Investment Beliefs Statements
Governance and Investment Policy

Texas Municipal Retirement System
August 20 & 21, 2020

Presented in Connection with TMRS Strategic Plan
Goal 1 Objective B and Goal 3
During the June 2020 meeting, the Board came to consensus on investment belief statements for four of the six sub-categories under the Investment Policy and Governance category (in Appendix).

- Mission, Vision, and Strategic Objective
- Most Effective Use of Board Time
- Governance
- Roles and Responsibilities

The fifth sub-category is Investment Authority. The Board asked RVK and Mosaic to rework the investment belief statement presented by incorporating the following concepts:

- People
- Prudent processes
- Accountability
- Partnering

Based on the Board’s input, an additional option has been provided for the Board’s consideration.
Investment Policy and Governance Investment Belief

Investment Authority

Recommended Investment Belief Statements

Prior Suggestion (June 2020): The best investment results come from the right people making the right decisions and being held accountable for their performance.

Updated Suggestion: The best investment results come from the right people following prudent processes to make the right decisions and taking ownership of long-term performance outcomes.

Requested Board Discussion for Today:

- What is the Board’s reaction to these statements?
- What elements of the statements does the Board like?
- What concepts does the Board believe are missing?
- Are we at a point where we can proceed? If not, what are preferred next steps?
Next Step
Final Sub-category under Governance and Investment Policy
Sustainability - Environmental, Social, and Governance (ESG) Factors
Investment Beliefs Project – Status

Investment Beliefs Project fosters discussion and articulation of shared beliefs across 4 key categories:

1. **Investment Policy and Governance**
   - Mission, Vision, and Strategic Objective
   - Most Effective Use of Board Time
   - Governance
   - Roles and Responsibilities
   - Investment Authority
   - ESG – Next Step

2. **Risk**

3. **Portfolio Construction**

4. **Implementation**
Investment Policy and Governance Survey Questions

Sustainability - Environmental, Social and Governance (ESG) Factors

Survey Question 12: Environmental, social and governance factors can impact investment performance and should be considered as important in TMRS’ investment strategy.

Board Response: 17% strongly agree, 50% agree, 33% disagree

*Limited Similarity of Views*

Staff Response: 50% agree, 25% unsure, 12.5% disagree, 12.5% strongly disagree

Survey Question 13: Integrating corporate governance and corporate responsibility in TMRS’ core investment process is important and adds value.

Board Response: 33% strongly agree, 33% agree, 34% unsure

*Some Similar Views*

Staff Response: 25% strongly agree, 25% agree, 25% unsure, 25% disagree
Appendix
Investment Policy and Governance Survey Questions

Pertaining to Investment Authority

Survey Question 7: The Board has a clear understanding of the investment authority it has delegated to TMRS Executive staff.

- **Board Response:** 67% agree, 33% unsure
- **Some Similar Views**
- **Staff Response:** 25% agree, 12.5% unsure, 37.5% disagree, 25% strongly disagree

Survey Question 8: The Board has a clear understanding of the investment authority it has delegated to TMRS investment staff.

- **Board Response:** 50% agree, 50% unsure
- **Limited Similarity of Views**
- **Staff Response:** 25% agree, 25% unsure, 37.5% disagree, 12.5% strongly disagree

Survey Question 10: The span of control in place is appropriate for the Board, internal investment committee, staff & consultants.

- **Board Response:** 67% agree, 33% disagree
- **Some Similar Views**
- **Staff Response:** 12.5% agree, 12.5% unsure, 75% strongly disagree
Mission, Vision and Strategic Objective

**Mission:** Providing secure, reliable retirement benefits  
**Vision:** To be the model for empowering retirement  
**Core Values:** Accountability, Excellence, Integrity, Respect and Teamwork

**Most Effective Use of Board Time**

*The most effective use of the Board’s expertise and time is to set overall investment objectives and clearly articulate investment direction through the System’s Investment Policy Statement while continually monitoring its compliance.*

**Governance**

*Good governance drives long-term value for the System and its membership.*

**Roles and Responsibilities**

*Clearly defined roles and responsibilities are essential to good governance.*

**All Investment Belief Statements will be reviewed, updated if necessary, and formally approved by the Board before addition to the Investment Policy Statement.**