

## Position Specification

### Texas Municipal Retirement System Executive Director



TMRS, located in vibrant downtown Austin, with \$30 billion in assets, is searching for an experienced and accomplished executive to lead this highly regarded and respected public retirement system.

The position is open as a result of David Gavia, Executive Director since 2010, announcing his retirement effective May 31, 2020. The System has a long history of tenure in the Executive Director position; only five directors have served TMRS since being created in 1947.

#### System Overview

TMRS, a statewide multiple-employer public employee retirement system, provides retirement, disability, and death benefits to employees of participating Texas cities. TMRS does not receive any state funds and does not administer a health care plan.

Cities may elect to join TMRS. At year-end 2018, TMRS had 887 participating cities and a membership of over 177,000 (111,851 active and 66,051 retiree members). A strong demand for member and retirement services continues as five new cities joined the System in 2018.

Each city has its own retirement program within the options offered by TMRS. Each city's plan objective is to accumulate sufficient assets to pay benefits when they become due and to finance its long-term benefits through a contribution rate that is annually determined by the consulting actuary. Each city has its own actuarial assets, liabilities, and funded ratio.

As a hybrid cash-balance defined benefit plan, TMRS members are required to contribute at a designated rate, selected by their employing city, toward their retirement benefit. Contributions are made monthly by both employees and member cities. At retirement, the member's account balance plus employer matching contributions is used to calculate the member's retirement benefit.

Conservative features of the TMRS plan include the 6.75% investment return assumption and the amortization of the unfunded liability over a closed period of no more than 30 years. As of December 31, 2018, TMRS was 87.1% funded. Noteworthy, is that the funded ratio has steadily improved over the last 10 years, increasing from 75.8% in 2009 to 87.1% in 2018.

Governance of the System is under the direction of a six-member Board of Trustees, serving six-year staggered terms, appointed by the Governor with advice and consent of the Senate. Three trustees are Executive Trustees who are executives of participating municipalities and three others are Employee Trustees who are employees of a participating municipality. Currently the Board has five Committees – Budget, Compensation, Audit, Legislative, and Technology. Additionally, an Advisory Committee on Benefit Design, comprising active and retiree members along with two non-voting Board members, provides input to the Board on benefit design issues and other matters.

During David Gavia’s tenure, TMRS undertook some of the most significant changes the System has seen and has been recognized nationally for several major accomplishments.

- Attained a funded ratio in excess of 80% nine of the last ten years, the highest being 87.4% in 2017.
- Transitioned the investment portfolio from predominately fixed income to a fully diversified asset allocation that is more in line with modern institutional investing best practices.

Additionally, in May of 2019, legislative amendments to the TMRS Act were passed, effective January 1, 2020. These changes did not significantly affect benefits but will improve TMRS’ administration and operations. The System is also evaluating an upgrade or replacement of the legacy pension administration system; the Pension Administration Modernization Program is budgeted at \$10 million over the next four years. For additional System information, visit [www.tMrs.com](http://www.tMrs.com).

**Financial and Investment Highlights**

The Fund ended the fiscal year 2018 with a net position of \$27.7 billion compared to \$28.7 billion in fiscal year 2017. As of December 31, 2018, the System reported a funded ratio of 87.1% with an Unfunded Actuarial Accrued Liability of \$4.3 billion.

The Operating/Capital Expenditures fiscal 2020 draft budget (not yet approved by the Board) is \$37.6 million compared to the fiscal 2019 budget of \$32.6 million and 2018 actual of \$27.7 million. In addition to these operating expenses, Total Expenditures include investment manager fees (which are unbudgeted) and totaled \$38.2 million in 2018. Budgeted full-time equivalent headcount for 2019 is 122 compared to 128 for 2020, if approved.

Plan assets are managed on a total return basis with an emphasis on capital appreciation as well as production of income. The Total Portfolio Performance Objectives are:

- Achieve a Total Rate of Return, over rolling five-year periods, consistent with the assumed long-term rate of return adopted by the Board (6.75%).
- Exceed an appropriate benchmark reflective of asset class participation over rolling five-year periods (i.e., Policy Index).

