



Continuation of TMRS Governance Discussion

TMRS Board of Trustees Education Session

Presented in Connection with TMRS Strategic Plan Goal 3

June 21, 2019



Governance Workshop – Anticipated Agenda (July 2019)



Governance Structure and
Responsibilities Review (*4
hours*)

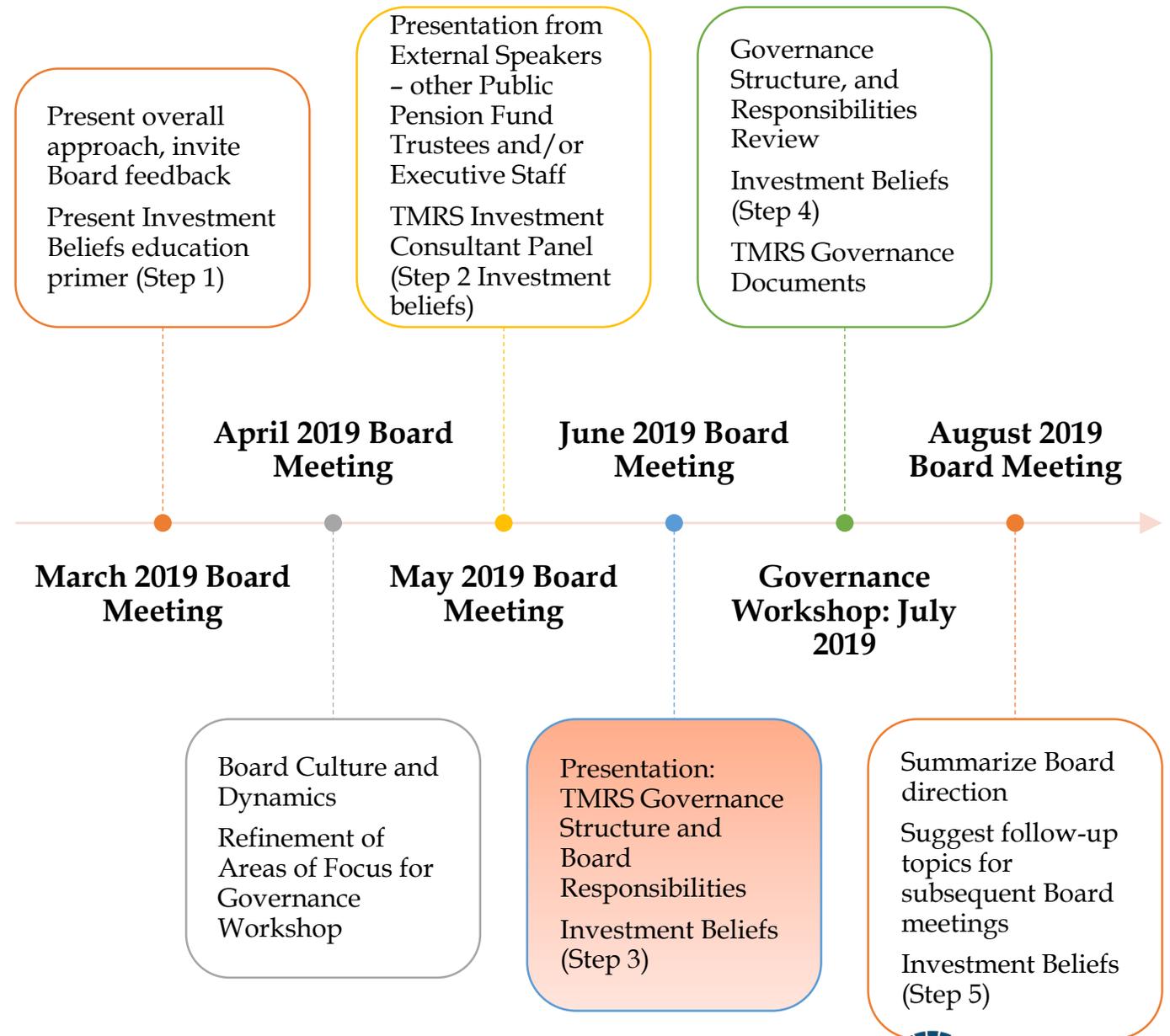


Investment Beliefs (*2 hours*)



TMRS Governance Documents:
High-Level Review (*1 hour*)

Current Status



Desired Outcomes for July 2019 Governance Workshop

Governance Structure and Responsibilities Review

- 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 results of investment beliefs survey and initial belief statements
- Receive education
- Provide additional high-level direction as to what topics to subsequently explore

Governance Documents Review

- 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 documents
- Provide high-level consensus direction as to how to move forward

Translating Outcomes After the Workshop

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



The July 2019 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.

