



# ProComp

## Teacher Compensation Trust Board of Directors

### MINUTES

November 4, 2009

MEMBERS IN ATTENDANCE: Lee White, Chairman, Jerry Graves, Vice Chairman, Tom Buescher, Secretary; Bruce Hoyt, Suzi DeYoung, Donald Gilmore, and Mark Harmon. STAFF IN ATTENDANCE: Patrick Riordan, Mandy Potts, Deb Cunningham, and Brad Grippin. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney.

I. Review and Approval of the Agenda

*The meeting convened at 4:35pm. Tom Buescher moved to approve the agenda and Jerry Graves seconded. Motion passed.*

II. Approval of the June 10, 2009 meeting minutes

*Tom Buescher moved to approve the minutes and seconded by Jerry Graves. Motion passed.*

Action Items:

III. Presentation of the 2008-09 Annual Audit Report (JDS Professional Group)

*Ms. Korenek stated the audit was free of material misstatement and did receive full and timely cooperation from management. JDS Professionals did not identify any errors or deficiencies and did not make any final audit adjustments. JDS Professional Group used a sample size of 40 transactions and did a "walk through" analysis on each transaction. During this analysis, they did not identify any issues with the internal control structure. During the review of the budget variance analysis in the Annual Audit Report, Bruce Hoyt noted the large salary variance from \$35M budget to the \$21M actual payout. Lee White explained the \$35M was based on the model assumptions of a large influx of ProComp participants earning incentives at the highest rate possible. The overall earn rate of ProComp participants earning incentives was lower than expectations, thus the \$14M salary payout variance. Mark Harmon asked what the impact on revenue would be if there was a negative CPI in the next tax year. The tax revenue would be reduced by the negative CPI. Projections for the 2010 CPI are -.6%.*

*Bruce Hoyt noted there is not an audit committee and recommended creating one. He stated a Board of this size should review the audit in more detail and be completely comfortable with the audit report and the audit process. Mary Brauer clarified that the Board could delegate duties to members on the Board through a committee, although there is always the duty of the Board to oversee. Lee White requested at the next meeting that an agenda item be added to discuss assembling an audit committee.*

*Bruce Hoyt moved to accept the 2008-09 Annual Audit Report and Don Gilmore seconded.*

IV. Motion to extend UCD External Evaluation contract (Brad Grippin)

*DPS worked closely with UCD to expand the scope of the external evaluation to incorporate three comprehensive areas of analysis: expand student achievement data, attraction and retention of effective teachers, and analysis of other elements of the compensation package. Another year of data is necessary to get meaningful data in regards to student achievement. Mr. Grippin stated the cost increase was \$85,000, \$55,000 for the additional year of data and \$30,000 to analyze attraction and retention of teachers. Tom Buescher noted the original date to deliver the external evaluation was November 2009, and this request would move it to January 2011. Mr. Buescher asked if another year of data would be enough to deliver meaningful data and analysis. Mr. Grippin responded that another year of data would be sufficient; year one of the new contract would be the benchmark. Jerry Graves asked if the report would study the administrative aspects of ProComp, meaning are the people participating in ProComp set up to succeed. Mr. Graves is concerned with the amount of administration that is involved with ProComp and wanted to know if that aspect would be incorporated in the study. Mr. Grippin responded this aspect is not included in this report, but it is being reviewed in another study paid out of the Broad Grant. Lee White clarified the first feedback report is November 2010 and the final report is due January 2011 and stated this was a large expense for one deliverable. Don Gilmore asked if there were penalties in the contract for not meeting the established deadlines. Mr. Grippin was not aware of any penalties in the contract and Don Gilmore suggested adding them to the contract.*

*Lee White questioned the appropriateness of the cost for the ProComp Trust Fund. Specifically, Mr. White questioned the section 3.1 in regards to attracting and retaining high quality educators. The question asks how the various elements of the compensation package affect the educator's decision to stay at DPS. This question seems to be something the district wants to know, but not an appropriate cost to the Trust. Mr. White expressed his sensitivity about expenses of the Trust and does not want to set a precedent that the Board will pay for inquiries of DPS that do not apply directly to ProComp. Bruce Hoyt expressed the question is related to ProComp and if it is attracting teachers to DPS. Tom Buescher asked if action was needed at that meeting. Deb Cunningham responded action was needed in order to move forward with the data analysis. Tom Buescher made the motion to approve to extend the external evaluation with the exception of the cost associated with question 3.1; however the Board reserves the right to include that cost if given information that question 3.1 is needed to evaluate the ProComp system. Bruce Hoyt seconded the motion. Motion passed.*

