



ProComp

Teacher Compensation Trust Board of Directors

MINUTES

March 11, 2010

MEMBERS IN ATTENDANCE: Lee White, Chairman, Jerry Graves, Vice Chairman, Suzi DeYoung (by phone), Donald Gilmore, and Mark Harmon. STAFF IN ATTENDANCE: Patrick Riordan, Mandy Potts, and Deb Cunningham. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney. MEMBERS NOT IN ATTENDANCE: Tom Buescher, Brett Fuhrman and Mary Seawell.

I. Review and Approval of the Agenda

The meeting convened at 4:40pm. Mark Harmon moved to approve the agenda and Don Gilmore seconded. Motion passed.

II. Approval of the November 4, 2009 meeting minutes

Mark Harmon moved to approve the minutes and seconded by Don Gilmore. Motion passed.

Action Items:

I. Acknowledge new ProComp Trustee/ Board of Education Treasurer, Mary Seawell (Lee White)

According to the ProComp Trust Agreement, the composition of the Board of Directors is to include three representatives of the District, namely Treasurer of the Board of Education, Chief Financial Officer and Executive Director of Budget and Academic Finance. Mary Seawell assumed the role of Treasurer of the Board of Education. Mary Seawell was not in attendance thus, The Board was not able to acknowledge the appointment of Mary Seawell. This item will be moved to the next agenda. The Board acknowledged Bruce Hoyt, former Treasurer of the Board of Education, for his high quality service and dedication to the ProComp Trust Board.

II. Motion to elect ProComp Trust Board Officers (Lee White)

The ProComp Trust Agreement requires the Board of Directors to select from among the Trustees a Chairman, a Vice Chairman, and a Secretary in accordance with the Bylaws of the Board of Directors of the Teacher Compensation Trust for terms of one year each.

Lee White moved to appoint Jerry Graves as Chairman. Mark Harmon seconded the appointment. A resolution to appoint Jerry Graves to serve as Chairman of the Board of Directors passed.

Mark Harmon moved to appoint Don Gilmore as Vice Chairman. A resolution to appoint Don Gilmore to serve as Vice Chairman of the Board of Directors passed.

Don Gilmore moved to appoint Tom Buescher as Secretary. Mark Harmon seconded the appointment. A resolution to appoint Tom Buescher to serve as Secretary of the Board of Directors passed.

The Board acknowledged Lee White for his exceptional service as Chairman in 2009 and his dedication to the ProComp Trust Board.

III. Motion to amend the FY 2009-2010 ProComp budget (Mandy Potts)

Mandy Potts presented the supplemental 2009-2010 budget. The supplemental budget included the approved increased cost of the external evaluation, an increased Payroll expenses due to higher payouts for Top Performing, High Growth, and Exceed Expectations, and a decreased Payroll benefit rate from 22.3% to 14.61%. The current value of ColoTrust account as of January 31, 2010 was \$3,273,875 and the market value of the Investment portfolio as of January 31, 2010 was \$47,593,321. Jerry Graves moved to approve the supplemental budget and Don Gilmore seconded. Motion passed.

Jerry Graves questioned the PERA limitations on salary increases and how that would affect the ProComp participant's retirement calculation. The Board asked Mary Brauer to review the PERA agreement and report back to the Board.

VI. Motion to approve the proposed FY 2010-2011 ProComp budget

Mandy Potts presented the proposed 2010-2011 budget. The revenue details a beginning balance of \$63,599,512, a tax collection rate of 98.32% in the amount of \$27,452,779, a five percent investment earnings and a zero percent return on investment. Mandy Potts stated the CPI was -.6% which caused a decrease in tax revenue. The expenditures detail a ProComp teacher payout of ~\$34M. General ProComp administration expenditures account for \$620,942, Transition Team approved expenditures of \$940,350 and an unallocated balance of \$56M. Mark Harmon clarified the Transition Team process of approving ProComp expenses. If the Transition Team approved expenses are below the 5% administration cost constraint, the Board will approve the request. If the expenses are above the 5% cap and the expenses create a negative fiscal issue, the Board has the authority to review and approve or deny the request. Jerry Graves said it is important for everyone, including the Transition Team, to understand the finances of the district and ProComp and to find ways to lower cost to ensure the security of the fund.

Mandy Potts spoke with the Investment Advisor, Howard Biggs, and he supported the budgeted return on investment of zero percent. The market is not expected to gain above cost value until late 2011 and 2012.

Jerry Graves motioned to approve the 2010-2011 budget and Don Gilmore seconded. Motion passed.

