



# 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

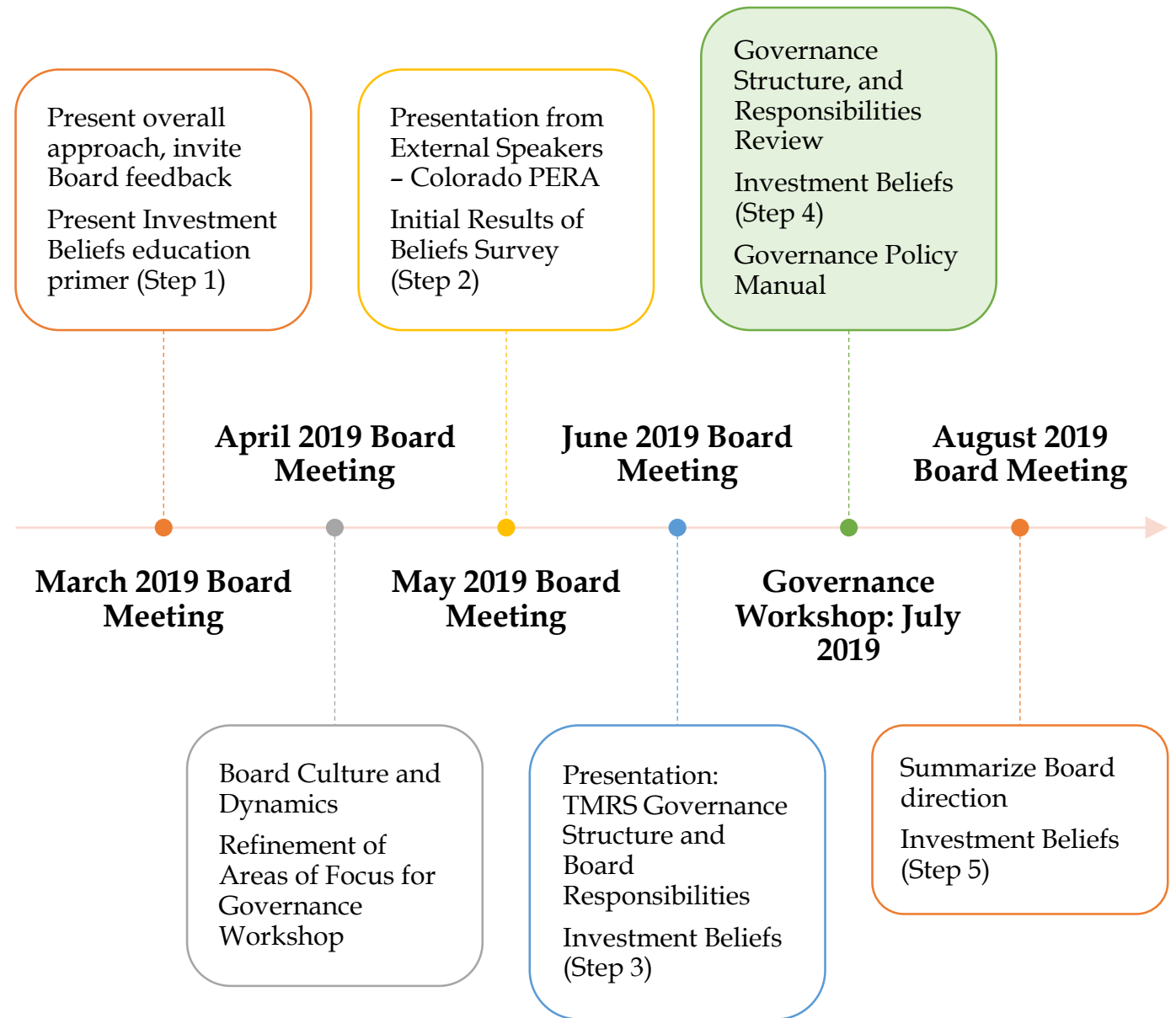


*Break (2:45 p.m.)*



Governance Policy Manual

# Readying the Discussion



# 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

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- 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?



