



ProComp

Teacher Compensation Trust Board of Directors

MINUTES

May 21, 2008

MEMBERS IN ATTENDANCE: Andree Hall, chair, Velma Rose, vice chair, Tom Buescher, secretary, Brett Fuhrman, Jerry Graves, Bruce Hoyt, and Lee White. STAFF IN ATTENDANCE: Marjorie Uhlar, Controller. GUEST IN ATTENDANCE: Jill Korenek of JDS Professional Group.

I. Review and Approve Agenda

The meeting convened at 4:35 pm. To accommodate the schedule of Jill Korenek, the Trust Fund's external auditor, by having her present early on the agenda, Brett Fuhrman made the motion to amend the agenda to move the information item on the 2007/2008 Audit up to follow action on the April 23, 2008, meeting minutes. Tom Buescher seconded the motion. Motion carried. Tom Buescher moved approval of the agenda as amended. Jerry Graves seconded the motion. Motion carried.

II. Approve April 23, 2008 meeting minutes

Jerry Graves made the motion to approve the minutes. Tom Buescher seconded the motion. Motion carried. Bruce Hoyt requested that all future agendas include the time and place for the meeting.

Information Item:

I. 2007/2008 Audit (Jill Korenek, JDS Professional Group)

A. Presentation of the Audit Plan for Fiscal Year Ending, June 30, 2008.

Jill Korenek presented JDS Professional Group's Engagement Process Summary, with emphasis to be made on the eight new auditing standards for the 2007/2008 audit necessitating enhanced documentation, the recurring annual SAS #99 interviews requirement, standard internal control reviews, and the planned sampling of each Pro Comp payout area to test employee eligibility and the accuracy of the computation. Prior to commencing the audit in September, the audit team will need to observe the process for setting up Pro Comp payments. Velma Rose committed to immediately putting the District's Payroll Manager in contact with Jill Korenek. Members of the Board of Trustees affirmed that the receipt of the final audit report will be an October action item. Velma Rose stated that she will have the Pro Comp Board's attorney review the audit engagement letter prior to having the Andree Hall sign it.

B. Description of limitations on the current scope of the audit, including any disclaimers in the auditor's engagement or opinion.

Jill Korenek stated that the firm's opinion letter in the audit is limited to opining that the financial statements are free of material misstatement.

C. Discussion on any recommended or possible enhancements in the scope of the audit.

Jill Korenek responded by stating that the firm could offer to perform a SAS #70 audit wherein there would be extensive reviews of internal controls; however, the current scope of the audit entails good coverage in this area in light of the testing that is performed.

Action Items:

- I. Present the revised Broad Foundation contract for approval (Andree Hall)

Andree Hall reviewed the language change agreed to by herself and Velma Rose to the Eli and Edythe Broad Foundation Grant contract, specifically General Terms and Conditions paragraph 17, "You hereby grant to TBF a nonexclusive, irrevocable, perpetual, worldwide, royalty-free license to use – for demonstration purposes only – the model, not populated with DPS data, to further TBF's charitable objectives." This grant provides funding support for the McKinsey contract for Pro Comp fiscal model development. Bruce Hoyt made the motion to approve the revised contract. Tom Buescher seconded the motion. Motion carried.

- II. Adoption of the adjusted 2007/2008 ProComp Trust Fund Budget (Velma Rose)

Velma Rose presented the recommended adjustments to the 2007/2008 ProComp Trust Fund Budget, in preparation for the 2007/2008 audit, which would (1) report a Beginning Balance that agrees with the ending balance in the 2006/2007 audit, (2) reflect projections of Property Tax Revenues, Payroll Expense and Payroll Benefits based on year-to-date activity, and (3) include the additional \$42,000 for the Pro Comp Trust Fund's share of the McKinsey contract and the approved \$385,000 external evaluation. Bruce Hoyt made the motion to approve the adjusted budget. Brett Fuhrman seconded the motion. Motion carried.

