



# ProComp

## Teacher Compensation Trust Board of Directors

### MINUTES

June 22, 2011

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

I. Review and Approval of the Agenda

*The meeting convened at 5:45 pm. Fred Taylor motioned to approve agenda and Don Gilmore seconded. Motion passed.*

II. Approval of the May 18, 2011 meeting minutes

*Fred Taylor moved to approve the meeting minutes and David Hart seconded. Motion passed.*

Action Items:

I. Acknowledge DCTA Member Mark Harmon

*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.*

*Mark Harmon stated he has taken an Assistant Principal position and will no longer be a DCTA member. Mark Harmon will discuss his position on the ProComp Trust Board with Henry Roman, DCTA President. Henry Roman can determine if Mark Harmon will continue on the Board or be replaced.*

II. Motion to approve Transition Team DPS administration cost budget

*The Transition Team approved a budget for DPS administrative costs for the 2010-11 school year in the amount of \$1,121,475. However, one item is still outstanding regarding Lawson Position Management. David Hart proposed to the Trust Board that they approve what the Transition Team has approved knowing there is an amount outstanding. The 10-11 Transition Team budget did not exceed the 5% administrative cap. Mr Hart added the Trust Board does not approve the line item detail, rather is approved a budget of no more than 5% administrative costs. The Transition Team representatives are from the District and the Union and is a policy making body. David Hart also requested the Board approved the proposed 2011-12 budget because the amount does not exceed the 5% maximum amount.*

*Lawrence Garcia motioned to approve the budget and Fred Taylor seconded. Motion passed.*

- III. Motion to accept ProComp Model assumed rate of return/ Review fiscal assumptions from the Transition Team (Pat Riordan)

*The Investment Committee discussed reducing the rate of return from 7 percent to 6 percent to align the ProComp portfolio with current market conditions. Fred Taylor noted that the portfolio is conservative and could lead to taking more risk because the portfolio is missing out on possible market opportunities. Fred Taylor suggested carving out a long term strategy and a short term strategy to meet cash flow obligations. Currently, when a cash flow need exists, a reduction is made on the entire portfolio causing a need for rebalancing. If the portfolio was broken out into different layers, only one layer at a time would be disrupted. With this is the understanding that the long term strategy layer would be never be touched and could be placed in higher opportunities for return. The Investment Committee asked Arnerich Massena to put together new portfolio options with layers and move to a more sophisticated asset management system. Fred Taylor requested the portfolio rate of return be changed from 7% to 6% to meet current market conditions. Other large blue chip companies are at 6%. The ProComp Trust Board could put the portfolio at risk if it doesn't normalize long term expectations on future cash flows. Pat Riordan confirmed on the long term financial model that a change to 6% would not cause a negative cash flow. David Hart added that not bringing the rate of return within market expectations creates an artificial sense of high income. In low times, the portfolio would need to make unnecessary risks in order to maintain the 7% rate of return putting the entire fund at risk.*

- IV. Motion to approve ProComp Annual Financial Report

*Mandy Potts presented the final version of the ProComp Annual Financial Report. This report will be sent to the Transition Team per the requirements of the ProComp Trust Agreement. Suzi DeYoung moved to approve and Lawrence Garcia seconded. Motion passed.*

Information Items:

- I. Q1 Investment Portfolio Performance Review

*Fred Taylor reported on the Q1 2011 portfolio. The portfolio was up 2.1% while the S&P was up 5.9%. The portfolio is lagging because it has money in bonds, cash and TIPS. The Investment Committee reviewed the portfolio which as of March 31, 2011 was at \$52M. This does not include the \$11M in ColoTrust earning .25%. The Investment Committee will work with Arnerich Massena to recommend changing the asset allocation and will present it at the next ProComp Trust Board meeting.*

- II. Review ProComp Trust calendar

*Mary Brauer will present the duties and responsibilities of the Trust Board for new members at the next Board meeting in August. David Hart impressed the importance of 100% participation. Mr Hart also asked the group to send questions to Mary Brauer so she can incorporate these items in her training. In October, the Board will review the 2011 Financial Audit for approval. The Board will also review the work of the external evaluator. In December, the Board must approve the mill levy request to the Board of Education for the property tax collection of 2011 for collection in Spring 2012.*

- III. April 2011 Financials (Mandy Potts)

*Mandy Potts reviewed the April 2011 financials. The Net Assets of the Trust Fund as of April 2011 was \$68.6M.*

- XII. Future Agenda Items

1. Trust Board Training from Mary Brauer
2. Review proposed asset allocation

The meeting adjourned at 7:07 pm.

The next meeting will be August 31, 2011 at 5:30pm.