



Denver Public Schools
Professional Compensation System for Teachers

ProComp

ProComp Trust Board of Directors

October 21, 2015 5:30 – 7:30 pm

Emily Griffith Conference Room 735

1860 Lincoln St, Denver CO 80203

ATTENDED: Mark Ferrandino (Joint Meeting only), Cecilia Miller, Kate Kotaska, Michael Johnson (arrived at 6:10 pm), David Hart (arrived at 5:57 pm), Tom Buescher, Lawrence Garcia, Don Gilmore

VIA CONFERENCE CALL: None

STAFF IN ATTENDANCE: Chris Kampe, Erik Johnson (Joint Meeting only)

OTHERS: Mary Brauer, ProComp Transition Team (Joint Meeting only)

Called to order – Ferrandino at 5:44 pm

Joint Meeting – ProComp Trust Board & ProComp Transition Team (5:30 – 6:30 pm)

ProComp Fund Balance:

- I. Fund Balance Projection / Explanation (Erik Johnson)
- II. Updated Financial Report and Model (Chris Kampe)
- III. Planning Discussion (Transition Team & Board)
 - E. Johnson – Explains financial model, potential low point, and sensitivities of the model.
 - Transition Team – I don't think we should be projecting / forecasting anything until there is a new agreement going forward.
 - E. Johnson – Explains that we have previously assumed a 6% rate of return. Explains tier structure of investing and how the trust will have less balance to investment in higher risk / higher return tiers in the foreseeable future.
 - Transition Team – Is this a normal approach for these kinds of trusts?
 - E. Johnson – This is a conservative approach.
 - Ferrandino – As the balance goes down in the trust, prudent financial decisions would require us to lower return on investments.
 - E. Johnson – We are allowed to spend up to 5% of total expenses on overhead, but historically have kept that amount to around \$1.2 Million. We'd like to project forward that we stay around that amount.
 - Buescher – It is not our role as the trust board to have a huge pool of unallocable money. We have tried to strike a balance between the trough in the projection and what happens after that.
 - Ferrandino – The upcoming trough in the model is a problem that we need to plan for, but the subsequent increase after that is an opportunity. We'll need to eventually negotiate so there isn't

a large balance. If we make small tweaks now, they will have large impacts later. What now looks like a \$2.4 Million low, could go up to \$8 Million for example with small changes.

- Transition Team – Why is salary expense projected to decrease each year in the model?
- E. Johnson – The salary expense line item in the model represents the portion of teacher salary paid from the ProComp Trust, rather than their full salary. There is a delta between actual salary paid and what salary would have been with a traditional salary. This delta is decreasing and less is paid from ProComp over time. This amount going down does not mean total teacher pay is going down.
- Transition Team – We understand this information and want to know what is wanted from us.
- Buescher – Does Transition Team have any concerns about how the investment tier approach is structured?
- Transition Team – Concerned about paying too high of investment advisor fees. There has been a lot in the news about this lately. Could be a conflict of interest.
- Buescher – Overall fees are low with a few exceptions with hedge type investments.
- Ferrandino – We are currently working on an RFP for investment advisor and taking fees into account in that process.
- Buescher – We're not doing RFP because we're unhappy with current advisor, but because it is time to do one.
- Hart – Expect future negotiations will keep trust balance more even, rather than growing a large balance. Taxpayer didn't intend funds would be bank rolled to be paid out at future time.
- Transition Team – We believe this was the intent and based on their decisions, the intent may be to keep a larger balance. This is a good discussion because it will be important moving forward that District discusses impact on ProComp along with general fund when making decisions.
- Buescher – Our responsibility is to make sure you (Transition Team) have money to fund what you decide.
- Transition Team – Do we need a fix or immediate action for this?
- E. Johnson – As long as we stay in the aggregate balance, we're okay with it. We are bringing it up because we can't continue going over and above and not make hard decisions to stay in balance.
- Ferrandino - \$2.4 million is not as high of a reserve balance as I would like but is reasonable. It is better to talk about this now so in the future if something happens, we are all coming from the same place.
- Transition Team – Can we have a joint meeting once a year?
- Hart – Given the upcoming changes that will affect the balance, I think meeting on a regular basis would be very welcome by the Board.

Joint Meeting adjourned at 6:37 pm.

Regularly Scheduled ProComp Trust Board Meeting (6:30 – 7:30 pm)

Action Items:

- I. Approval of September 16, 2015 Meeting Minutes
 - 1st Gilmore, 2nd Kotaska
 - Voice Vote: All, Passes

Information/Discussion Items:

I. Investment Policy Refresher (Mary Brauer)

- Brauer – Reviewed with the Board a written summary of the Board's duties regarding investments.

II. Investment Advisor RFP – Discussion for next steps

- Hart – Let's look over the attached draft put together by Mary.
- Brauer – This is a proposal to allow the board to assess the current investment advisor and compare to others.
- Hart – When this is put out to bid, one consideration is how do we do our evaluation. Be mindful of questions we ask and how they would be scored. If we are not clear when we send it out, there would be ambiguity about how they would be scored. I would ask that we also provide 3 documents with the RFP:
 - A. Current contract with Arnerich redacting their name and fees
 - B. Latest performance returns – whoever is responding to RFP will understand level of performance we're accustomed to receiving
 - C. Either from Buck or something from model – something that shows our expectation of cash flows. We will have limited investments in tiers 3 and 4 because balance is shrinking. They aren't doing as much active investing.
- Buescher – Some of us might think some question responses are more important than others. I suggest we all go through the questions and email Chris with most important questions.
- Hart – I'd like Mary and I to have time to work on this before next meeting.
- M. Johnson – My concern is that I don't want to assign certain number of points per question because we may get some responses that don't fit. Maybe someone that does well in one area and not another that we want to choose. Would like to retain some flexibility.
- Brauer – We can develop a rubric with flexibility. Might have some questions labeled as informational only. I may have a more favorable contract that we can include in the RFP than the existing Arnerich contract.
- Hart – Next steps – everyone will email Kampe with especially important questions or ones to drop. Hart, Brauer, Kampe will meet to move RFP forward.

III. Board Member Reimbursements (Donald Gilmore)

- Gilmore – Is parking reimbursement allowable for board members?
- Kotaska – There is free parking available.
- Hart – Fundamental question – are there legitimate expenses that can be reimbursed? Look to Mary for answer
- Brauer – Yes, I believe there are grounds for members to submit for reimbursement.
- Hart – This specific case should be processed and reimbursed quickly.
- Kotaska – We will find out if there is free parking.
- Kampe – I will email specifics.

Future Agenda Items:

- I. Next ProComp Trust Board meeting: 12/9/15, 02/17/16, 04/06/16, 06/01/16.
- II. Audit Acceptance

- Hart – Reminder – If you know you'll have a conflict with the next scheduled date, let Chris know.

Adjourned by Hart at 7:07 pm