



Denver Public Schools  
Professional Compensation System for Teachers

# ProComp

## ProComp Trust Board of Directors

**December 03, 2014 5:30 p.m.**  
**Emily Griffith Conference Room 1035**  
**1860 Lincoln St, Denver CO 80203**

### ***MINUTES***

IN ATTENDANCE: David Hart (Chairman), Kate Kotaska, Mark Ferrandino, Tom Buescher (Secretary)

ATTENDED VIA CONFERENCE CALL: Donald Gilmore (Vice Chairman)

STAFF IN ATTENDANCE: Matthew Groves

OTHERS: Mary Brauer, Stuart Payment, Jake O'Shaughnessy (phone), Ryan Cunningham, Evan Holmberg, Mark Elmshouser

NOT IN ATTENDANCE: Cecilia Miller, Larry Garcia, Mike Johnson

#### Action Items:

- I. Approval of Agenda
  1. Motion: Buescher, Second: Hart
  2. Vote: Voice None Opposed.
- II. Approval of September 24, 2014 meeting minutes.
  1. Brauer questioned who was referred to as 'we' in III.2.H.
  2. The answer was DPS.
  3. Ferrandino suggests amending minutes by adding "(DPS)" after we.
  4. Motion to amend: Kotaska, Second: Hart.
  5. Vote: Voice None Opposed to amendment.
  6. Motion: Kotaska, Second: Hart.
  7. Vote: Voice None Opposed.
  8. Prior to adjournment, Hart reconsiders his vote, requests to be brought back at the next meeting.
- III. Acceptance of 2013-14 (FY14) ProComp Audit
  1. Introduction of Mark Elmshouser, Evan Holmberg from Clifton, Larson, Allen.
  2. Passed out governance and management letter drafts.

3. Significant Audit Findings handout was reviewed.
  4. Independent Auditors Report was reviewed.
    - A. Hart question: When describing Trust's net position as a loss, does matter that it was a planned expenditure, is it still a loss?  
Elmshauser: Yes, it is either a loss or a gain.
    - B. Hart: Are monies received by September 1<sup>st</sup> considered receivables?  
Elmshauser: Yes, anything received within 60 days of the end of the period was revenue in the governmental funds.
    - C. Hart: Will that revenue (after 9/01) be counted in FY15?  
Elmshauser: Yes it will show as revenue in FY15.
    - D. Brauer: ProComp has its own budgeting process, how come that is not reported?  
Elmshauser: It isn't required.
    - E. Hart: With respect to note 3, we would like to add our process to the notes.  
Elmshauser: That is doable.
  5. Elmshauser discussed the management letter comment which encourages the Trust to establish a formal reconciliation and review process with the DPS Finance Department for the Trust's account balances. Hart and Ferrandino agreed.
  6. Hart, can we accept on a draft basis?  
Brauer affirmed that it is acceptable.
  7. Motion: Buescher, Second: Kotaska.
  8. Vote: Voice None Opposed.
  9. Hart thanked CLA for their efforts.
- IV. Approval of the Investment Policy – Updated to match current practices
1. Hart: this policy brings our practices in compliance with our policies.
  2. Motion: Ferrandino, Second: Buescher.
  3. Vote: Voice None Opposed.
  4. Hart thanked all involved.
- V. Approval of Investment Policy amendment: Investment Advisor Modification
1. Hart reads amendment language.
  2. Brauer: If we were to move to a discretionary arrangement, it is possible that some other refinements may be required. However, this draft is currently appropriate with the expectation it may need changes.  
Hart: This policy states that absent Board's direction Arnerich Messena cannot take action.
  3. Motion: Ferrandino, Second: Kotaska.
  4. Vote: Voice None Opposed.
- VI. Approval of contract amendment to Investment Advisory Agreement between DPS and Arnerich
1. A clean version of the contract was handed out.
  2. Cunningham spoke to clarify that this was an advisory contract only. Mostly an extension of the current contract.
  3. Hart: Brauer you have reviewed?  
Brauer: Yes, the major revisions necessary was exhibit A.
  4. Buescher: This contract is only an advisory contract?  
Cunningham: Yes, this is to ensure that there is an active contract in place until discretionary contract is approved.

5. Motion: Johnson, Second: Ferrandio
6. Vote: Voice None Opposed.

Information/Discussion Items:

- A. Review Q3 2014 investment returns (Jul-Sep, 2014).
  - a. Cunningham: Reviewed investment returns
  - b. Cunningham: Reviewed Artisan Mid Cap Value Memo
  - c. Cunningham: Reviewed PIMCO Total Return Memo
  - d. Hart: Has PIMCO in-flo increased?  
Cunningham: No, but outflows have leveled off.
  - e. Hart: At what point does PIMCO's asset level become an issue relative to performance?  
Cunningham: Not at this point, may be a good thing.
  - f. Hart: What are their assets now?  
O'Shaughnessy: \$180B.
  - g. Hart: And you are fine with this?  
O'Shaughnessy: Yes, based on the markers we are monitoring.
  - h. Hart: Please review slides 2 and 3.  
Cunningham reviews details.
  - i. Hart: Can you speak to the headings?  
Market value are actual dollars invested. Actual is the percentage invested.  
O'Shaughnessy: Target is a roll up of tiers III and IV, however since the allocations to tier III and IV change throughout the year, the target column is not applicable.
- B. Should the board give discretionary authority?
  - a. Hart: We should recognize that we won't take any action other than what is recommended by our advisors.
  - b. Buescher: I would like to know, why we should change? If we decide to change, we have to evaluate whether Arnerich is the correct company since it was hired under a different arrangement.  
Hart: A primary reason is timing.  
Brauer offered to prepare materials to help facilitate more discussion.
- C. Modification of By-Laws to allow for investment committee.

Future Agenda Items:

- I. Next ProComp Trust Board meeting.
- II. Bring back the 9-23-14 minutes.
- III. Expenditure Authority Request.

Adjourned