Information Items:

I. Arnerich Massena & Associates Investment Advisor contract (contract ends March 2010)

The three year contract with Arnerich Massena & Assoc expires in March 2010. Lee White stated the next deliverable from Arnerich is the first quarter review in June 2010. The Board intends to renew the Arnerich contract at the June meeting. Don Gilmore expressed a need to review the contract and to hear from Arnerich what services they propose to provide to the Board. Mr. Gilmore would like the Board to evaluate the performance of Arnerich over the past three years to ensure they are meeting the Board's objectives and expectations. Jerry Graves expressed his support of Arnerich contract and stated he is impressed with the level of service Arnerich provides. Mr. Graves added Arnerich sends two people to review the investment performance, they are very responsive and knowledgeable, and they have the ability and flexibility to change the investment strategy to fit the needs of the Trust. Mr. Graves and Mr. White stated the investment portfolio is performing better than the market index and how Arnerich manages the funds is beneficial to protecting the trust assets. Mark Harmon asked if there were any concerns about the service of Arnerich and Don Gilmore responded there were no concerns, rather his request is to ensure the Board and the Investment Advisor are on the same page and understand the Board Objectives and Expectations. The Board is requesting that Arnerich send a letter detailing their performance evaluation and what services they offer in the contract and for these offerings to be discussed at the June quarterly investment meeting. The Board will draft a letter of intent to renew the contract and approve it at the next scheduled meeting. An action item will be added to the next Board meeting to renew the contract and to discuss the rebalancing of assets and risks in the investment portfolio.

II. Discuss Process for Identifying ProComp District Trustees as stated in Section 4.1 of the Trust Agreement (Mary Brauer)

Mary Brauer informed the Board, with help from Don Gilmore, that the ProComp Agreement changed the process and requirements for electing members to the ProComp Trust Board. These new changes do not follow the ProComp Trust Agreement. According to the ProComp Trust Agreement, it specifies the members of the district will be the Chief Financial Officer, the Director Budgetary Services and the Board of Education Treasurer. The ProComp Agreement states the members can be any members of the District as appointed by the Superintendent. Ms. Brauer stated if that is the desire of the District, then the ProComp Trust Agreement must be ratified by all parties to incorporate the changes. Lee White noted that currently, the Board is in compliance with the ProComp Trust Agreement; however, they would not be if the new member was not one of the three specific members. The Board asked Mary Brauer to write a letter to the district informing them of the discrepancy and the need for the ProComp Trust Board to follow the ProComp Trust Agreement.

III. Discuss yearly meeting requirements as stated in Section 5.2 of the Trust Agreement (Mary Brauer)

Mary Brauer informed the Board of the meeting requirements set forth in Section 5.2 of the ProComp Trust Agreement. The Agreement requires the Board to meet at least six times a year. Jerry Graves asked if the Board could fulfill this requirement by including the quarterly investment committee meetings. The Board questioned if a meeting could exist without a quorum. Ms. Brauer said the definition of the meeting requirements could be defined in the Bylaws of the Trust Board. Ms. Brauer will recommend at the next Board meeting language to clarify meeting requirements in the Bylaws.

VI. January 2010 Financials (Mandy Potts)

Mandy Potts reviewed the January 2010 financials. The Net Revenue of the Trust Fund is -\$14M due to the lack of tax revenue. The Board expects an \$8M tax deposit on March 10th. Don Gilmore requested the financials be posted online. Jerry Graves requested that the Board should have a discussion at the next meeting regarding what is appropriate to post online and how to be transparent for public accountability. Lee White added that any financial information posted online needs to be incorporated with context explaining the purpose of the Fund and the strict use of the funds by statute.

XII. Future Agenda Items

1. Acknowledge new ProComp Trustee/ Board of Education Treasurer, Mary Seawell
2. Presentation of the ProComp Financial Model (Pat Riordan)
3. Discuss PERA agreement and salary limitations (Mary Brauer)
4. Discuss amending the ProComp Trust Agreement, section 4.1 (Mary Brauer)
5. Review Bylaws regarding meeting requirements, section 5.2 (Mary Brauer)
6. Review and renew Arnerich Massena & Associate contract (Jerry Graves)
7. Review draft report of Annual Financial Report (Mandy Potts & Pat Riordan)
8. Review sharing information for public accountability
9. Review 2010 Audit (need to approve contract for Audit Firm)
10. Approve annual fiduciary insurance policy and premium

The meeting adjourned at 6:18 pm.

The next meeting will be April 28, 2010 at 4:30pm, tentative meeting scheduled for June.