



ProComp

Teacher Compensation Trust Board of Directors

MINUTES

May 18, 2011

MEMBERS IN ATTENDANCE: David D. Hart (Chairman), Donald Gilmore (Vice Chairman), Suzi DeYoung (by phone), Fred Taylor, Mary Seawell, and Lawrence Garcia. STAFF IN ATTENDANCE: Patrick Riordan and Mandy Potts. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney and Jill Korenek, of JDS Professionals. MEMBERS NOT IN ATTENDANCE: Tom Buescher (Secretary) and Mark Harmon.

I. Review and Approval of the Agenda

The meeting convened at 5:40pm. Agenda approved with Information Item #2 removed. Fred Taylor motioned to approve agenda as amended and Lawrence Garcia seconded. Motion passed.

II. Approval of the January 26, 2011 meeting minutes

Don Gilmore moved to approve the meeting minutes and Fred Taylor seconded. Motion passed.

Action Items:

I. Motion to elect ProComp Trust Community Member Fred Taylor. Acknowledge DCTA Members Mark Harmon and Lawrence Garcia.

SECTION 4.01. Appointment of Trustees. There shall be eight Trustees, three of whom shall be representatives of the District (the "District Trustees"), three of whom shall be representatives of the Association (the "Association Trustees") and two of whom shall be representatives of the community (the "Community Trustees") appointed by the agreement of the other six Trustees.

Mary Seawell moved to elect ProComp Trust Community Member Fred Taylor for a three year term to expire December 31, 2013. Don Gilmore seconded the motion. Motion passed.

The Board acknowledges the appointment of Lawrence Garcia whom replaced Jerry Graves. Mark Harmon was not in attendance, thus his acknowledgement will occur at the next meeting.

II. Motion to approve Investment Advisor Contract

The one year contract with Arnerich Massena & Assoc. expired March 2011. Fred Taylor asked how the investment advisor was found. Mandy Potts responded that a national RFP was put out in 2007. Arnerich won the bid and signed a two year contract. In 2010, the Board extended the contract for one year. The current contract is for three years. Mary Seawell moved to approve the Investment Advisor Contract with Arnerich Massena & Assoc. Fred Taylor seconded. Motion passed.

III. Motion to approve Northern Trust Custodial Contract

The three year contract with Northern Trust expired February 2011. The current Northern Trust Custodial contract is for three years at \$7,500 per year (flat rate). Fred Taylor motioned to approve and Don Gilmore seconded. Motion passed.

IV. Motion to renew Fiduciary Insurance

Mandy Potts presented the annual fiduciary insurance policy and premium. The contract has not changed since last year. Steve Finley, DPS Risk Manager, and Mary Bruaer, Trust Board attorney, reviewed and approved the policy. The Trust is a separate legal entity and this policy protects the Board's personal liability. Fred Taylor moved to approve and Lawrence Garcia seconded. Motion passed.

V. Motion to amend 2010-2011 ProComp Trust budget

Mandy Potts presented the FY11 supplemental budget to include the additional investment earnings. David Hart noted that by statute a budget revision is not necessary if the change is only in revenue and not in expenses. Motion denied.

VI. Motion to approve 2011-2012 ProComp Trust budget

Mandy Potts presented the FY12 proposed budget. David Hart asked the Board to approve the budget not to include the unallocated amount because the Board has no intention of spending this money. If the Board were to need these funds, an approval by the Board would be necessary to expend the unallocated funds. Don Gilmore asked if the state guidelines apply to the Trust Fund. David Hart responded that the rules do apply because the ProComp Trust Fund was set up under a local school district, thus it must follow the state rules with respect to the line item detail.

Fred Taylor asked how the Board approved a 7% long term return of investment rate. Patrick Riordan responded that the 7% is a long term return on investment over a 30 year period. The number is based on the asset allocation of the ProComp investment fund. Fred Taylor asked to revisit this number at the next Investment Committee Meeting on June 16, 2011 with the Investment Advisor.

David Hart motioned to approve the FY12 budget with the \$35M realized budget allocation. Fred Taylor seconded the motion. Motion passed.

VII. Motion to approve/ renew audit contract with JDS Professionals for 2011 Audit

Mandy Potts presented the audit contract with JDS Professional for FY11. Mary Brauer reviewed and approved the letter of engagement and billing policies.

Jill Korenek reviewed the audit process with the Board. Because of the growing size of the program, audit procedures have increased, thus the audit fee increased by 3%.

Mary Seawell noted that the district is considering term contracts with audit firms to keep the audit from becoming stale and predicable. While the Trust Board is a separate entirety, the Board may want to consider term limitations on audit firms in the future.

Suzi DeYoung motioned to approve the audit contract with JDS Professionals and Fred Taylor seconded.

Information Items:

I. Presentation from JDS Professionals on SAS 99

A presentation from JDS Professionals was requested by the Board regarding the roles and responsibilities of the Trust Board as it relates to the annual audit.

Jill Korenek stated that SAS 99 came about in 2002 after the Enron scandal. SAS 99 defines fraud as an intentional act that results in a material misstatement in financial statements.

SAS 99 requires auditors to make inquiries of management and others within the entity and consider the fraud risk factors that could result in a material misstatement.

The Board discussed the concept of internal controls and the Board's knowledge of these controls. The Board would like to ensure they are meeting their fiduciary duties in regards to the audit and internal controls.

II. Review draft copy of the Annual Financial Report (Mandy Potts)

In accordance with Section 7.1 (i) The Trust shall prepare annually for the Transition Team a report on the financial performance of the Trust, which the Transition Team will use to inform its assumptions for the long-term financial model.

Mandy Potts presented the Annual Financial Report. The Board was instructed to review the report and send any comments to Mandy to be incorporated in the final report. The Annual Financial Report will be approved at the next Board meeting.

III. March 2011 Financials (Mandy Potts)

Mandy Potts reviewed the March 2011 financials. The Net Assets of the Trust Fund as of March 2011 was \$62.8M.

XII. Future Agenda Items

1. Acknowledge Mark Harmon
2. Review fiscal assumptions from Transition Team
3. Accept ProComp Model assumed rate of return
4. Approve Transition Team budget request
5. Approve Annual Financial Report
6. ProComp Trust 2011 Calendar
7. Trust Board Training from Mary Brauer

The meeting adjourned at 7:27 pm.

The next meeting will be June 22, 2011 at 5:30pm.