- III. Discussion of the third party's role in evaluating administrative expenses (Mark Harmon)

Andree Hall stated that as Mark Harmon was absent and excused, this action item would be added to a future meeting agenda.

- IV. Consideration of hiring staff (2) for the Trust Fund (Velma Rose)

Velma Rose referred to two job descriptions, one for a Pro Comp Project Data Analyst and the second for a Pro Comp Project Financial Analyst. The Data Analyst was posted in July 2007 as a Research Analyst and is reposted as a Data Analyst just recently. This individual would be involved with (1) the data analysis of Pro Comp teacher participation, payroll issues, and opt-in processes, (2) manage the ProComp financial model, and (3) collaborate with the District's IT department to ensure that there are effective systems and processes in place. To date there have not been applicants who meet the desired qualifications. As such, there was discussion of increasing the salary range from the current \$50,000 - \$65,000 to that of \$60,000 - \$75,000, if needed, in order to fill the position. Velma Rose stated that the Financial Analyst, which would also warrant a salary range of \$60,000 - \$75,000, would be involved with, for the ProComp Trust Fund, long-term financial projections, annual budgets, ongoing transactions, monthly financial reporting, investment management and reporting, invoice preparation and the annual audit. Asked whether this would be a full-time job, Velma Rose responded that this individual would not only be performing the work tasks performed by her, but would also perform other critical tasks. In addition, this individual would be interfacing with the Data Analyst, the District's Finance and Payroll Departments, in addition to the ProComp Trust Board and Investment Advisor. Andree Hall stated that in order to have a seamless transition, prior to Velma Rose's retirement, it was important to fill this position as soon as possible. Board of Trustee members stated that it was critical that both of these positions, though they will be reporting to the ProComp Program Director, attend and make presentations at the Procomp Trust Board meetings. Tom Buescher cited that, with a maximum salary of \$75,000 each and benefits approximating a third of the salary, the 2008/2009 budget should include \$200,000 for these two positions. Bruce Hoyt made the motion to approve filling the two positions, at an approximate maximum cost of \$200,000 to the Trust Fund. Lee White seconded the motion. Motion carried.

Information Item:

- II. Draft 2008/2009 ProComp Trust Fund Budget (Velma Rose)

Velma Rose described the documents that were included in the 2008/2009 ProComp Trust Fund Budget packet, namely (1) a one-page balanced budget summary containing the dollar amount for each revenue and expenditure category and the assumptions, (2) monthly calculation of property taxes, investment earnings, payroll and benefit expenses and other expenditure categories, (3) the assumptions for projecting monthly property tax collections, (4) the history of property tax

collections, (5) the projected 2007-2008 revenues and expenditures, (6) the 2007-2008 monthly cash flows, and (7) the January 2008 5-year projections. Lee White recommended that the 7% investment earnings assumption be reflected as 3% cash returns and 4% unrealized gains. Velma Rose stated she also needed to add to the 2008-2009 budget the \$200,000 for the two positions. In response to the inquiry as to when the 2008/2009 Budget needed to be approved by the Trust Board, Velma Rose stated that it should be prior to the District Board action on the entire District 2008/2009 Budget scheduled for June 19, 2008. It was agreed that this ProComp Trust Board meeting be at 5pm on June 11, 2008, and allow for call-in.

III. April 2008 Financial Statements (Velma Rose)

Velma Rose presented the April 2008 financial statements and distributed the Investment Advisor's first quarter investment report. Jerry Graves provided an overview of today's 1st Quarter Investment Committee meeting discussion, with emphasis made on the good timing of when the ProComp Trust started investing its funds, that the Trust was on track in implementing the \$50 million investment schedule, and that the Trust should plan on investing additional tax dollars in late Fall and early Spring, while leaving \$5 million to \$6 million in the ColoTrust money market.

At 5:48 pm, Jerry Graves made the motion to adjourn the meeting. Tom Buescher seconded the motion. Motion carried.