In 2018, the investment staff completed a multi-year transition from predominately fixed income to a fully diversified global investment portfolio. Assets are currently managed by external managers with approximately 150 mandates. The System’s Investment asset allocation as of 9/30/19 is:

Asset Class	Target %	Actual %
Total Equity	35.0	35.9
Core Fixed Income	10.0	13.0
Non-Core Fixed Income	20.0	19.1
Real Return	10.0	11.3
Real Estate	10.0	8.9
Absolute Return	10.0	7.7
Private Equity	5.0	2.7
Cash Equivalents	0.0	1.4
	100.0	100.0

As of 1/1/20, the target for Public Equity is 30% and Private Equity is 10%. Estimated year-to-date Total Fund performance, net of fees, at 9/30/19, was 10.57%. (One year 4.83%, five years 5.94%, ten years 6.58%, and since inception, 8.40%).

### **Executive Director Responsibilities**

The Executive Director, reporting to the Board and to the Board Chair, administratively, is the central point of responsibility and accountability for the System. Leading a team of 120+, the Executive Director has six direct reports – Deputy Director, Administrative Services (vacant); Deputy Director, Operations; Chief Investment Officer; and Directors of Human Resources, Government Relations, Communications – and administratively, the General Counsel and Director of Internal Audit. The Directors of Finance, Actuarial Services, Member Services, Information Services and the Senior Project Manager report to the Deputy Director, Operations.

The key responsibilities and duties include:

- Ensure the financial stability and long-term viability of the plan.
- Ensure operation of the System in accordance with its mission, vision and core values, and state and federal law.
- Oversee planning, organization, and administration of all program areas for which the System is statutorily responsible.
- Monitor the performance of the investment portfolio, ensure assets are invested in accordance with established policies, and that proper controls are in place to safeguard assets.
- Advise and confer with the Board on financial, economic and political trends and developments affecting the System.
- Ensure resources are sufficient and properly aligned to execute and accomplish the System's Strategic Plan and goals.
- Maintain effective relationships with plan sponsors, member groups, key political leaders, media and other stakeholders.
- Represent TMRS as a subject matter expert on retirement system programs and activities and, as necessary, interact with legislators and testify on proposed legislation affecting TMRS.

### **Key Objectives**

The Executive Director will be expected to build upon current initiatives to transform the culture, modernize the operational infrastructure, improve organizational effectiveness, and establish their relationship with stakeholders and constituents. The Board has identified the following Key Objectives to measure, in part, the Executive Director's performance.

- Evaluate, and if necessary, make changes in the management structure to ensure the efficient and cost-effective administration and management of the System.
- Review the budgeting process and, if necessary, make changes to ensure it aligns with asset growth and funding availability and that resources are allocated in alignment with the Strategic Plan.

- Build upon initiatives to transform the culture to one of innovation, collaboration, and open communication to drive greater employee engagement and teamwork, facilitate more efficient decision making, and improve the organization’s capabilities to be nimble and adapt to change.
- Direct a redesign of the performance evaluation system to ensure appropriate measurements and accountabilities are in place and employees are recognized and rewarded based on performance.
- Develop succession plans for key executive positions and implement programs to identify and develop future leaders.
- Evaluate processes and procedures in Operations and Administrative Services and, if necessary, make changes to incorporate best practices.
- Leverage technology to modernize the infrastructure to enhance decision support systems and achieve operational goals.
- Oversee the Pension Administration Modernization Program to ensure the project is properly resourced and implemented as planned.
- Work with the Board and Governance Consultant to update the governance policies to a best practices model to strengthen plan governance and administration.
- Lead efforts, working with the Board, the Advisory Committee on Benefits Design and the Legislative Consultant, to develop recommended changes, if needed, to the TMRS Act for the 2021 legislative session.

### **Qualifications and Experience**

The Board is seeking a strategic and forward-thinking leader who sets the tone at the top that aligns to TMRS’ Core Values – Accountability, Excellence, Integrity, Respect, Teamwork. An executive with strong operational and administrative experience, along with a general knowledge of investments, finance, and actuarial matters is desired. Other requirements and preferences include:

#### Requirements

- Bachelor’s degree in business, finance or public administration or a related field.
- Ten years of management experience, including six years as an executive.
- Supporter and advocate of defined benefit plans.
- Experience implementing continuous improvement processes or other efficiency strategies to improve operational performance.
- Experience leading a cultural transformation and/or major change management initiatives.

#### Preferences

- Public pension plan or public sector experience.
- Advanced degree (e.g., MBA, JD) and CPA.
- Working knowledge of federal and state pension laws.
- Executive experience interacting with public, corporate or private boards.