Today's Objectives

- Identify significant Board responsibilities across all areas of the System
- Introduce framework for revisiting Board responsibilities in light of Executive Director responsibilities
- Set stage for thinking to be done between now and July meeting
- Questions? Comments?

The Roots of Governance: Public Retirement Systems

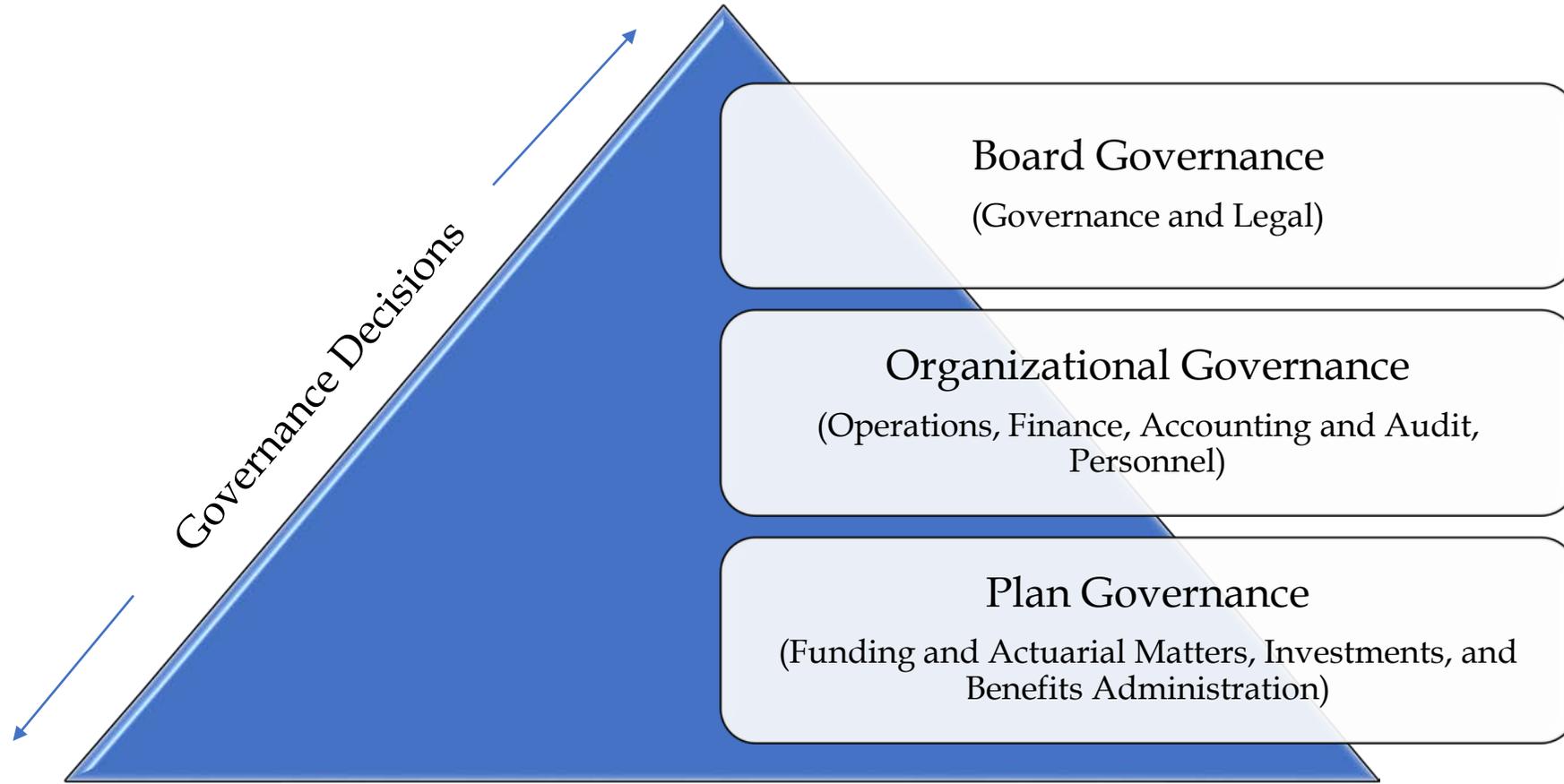
TMRS governance involves multiple parties including:

