



Denver Public Schools
Professional Compensation System for Teachers

ProComp

ProComp Trust Board of Directors

January 28, 2015 5:30 p.m.
Emily Griffith Conference Room 835
1860 Lincoln St, Denver CO 80203

IN ATTENDANCE: David Hart (Chairman), Mark Ferrandino, Cecilia Miller, Mike Johnson
ATTENDED VIA CONFERENCE CALL: Lawrence Garcia; Tom Buescher (Secretary); Donald Gilmore (Vice Chairman)
STAFF IN ATTENDANCE: Matthew Groves
OTHERS: Stuart Payment, Jake O'Shaughnessy (phone), Ryan Cunningham, Mary Brauer

Action Items:

- I. Approval of Agenda:
 1. Motion: Johnson, Second: Miller; Voice: All
- II. Approval of September 24, 2014 meeting minutes
 1. Motion: Johnson, Second: Miller;
 2. Voice:
 3. Yes: Ferrandino, Miller, Johnson, Garcia, Gilmore.
 4. Abstain: Buescher
- III. Acceptance of 2013-14 (FY14) ProComp Audit:
 1. Motion: Johnson, Second: Ferrandino; Voice: All
- IV. Approval of the Investment Policy – Updated to match current practices CC, MJ Voice: All
 1. Motion: Miller; Second: Johnson; Voice: All
- V. Approval of Investment Policy amendment: Investment Advisor Modification
 1. Brauer: Policy amendment allows the Board to make delegation of some of its powers. This is an interim step, not the final step.
 2. Motion: Ferrandino, Second: Johnson; Voice All
- VI. Approval of contract amendment to Investment Advisory Agreement between DPS and Arnerich
 1. Gilmore: Is the contract between DPS and Arnerich Massena or the Trust and Arnerich Massena? It is the Trust not the District, the agenda items is mislabeled, the contract is correct.
 2. Motion: Gilmore; Second: Johnson; Voice: All

Information/Discussion Items:

- A. Follow up from FY14 audit.
 - a. Groves explained audit follow up.

David Hart arrives.

- B. US Bank Signers
 - a. Need for additional signers explained. No signers will be removed.
- C. Additional information regarding additional appropriation request.
 - a. Ferrandino: Does this projection bring us below \$3.5M? Groves: No.
 - b. Hart: Was this approved by the BOE? Ferrandino: Yes.
 - c. Miller: What was the original projection? Need more time, will email Committee.
- D. Should the board give discretionary authority?
 - a. Hart: What is the appropriate stance of the Board?
 - b. Hart: Arnerich Massena, please set the stage for how ProComp Operates, how do you envision it running?
 - i. O'Shaughnessy: Working off of the questions from January, will give better answers.
 - 1. AM is a non-discretionary advisor, requires trust approval or assets changes or asset manager changes.
 - 2. A change would rely on internal research and process, reports of those changes and why would be made to the board.
 - 3. New Mandate would manage to a target allocation.
 - ii. Brauer: I provided documentation on set of questions the board should pose to potential discretionary manager, a modified investment policy statement and a modified AM contract reflecting non-discretionary manager.
 - iii. O'Shaughnessy: We are reviewing those documents.
 - iv. Hart: please send all those drafts to the board.
 - v. Hart: Does the change in policy make it better or worse? Brauer: It makes it different. Board's role is to currently act prudently after reviewing AM recommendations. We could develop process to show due-diligence. In the new model, we'll give the investment advisors direction, but the board maintains a duty to review their work regularly; but not necessarily second guessing or undermine. At least annually the delegation should be reviewed.
 - vi. Miller: Do we annually review the investments that are made?
 - 1. Hart: We do get recommendations for the performance of the trust.
 - 2. Brauer: The trust is responsible for the decisions being made.
 - vii. Buescher: Where are the questions? O'Shaughnessy: We have the expectation to respond to those questions in writing.
 - viii. Hart: I asked questions for a variety of materials, do you still have those questions? O'Shaughnessy: Yes.
 - ix. Hart: I would like to make sure that everyone understands what is coming and what is expected that they should review. Still will not be an action item at the next meeting. Could you please repeat them? Cunningham: outline steps for change; touch on prudent man rule; performance expectations based on new policy; risk management; specific language; and fee impact including examples for all.

