



# ProComp

## Teacher Compensation Trust Board of Directors

### MINUTES

February 25, 2009

MEMBERS IN ATTENDANCE: Lee White, chair (by phone), Tom Buescher, secretary; Bruce Hoyt, Brett Fuhrman; Suzi DeYoung, Donald Gilmore, Mark Harmon; and Jerry Graves. STAFF IN ATTENDANCE: Patrick Riordan, ProComp Data Analyst; Mandy Potts, ProComp Financial Analyst, and Deb Cunningham, ProComp Project Director. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney and Howard Biggs, of Arnerich Massena & Associates, ProComp Investment Advisor.

I. Review and Approval of the Agenda

*The meeting convened at 4:38pm. Mandy Potts proposed moving agenda item VII from action items to information items. Tom Buescher moved to approve as amended and Mark Harmon seconded. Motion passed.*

II. Approval of the November 19, 2008 meeting minutes

*Tom Buescher moved to approve the minutes and seconded by Mark Harmon. Motion passed.*

Action Items:

III. Elect ProComp Trust Board Members: Donald Gilmore, Thomas Buescher and Suzi DeYoung

*As required by the ProComp Trust Agreement, the authorized representative of the Denver Classroom Teachers Association appointed Donald Gilmore to continue to serve for a three- year term to expire December 31, 2011. A resolution was presented to The Board of Directors to acknowledge the appointment of Donald Gilmore. Tom Buescher moved to approve the resolution and Mark Harmon seconded. Resolution passed.*

*As required by the ProComp Agreement, there shall be two community representatives, appointed by the Board of Directors to serve three-year terms. A resolution was presented to extend Tom Buescher's appointment to an additional three-year term to expire December 31, 2011. Brett Fuhrman moved to approve the resolution and Donald Gilmore seconded. Resolution passed. Tom Buescher abstained.*

*According to the ProComp 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. Suzi DeYoung assumed the role of Executive Director of Budget and Academic Finance when Brett Fuhrman assumed the role of Chief Financial Officer. The Board acknowledged the appointment of Suzi DeYoung to serve as District*

*representative as long as she is in her that position in the district. Tom Buescher moved to approve the resolution and Donald Gilmore seconded. Resolution passed.*

IV. Elect ProComp Trust Board Officers

*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.*

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

*Tom Buescher moved to appoint Jerry Graves as Vice Chairman. Don Gilmore seconded the appointment. A resolution to appoint Jerry Graves to serve as Vice Chairman of the Board of Director passed.*

*Bruce Hoyt moved to appoint Tom Buescher as Secretary. Brett Fuhrman seconded the appointment. A resolution to appoint Tom Buescher to serve as Secretary of the Board of Directors passed. Tom Buescher abstained.*

V. Affirm changes to the ProComp Trust Agreement (Mary Brauer)

*Mary Brauer stated the goal of the proposed changes to the ProComp Trust Agreement is to incorporate changes included in the 2008 collective bargaining agreement between DCTA and DPS that affect the Trust Board's role. The proposed amendments to the ProComp Trust Agreement clarify the roles of the Board and the Transition Team with respect to the Financial Model and with respect to expenditures of Trust assets. Regarding the Financial Model, the proposed amendments authorize the Trust Board to give the Transition Team the assumed rate of return for the 30- year rolling period used to project sufficiency of Trust assets. Regarding expenditures of Trust assets, the proposed amendments authorize the Transition Team to approve expenditures related to the Financial Model and to approve expenditures related to administration of the ProComp compensation system, subject to the Trust Board's power to deny expenditures in specified circumstances. The proposed amendments do not change the Trust Board's authority to approve expenditures related to the administration of the Trust. In order to amend the ProComp Trust Agreement, the bargaining parties must ratify the changes. Tom Buescher moved to affirm the changes to the ProComp Trust Agreement and present the proposed amendments to DPS and DCTA. Jerry Graves seconded. Motion passed.*

VI. Acknowledge and sign letter of Commitment for Northern Trust (Mary Brauer)

*The Denver Public Schools Professional Compensation System entered into a custody agreement with The Northern Trust Company. The Board wishes to replace the list of Board members in its resolution of September 27, 2007 with a current list of Board membership and affirm the authority of Board members with respect to the Agreement. A resolution was presented to the Board to certify the individuals designated by the Board to act individually on behalf of the Board with respect to all actions under said Agreement. Tom Buescher moved to approve the resolution. Jerry Graves seconded and motion passed.*

Information Items:

I. Financial Model and Cash Flow Projections (Howard Biggs and Pat Riordan)

*Howard Biggs of Arnerich Massena & Associates provided investment consultant services regarding the Financial Model and Cash Flow Projections. Mr. Biggs explained that an error in the financial model was included in the investment return calculation. The assumption in the financial model is that the cash inflows of the tax revenues are received in the beginning of the fiscal year and the cash outflows occurs at the end of the fiscal year. With the original assumptions and the corrected investment return calculations, the Trust Fund was at risk of being exhausted in 12 to 13 years. Mr. Biggs worked with Pat Riordan and Mandy Potts to obtain updated expenses and teacher demographics to create a revised cash flow model that includes weighted cash inflows and outflows. Based on the updated expenses, the Trust has the potential to be solvent in perpetuity. Mr. Biggs presented an 18 monthly cash flow projection and noted there is potential to tap into the*

*investment body in 2010, 2011 and 2012 until the tax revenue will exceed expenses. The Board requested to see a five year view and to have Pat Riordan track assumptions versus actual expenses.*

II. Discuss Amendments to the ProComp Investment Policy Statement (Howard Biggs)

*Howard Biggs of Arnerich Massena & Associates provided investment consultant services regarding the Investment Policy Statement. Mr. Biggs explained the Investment Committee used the old asset allocation of 50 percent equities and 50 percent fixed. Based on the new negotiations and higher cash outflows, the Trust should reconsider the tolerance of the portfolio. Mr. Biggs recommended changing the asset allocation to 60 percent fixed and 40 percent equities to account for the lower risk tolerance of the portfolio and the current unstable market conditions. An action item to approve the revised asset allocation will be added at the next Board meeting on April 22<sup>nd</sup>.*

*Mary Brauer reported the Board has a duty to prepare an annual report of the financial performance of the Trust. Lee White requested once the Board receives the revised five year cash flow projection and asset allocation from Howard Biggs, the Board will advise the DCTA and the District of the current market conditions and cash flow projections through the annual report. Mandy Potts will draft the annual report for review at the April 22<sup>nd</sup> meeting.*

III. Presentation of the December 2008 and January 2009 financials (Mandy Potts)

*Mandy Potts reviewed the December 2008 and January 2009 financials. In December 2008 and January 2009, the net Revenues continued to fall due to unrealized losses on investments and lack of tax revenue. Ms. Potts noted the next large tax revenue deposit would be in March for approximately \$9M.*

IV. Update on the External Evaluation Activities and Timelines

*Deb Cunningham relayed that the UCD external evaluation is on hold until the scope of work was reviewed. Due to the changes resulting from the recent DCTA negotiations, there are internal questions about evaluating ProComp under two versions (version one prior to September changes and version two after September changes). The Transition Team is involved in the UCD evaluation process. Brett Fuhrman stated the intended completion date of the evaluation was November 2009 and asked if the date should be extended. Deb Cunningham agreed the completion date will need to be extended to include the changes in scope.*

V. Future Agenda Items

1. Presentation of the administrative cost
2. External evaluation of the Financial Model

The meeting adjourned at 6:08 pm.