- The Governor
- The Legislature
- The Board
- The Executive Director and Staff

Governance structure is found in two critical areas of documentation:

- Applicable laws and rules
- Bylaws, Charters, policies, records of Board Actions

The Board's Scope of Governance *(See Appendix for Supplemental Information)*



Board Responsibilities

- Some responsibilities are required.
- Others have been undertaken by choice, preference, or practice throughout the years.
- Patterns of work have been established and evolved to support these responsibilities (agendas, committees, consultants, board information and reporting).
- How well do the responsibilities align with today's environment and the organization's needs?
- What adjustment, where possible, is needed to enhance the Board's and organization's effectiveness and efficiency?

Setting the Stage for the July Workshop

- Both the Board and Executive Director are responsible for administration of the System and investment of the assets.
- Differentiating between significant responsibilities of the Board and Executive Director is important.
 - What is the Board required to do? The Executive Director?
 - Where has the Board delegated its duties to the Executive Director?
 - Where should the Board lead, where should it partner, where should responsibilities be handled by the Executive Director and staff?
- Where the Board chooses to retain responsibility, how does it want to go about accomplishing its work? What committees and support are needed?
- What does the Board value and how does it want to govern?

Next Steps

- Mosaic and TMRS staff to continue analysis of Board responsibilities.
- Materials will be provided to the Board in advance of the July Governance Workshop for your review and private reflection.
- Questions? Comments?

Appendix

Significant Board Responsibilities*

*Not intended to be an exhaustive list of all the Board's responsibilities and authority, nor is it intended to serve as a replacement for the language found in the provisions of applicable laws, bylaws, charters or policies.

Governance

Responsibility

1. Elect Board officers to preside over meetings and perform other duties assigned by statute, bylaws, or other Board action
2. Establish and periodically review the mission of the system through a Strategic Plan, set a vision and clear goals for system
3. Adopt rules, regulations, and bylaws as deemed appropriate
4. Adopt and periodically review policies for operation of system
5. Appoint system's Executive Director (ED), Legal Counsel, Internal Auditor, Actuary, and Medical Board
6. Establish committees to make recommendations to the Board and help carry out responsibilities, including the appointment of members to the Advisory Committee on Benefits Design
7. Delegate authority to staff through the ED
8. Attend trustee orientation and satisfy minimum educational training and development requirements
9. Adopt an annual calendar of Board meetings
10. Adopt an annual Board and Committee workplan of required and focus topics to shape agenda development
11. Engage in annual Board self-evaluation
12. Hire and terminate (if necessary) the investment consultant(s), actuaries, and other Board-level service providers, as necessary
14. Monitor the effectiveness of the System
15. Monitor external factors that impact the System and take action on legislation, as deemed appropriate
16. Protect the System's reputation with the membership and general public
17. Build industry and community partnerships and raise organizational visibility

Legal

Responsibility

1. Ensure System compliance with applicable laws and regulations, and maintain Plan's tax-qualified status
2. Approve the commencement, settlement, and termination of litigation involving the System
3. Approve certain contracts to purchase goods and services
4. Ensure appropriate records and documents are prepared and preserved that demonstrate the System's methods of fulfilling its responsibilities through decision-making and oversight
5. Ensure that legal and ethical standards are adhered to