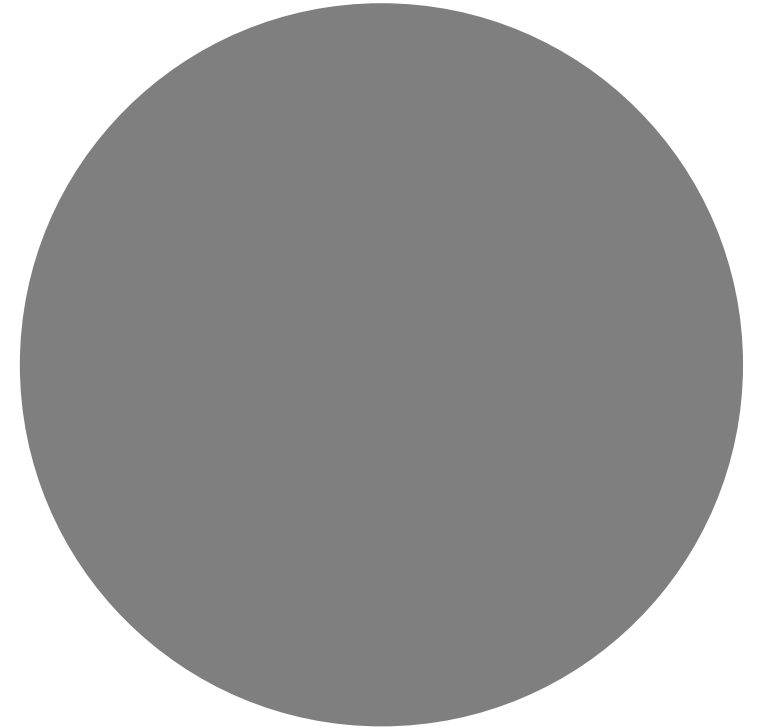
*The Governance Workshop is part of a broader picture (Strategic Plan Goal 3). It provides the time needed to focus, share perspectives, and gain consensus on how to move forward.*

# Expectations for Today

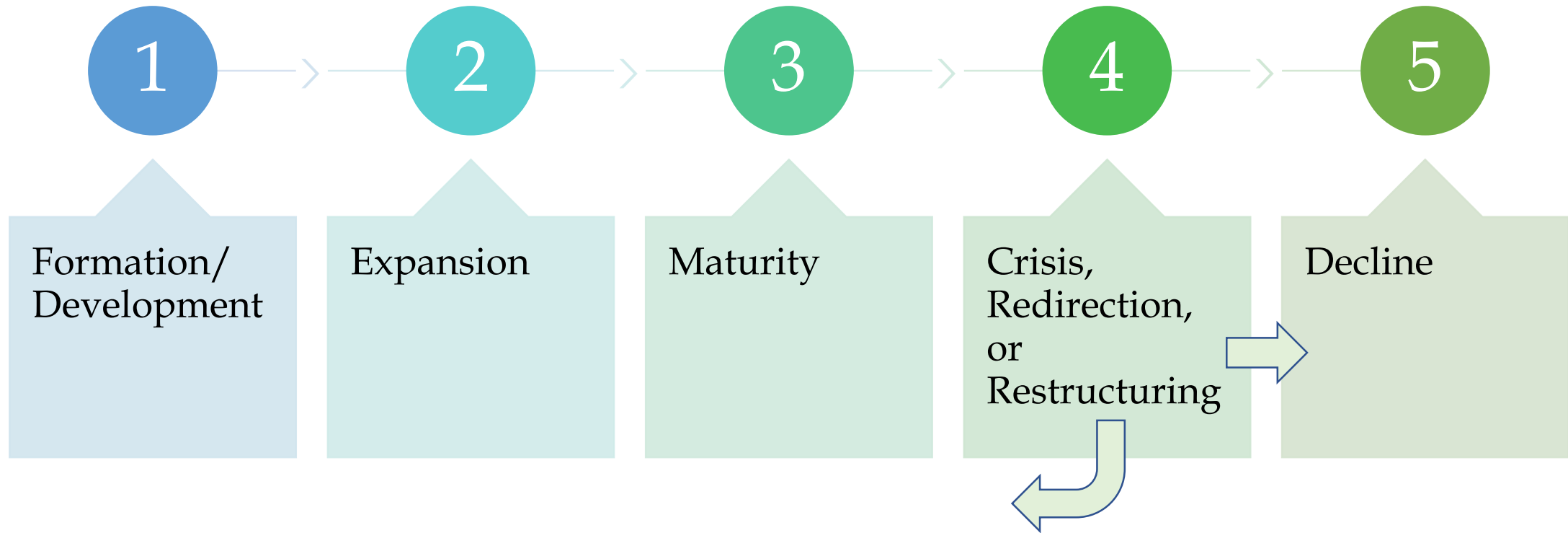
- Be expansive in your thinking – ask questions and invite responses
- Keep in mind that time is limited so be concise to the degree possible
- Try not to “pile on” if an issue has already been identified and recorded
- Stay engaged and, if possible, wait until breaks to use electronics
- Expect the facilitator(s) to interrupt, focus, guide, and give input
- Others?

