Board Education Session
Peer Practices and Insights

TMRS Board of Trustees Meeting | May 31, 2019

Featured Guest Speaker:

Ron Baker, Executive Director | Colorado PERA
Agenda

- Education Session Objectives
- Colorado PERA Overview
- Questions | Open Discussion
Vision
To be the model for empowering retirement

Mission
Providing secure, reliable retirement benefits
Well-Run Retirement Plans: Essential to the Public Sector Workforce*

- 78% of employees believe pension benefits are critical to accepting employment.
- 73% of employees stay with an employer because of the retirement benefits.

*2018 Accenture survey of 2,800 employees
TMRS: Strong Foundation, Bright Future

- Asset Size and Allocation
- Benefit Payments
- Staff Size
- What could the future of TMRS hold?
Colorado PERA Overview

• Created in 1931, pre-Social Security
• 600,000+ members and beneficiaries across 5 distinct divisions
• 500+ employers
• Approximately $50B in assets under management
• Largest public plan in Colorado
• 24th largest U.S. public plan
Benefit Programs

Retirement
- Defined Benefit
- Defined Contribution

Survivor

Disability

Voluntary
- 401(k) Plan
- 457 Plan
- Life Insurance
- Health Benefits Program
- Long-Term Care Insurance (closed to new applicants)
• Instrumentality of the State of Colorado
• Board Authority:
  – Approve operating budget, personnel, compensation, and contracts.
  – Adopt and revise rules in accordance with State statutes.
  – Responsible for administering the benefits and investing the assets.
• The Board does not have authority to set employee or employer contribution rates.
• The Board does not have authority to establish benefits.
Board Composition

16 Board Seats are Provided by Law (1 non-voting)

3 are Appointed by the Governor, Subject to Senate Confirmation

12 Elected (1 Non-Voting)

1 Ex Officio (State Treasurer)

12 Trustees Elected by PERA Membership

3 State Division Members

4 School Division Members

1 Judicial Division Member

1 Local Gov’t Division Member

2 Retired Members

1 Denver Public Schools Member (non-voting)
Board Governance

**Board Meetings**
- 5 Regular Meetings per year
- One Annual Planning Meeting
- Meetings are open to the public and subject to open meetings laws

**Standing Committees**
- Audit
- Benefits
- Compensation and Budget
- Evaluation Committee
- Executive
- Investment
- Shareholder Responsibility
- Stakeholder Relations

**Leadership**
- Strategic Plan
- Governance Manual
- Strategic Communications Plan
- Executive Director and Consultant Evaluations
Budget, Staffing, and Compensation

- **Operating Budget**
  - $79.6 million (2018) = 0.16% of assets (12/31/17)

- **Total investment management expense**
  - $172.8 million (2017) or 0.35% of assets

- **Staffing**
  - All staff are “at will”
  - Total Compensation Philosophy adopted by the Board in 2003; routinely refreshed
  - Annual compensation and benefits studies
  - Investment staff are eligible for incentive compensation
Board’s Investment Duties

- Set and monitor asset allocation
- Approve investment policy statement, including benchmarks
- Select and monitor consultants
- Oversee investment management structure
- Oversee delegations to staff
Active vs. Passive Investments

As of September 2018

Active 66.3%
Passive 33.7%

As of September 2018

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Internal vs. External Investments

As of September 2018

Approximated annual savings from internal management = $45+ million
Internal Investment Management Framework

Similar to that of an external investment management firm

54 total staff | 50 investment professionals

Credentialed Professional Staff
Internal Technology Framework

INTERNALLY DEVELOPED, SUPPORTED, AND PROTECTED PENSION ADMINISTRATION TECHNOLOGY

39 TOTAL STAFF | 34 TECHNOLOGY PROFESSIONALS

CREDENTIALED PROFESSIONAL STAFF
PERA Recognition and Thought-Leadership

• Long-standing recipient of GFOA Certificate of Excellence in Financial Reporting

• 2012 GFOA Award of Excellence in Government Finance for Defined Contribution Program

• Consistent outperformance versus CEM peers for service and cost containment

• Executive Team participates in a variety of industry leadership roles (CII, NAPPA, GFOA, etc.)
The Road Ahead
Questions | Open Discussion