Operations

Responsibility

1. Establish an office for conducting operations and retaining System records
2. Adopt an annual operating budget, including provisions for reasonable Board meeting expenses, Board professional development expenses, related travel expenses and other expenses directly related to Board duties
3. Monitor actual expenses against operating budget
4. Ensure that all appropriate insurance coverages are in place to protect the System
5. Ensure that a disaster recovery/business continuity plan is in place, and that the plan is periodically reviewed and updated
6. Verify that procedures are in place to ensure the security of member- and retiree- specific information and other confidential information
7. Oversee significant capital improvement projects, such as the implementation of technology systems modernization projects
8. Develop and manage organizational change processes
9. Develop and assess operational programs

Finance, Accounting, and Audit

Responsibility

1. Ensure that proper internal controls are in place
1. Compel an annual audit of the Plan's financial statements
2. Compel an audit of the System's internal control framework (SOC-1)
3. Accept the audited financial statements of the Plan
4. Receive a presentation on, and authorize the distribution of, the Comprehensive Annual Financial Report
5. Approve the Risk Assessment and Audit Plan, based on recommendations by the Director of Internal Audit
6. Accept internal audit reports

Personnel

Responsibility

1. Ensure establishment of program for equitable and effective hiring, evaluation, compensation, and termination of System employees
2. Ensure adequate working environment for staff
3. Verify that good personnel practices are in place for the System's staff
4. Approve the Employee Policies and Benefits Manual
5. Conduct annual performance and compensation reviews of ED, General Counsel, and Director of Internal Audit in accordance with an established performance evaluation process
6. Evaluate Board consultants, including investment and non-investment consultants such as the Actuary, Medical Board, and independent financial auditor
7. Ensure that an appropriate succession plan is in place to provide continuity for the Executive Director position
8. Ensure that the Executive Director has an appropriate succession plan in place to provide continuity among senior staff and other critical positions
9. Ensure that the Executive Director is appropriately managing the performance and development of staff
10. Approve certain matters relating to the TMRS 457 Plan and Trust
11. Approve matters relating to TMRS Plan benefit design choices for the employees of TMRS

Funding and Actuarial Matters

Responsibility

1. Ensure an annual actuarial valuation of the Plan is conducted
2. Receive a presentation from the actuary on the valuation and any other funding guidelines or issues
3. Accept the annual actuarial valuation
4. Adopt and certify contribution rates and any allowable phase in methods
5. Ensure that an actuarial experience study is periodically conducted
6. Adopt actuarial methods, policies, assumptions, tables, and factors based upon advice from the Board's actuary
7. Inform participating cities of rates and other funding related matters
8. Ensure an actuarial audit or equivalent is periodically conducted
9. Adopt interest credit allocations
10. Approve the transfer of funds related to the interest reserve account

Investments

Responsibility

1. invest and reinvest system assets
2. Adopt and annually review an investment policy statement, including investment beliefs/philosophy, risk tolerance, and performance benchmarks
3. Adopt an asset allocation and periodically review it for continued appropriateness
4. Periodically conduct an asset/liability study
5. Adopt strategies to achieve investment goals and objectives in light of the Board's accepted risk tolerance, including the use of active or passive management, and internal or external investment management
6. Adopt a system-wide investment pacing plan
7. Monitor the performance of the investment program relative to policy benchmarks, peers, and fees
8. Select the investment custodian
9. Select, evaluate, and terminate, if necessary, investment managers, including transition managers
10. Ensure compliance with investment policy statement and contract terms

Benefits Administration

Responsibility

1. Consider appeals as provided in Board rules
2. Set various rates associated with the administration of the plan
3. Determine distributive benefits and supplemental interest, if any
4. Determine, monitor, evaluate, and strengthen the System's services to members and employers
5. Develop and approve certain forms for use in administering benefits, including the type of information required by the members, retirees and beneficiaries
6. Initiate, if needed, an action against a participating municipality to compel an accounting of sums due to the retirement system or to require withholding and accounting of sums due from members
7. Receive various notices from cities, including the election to participate
8. Receive various notices from members, retirees, and beneficiaries in connection with processing applications for benefits
9. Grant or suspend, when appropriate, annuities and benefits



Questions | Open Discussion