# Governance Structure and Responsibilities Discussion

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# Common Organizational Lifecycle Stages



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?

Adapted from Results-Based Leadership, Ulrich, Zenger, Smallwood. Harvard Business School Press, 1999.

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?



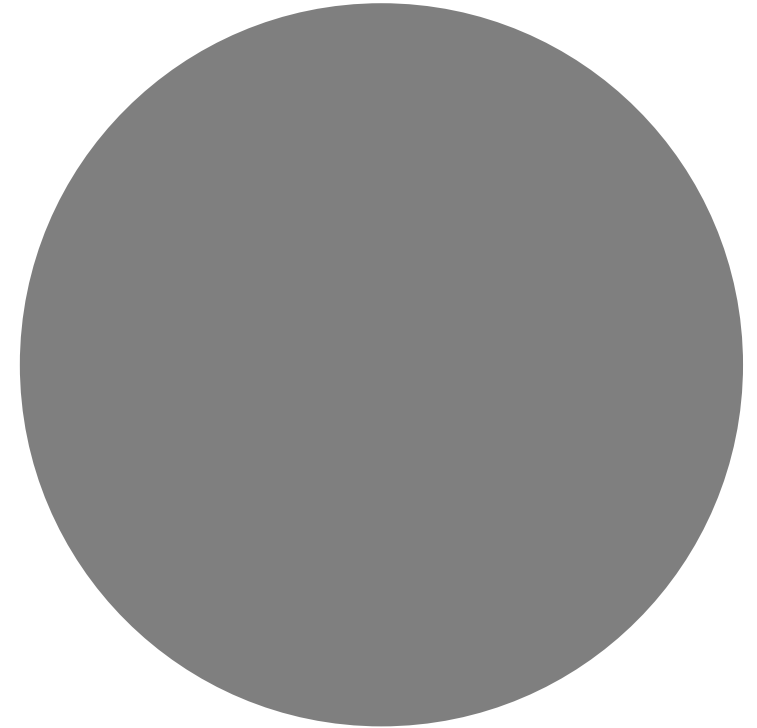
Break



# Lunch

# Governance Structure and Responsibilities Discussion/Investment Beliefs

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# Aligning Investment Responsibilities

## 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

Source: Ibbotson, Roger G. and Paul D. Kaplan, 2000. "Does Asset Allocation Policy Explain 40%, 90%, or 100% of Performance?" [Financial Analysts Journal](#), January/February 2000, Vol.56, No.1, pp.26-33.

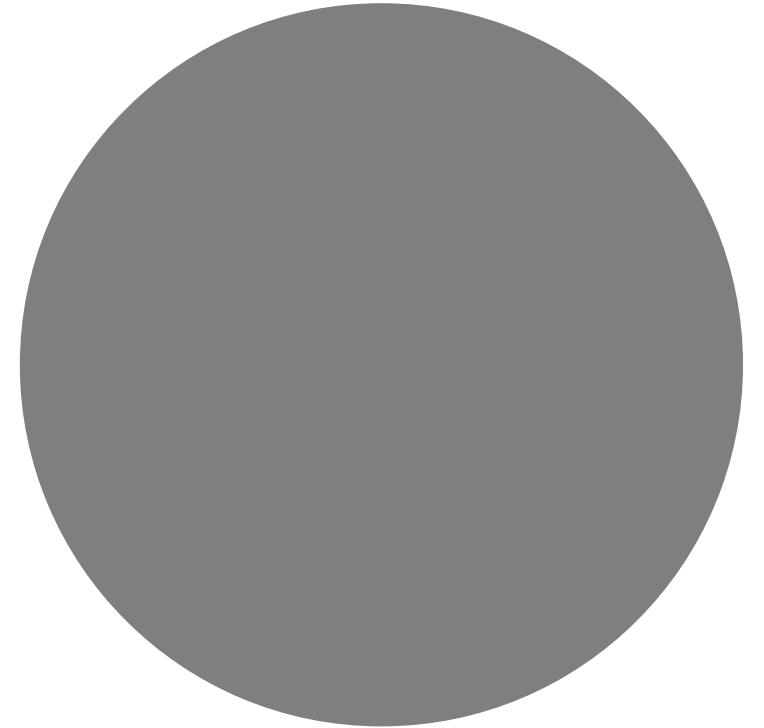




Break

# Governance Policy Manual

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# Questions | Open Discussion