in timing and/or manager selection.

- **90% of Return Variability Over Time**
  - Multiple studies have found that roughly 90% of the movement of a fund’s total return was explained by asset allocation.

- **Manager Evaluation Matters, just not as much**
  - While good manager evaluation decisions can be accretive to portfolio return and risk, they cannot make up for a poorly diversified and/or inefficient asset allocation.

Break
Governance Policy Manual
Questions | Open Discussion