- x. Hart: Two additional nuances to add: What is the discretionary authority *not*? Metrics for performance of fiduciary duties?
- xi. Brauer: Please define: conditional discretionary authority? Hart: operating with-in set parameters.
- xii. Hart: Mary is what you provided to them, resonate as true in your practice with other clients? Brauer: Yes
- xiii. Miller: Can we view the prior contract? MB: Yes the drafts are all red lined versions.

Future Agenda Items:

- I. Next ProComp Trust Board meeting: March 04, 2015;
 - a. Hart: Please review meeting schedule, two meetings in one day.

Adjourned

Denver Public Schools
ProComp Trust Board of Directors
Agenda Statement

No. III

Item: Acceptance of 2013-14 (FY14) ProComp Audit

Summary: The Trustees are being asked to accept the FY14 ProComp Financial Audit.

Background:

An audit was conducted in Accordance with Colorado State Law and Government Auditing Standards of Denver Public Schools Professional Compensation Systems for Teachers Trust's internal control over financial reporting.

No deficiencies of internal control or instances of noncompliance in reporting were identified.

Exhibits Attached:

Denver Public Schools Professional Compensation Systems for Teachers Trust's Financial Statements.

Recommended Action:

"I move that the ProComp Trust Board of Directors accept the Denver Public Schools Professional Compensation Systems for Teachers Trust's Financial Statements for fiscal year 2014."

Denver Public Schools
ProComp Trust Board of Directors
Agenda Statement

No. IV

Item: Approval of the Investment Policy

Summary: Update policy to reflect current practices.

Background:

The Trust was created to provide funds for the Denver Public Schools ProComp System. The contributions to the Trust are made from mill levy proceeds owed to the Trust. The Trust contributions and investment earnings are intended to be sufficient to fund the ProComp System in order for it to be solvent over a rolling 30 year period.

The purpose of this Investment Policy Statement is to record the investment objectives and investment policies for the Denver Public Schools ProComp Trust. It is intended to assist the ProComp Board of Trustees in meeting its investment oversight obligations by effectively constructing, supervising, and evaluating the investment program established for the Trust.

The Policy will be reviewed by the Board every two years or whenever a significant change in Trust or ProComp System characteristics occurs. The Policy will be revised as necessary to ensure it adequately reflects changes related to the Trust.

Exhibits Attached:

3. Denver Public Schools ProComp Trust Investment Policy Statement, December 2014.
4. "Black Lined" Denver Public Schools ProComp Trust Investment Policy Statement, December 2014.

Recommended Action:

"I move that the ProComp Trust Board of Directors approve the Denver Public Schools ProComp Trust Investment Policy Statement, December 2014."

Denver Public Schools
ProComp Trust Board of Directors
Agenda Statement

No. V

Item: Approval of Investment Policy Amendment

Summary: Policy amendment would give the Trust Board the authority to delegate discretionary control or authority over the Trust's assets. This is one method of providing clear governance process for the District's investment advisors, especially given the co-fiduciary nature of their relationship with the DPS.

Background:

Currently all investments must be approved by the Trust Board. This amendment would give the Trust Board the ability to delegate some or all investment decisions to an Investment Advisor.

Exhibits Attached:

1. Amended - Denver Public Schools ProComp Trust Investment Policy Statement, December 2014.

Recommended Action:

"I move that the ProComp Trust Board of Directors approve the Denver Public Schools ProComp Trust amending Investment Policy Statement, December 2014 by adding the line, "Unless agreed upon by the Board," to section II.D.7."

Denver Public Schools
ProComp Trust Board of Directors
Agenda Statement

No. VI

Item: Approval of contract amendment to Investment Advisory Agreement between DPS and Arnerich Mesenna Inc.

Summary: The contract presented is an amendment to the current contract to reflect the December 2014 policy.

Background:

Attached agreement reflects current policy and updated compensation. It will expire December 2017.

Exhibits Attached:

1. December 2014 Advisory Services Agreement.

Recommended Action:

"I move that the ProComp Trust Board of Directors approve the contract for \$202,500 with Arnerich Massena, Inc. beginning January 1st 2015 ."

Information/Discussion Items

- A. Follow up from FY14 audit.
 - a. Memo
- B. US Bank Signers
 - a. Signature Sheet
- C. Additional information regarding additional appropriation request.
 - a. Report from FP&A
- D. Should the board give discretionary authority?