Applicants from public pension funds, as well as other sectors with relevant experience are encouraged to apply.

### **Leadership Competencies and Characteristics**

The Executive Director must be a dynamic, confident and inspiring leader who will lead with a participative and collaborative style while establishing clear goals supported by accountabilities. To achieve success, a leader must have the managerial courage to make tough decisions, have candid conversations, and the emotional intelligence to affect positive change.

As the System's chief executive, the Executive Director must be a leader who values strong governance and has the social and interpersonal skills to engage and build positive relationships with trustees and to effectively advise the Board. In addition to being visible, approachable and a good listener, other important skills and attributes include having the:

- Confidence to put forward ideas and recommendations while being open to adjusting them based on input from trustees and others.
- Interpersonal skills to build consensus and effectively negotiate compromise.
- Commitment to embrace innovation, best practices, and change.
- Poise and presence to expertly represent TMRS.
- Understand and appreciate generational differences and how they affect the functioning of organizations.

This is a highly visible position and the Executive Director must understand and respect the requirements of operating in a public environment.

### **Compensation**

The Executive Director is an exempt position and an "at will" employee. The compensation package is designed to attract the best-qualified executive and includes an attractive benefits package. Additionally, Texas residents do not pay state income tax. All TMRS employees are participants in the TMRS plan. The employee pension contribution rate is 7% and the employer, TMRS, matching percentage is 200%. TMRS employees also participate in Social Security and are eligible for benefits.

### **Quality of Life and Living in Austin**

Greater Austin, a metropolitan area of about 2 million people, is the 11<sup>th</sup> largest city in the U.S., and the state capital of Texas. The greater Austin area is recognized around the country as a premier location for corporate headquarters and is renowned for its quality of life and multi-tiered workforce. In addition, Austin is one of the safest major cities in the U.S. and one of the sunniest with an average of 300 clear days a year.

The Austin economy is rooted in the computer software, digital media, wireless technology, semiconductor and tourism industries. Dell Technologies is one of the area's largest employers. Hoover's, National Instruments, Samsung Austin Semiconductor and Whole Foods Market are all headquartered in the area. Central Texas has become known as a hub for technology and Austin is among the top areas for venture capital investment in the country. The unemployment rate is lower than the national average, and the average income is slightly above the national average.

The University of Texas Austin is ranked among the largest and best research universities in the country and is home to more than 51,000 students. The university was named a top 20 public university by *U.S. News & World Report*. A nationally recognized two-year public institution, Austin Community College District, serves nearly 60,000 students. Austin also boasts three private four-year

institutions. The largest, with a little more than 6,000 students, is St. Edwards University. The Austin Independent School District serves over 80,000 students across more than 100 schools. The district and many of its schools have been recognized as being “Exemplary” by the Texas Education Agency.

Austin is known as the Live Music Capital of the World. From intimate listening venues to packed dance floors and the bright lights of the big stage, Austin has a musical experience for every taste. The metro area is home to music festivals like Austin City Limits, a two-weekend-long fall event featuring major headliners, as well as South by Southwest, an annual set of film, interactive media and music festivals held in March. Austin's Fun Fun Fun Fest has become known as a pioneering festival of progressive music and comedy.

Austin is rich in natural beauty, historic buildings, art galleries, and vibrant night life. It is home to a wonderful ballet, world-class museums, one-of-a-kind shopping and beautiful outdoor spaces. Residents like to escape the urban bustle with a hike, bicycle ride, jog, kayak or canoe ride in one of more than 250 parks. South of the city, Formula One's Circuit of the Americas raceway has hosted the United States Grand Prix. The Austin–Bergstrom International Airport offers over 250 daily arrivals and departures to over 75 destinations in the U.S., Canada, Mexico, the Caribbean, and Europe.

In 2019, Austin was named the 10<sup>th</sup> best Foodie City in America. Along with dozens of fantastic restaurants serving everything from barbecue to sushi, the City is also home to farmer’s markets, bakeries, and cheese shops.

Visit <https://www.austintexas.org/> and <http://www.downtownaustin.com/live/facts-figures> for more information.

**For additional information or to apply, please contact Hudepohl & Associates, [info@hudepohl.com](mailto:info@hudepohl.com) or (614) 854-7300.**