V. Approval of Amendments to the ProComp Investment Policy Statement (Mary Brauer)

*Mary Brauer detailed the Investment Policy Statement reflects the intent to create a plan for larger rapid cash flows and it also summarizes the frequency of Board action, what should the Board do and at what time intervals. Lee White agreed the changes will align and clarify the process necessary to rebalance. Bruce Hoyt noted the Board should review at every meeting the status of the Investment Portfolio as this is the responsibility of the Board, not just the investment committee. Tom Buescher moved to approve the amendments to the ProComp Investment Policy Statement, Mark Harmon seconded. Motion passed.*

VI. Approval of ProComp Trust Agreement (Mary Brauer)

*Mary Brauer reported she received signatures from DCTA President, Henry Roman and Board of Education, Theresa Pena. Tom Buescher moved to approve the ProComp Trust Agreement, Mark Harmon seconded. Motion passed.*

VII. Motion to approve ProComp Investment portfolio rebalance (Lee White/ Jerry Graves/ Mandy Potts)

*Mandy Potts explained the investment committee worked with the Investment Advisor to adjust the investments back to current asset allocation and to include the new asset class, TIPS. Ms. Potts reviewed the investment balances as of September 30, 2009 and stated the rebalancing would take place as soon as the Board approved the motion. Lee White added the rebalancing was moving money out of the equity class and into fixed income because equities outperformed creating an*

*imbalance in the portfolio. Bruce Hoyt moved to approve the rebalance and Jerry Graves seconded. Motion passed.*

VIII. Motion to amend 2009-10 ProComp budget (Mandy Potts)

*Mandy Potts presented the supplemental 2009-2010 budget. The supplement included the approved transition team's projected expenses to be reimbursed in June 2010, adjustment to the beginning balance, and an increase to investment earnings for a net change of \$688,501. Tom Buescher asked to define the unallocated balance. Ms Potts responded these are funds that are reserved and not allocated to spend this year. Tom Buescher asked whether it was necessary to keep amending the budget as opposed to showing variances from the adopted budget. Bruce Hoyt indicated that seeing such variances can be valuable. Tom Buescher noted how amending the budget while also reporting variances from the original budget may be appropriate. Mandy Potts indicated that such variances can be shown on future reports. Tom Buescher moved to approve the supplemental budget and Jerry Graves seconded. Motion passed.*

Information Items:

IX. Cash Flow Projections (Pat Riordan)

*Pat Riordan presented the Cash Flow Projections based on three months of actual expenses. On the two-year monthly cash flow projection, the Board noted a possibility of moving money from the long-term investment account to the short-term investment account to cover payroll expenses in March 2010; however, the Board also noted the large influx of property tax revenue in March 2010. The Board will continue to monitor cash flows and make a decision to move funds at the appropriate time and if necessary. The potential to move money exists each March over the next five years until the projected revenue exceeds expenses.*

X. Year End Update (Mandy Potts and Pat Riordan)

*Mandy Potts and Pat Riordan presented a year end update that detailed savings to the ProComp Trust Fund. The ProComp monthly invoice did not account for lane changes. Mandy, Pat and Velma Rose calculated a lane change credit by analyzing the actual education lane change data before ProComp went into effect. A lump sum credit of \$332,353 was taken from the September 2008 invoice. A monthly lane change credit in the amount of \$18,879 was reduced from each invoice going forward. This credit created a savings of \$558,901 in FY 08-09.*

*While reconciling the monthly ProComp invoice, several traditional salaries were creating large variances relative to their current ProComp salary. Pat and Mandy researched these discrepancies and requested traditional salary corrections in the payroll system. This correction created a savings of \$161,952 in FY 08-09.*

*Jerry Graves thanked Pat and Mandy for correcting these errors and creating a savings to the ProComp Trust Fund. Don Gilmore added the work of Pat and Mandy was exemplary.*

XI. September 2009 Financials (Mandy Potts)

*Mandy Potts reviewed the September 2009 financials. A duplicate payment was made to Northern Trust so a receivable of \$1,250 was created to repay the Trust. As of September 2009 (first quarter), the ProComp Investment Portfolio was up 5 percent for the year.*

XII. Future Agenda Items

1. Elect ProComp Board members (Chairman, Vice Chairman, Secretary)
2. Discussion and creation of committees (Audit)

The meeting adjourned at 6:25 pm.

The next meeting will be January 20, 2010 at 4:30pm.