



# ProComp

## Teacher Compensation Trust Board of Directors

### MINUTES

October 22, 2008

MEMBERS IN ATTENDANCE: Lee White, chairman; Velma Rose, vice chair; Tom Buescher, secretary; Brett Fuhrman; Donald Gilmore; and Jerry Graves. STAFF IN ATTENDANCE: Brad Jupp, Superintendent's Senior Academic Policy Advisor; Patrick Riordan, Pro Comp Data Analyst; Mandy Potts, ProComp Financial Analyst; and Deb Cunningham, ProComp Project Director. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney and Jill Korenek of JDS Professional Group, Trust Board auditor and Kelley Matthews, Ex. Assistant to Lee White.

I. Review and Approval of the Agenda

*The meeting convened at 4:30pm. Velma Rose proposed to amend the agenda to include a review of the proposed amendments to the ProComp Trust Agreement as information item number eight and that action on changes occur at the next scheduled meeting. No objections were made so the agenda, as amended, was noted and approved by Lee White.*

II. Approval of the September 10, 2008 meeting minutes

*Mary Brauer requested to amend "Mr. Rose" to "Ms. Rose" and the spelling of "responsibility" to "responsible" on page 2, section 2. Tom Buescher moved to approve the minutes as corrected, second by Brett Fuhrman. Motion carried.*

Action Items:

III. Presentation of the 2007-2008 Annual Audit Report (Jill Korenek and Velma Rose)

*Velma Rose reviewed the 2007-2008 annual audit report stating there were new disclosure requirements not in last year's audit because of the change in the Trust's investment allocations, which necessitated a need to research GASB accounting literature for guidance. Jill Korenek added that JDS Professional Group staff had to implement eight new audit standards for which they had to "walk through" the entire ProComp transaction process. Ms. Korenek stated the audit was free of material misstatement and did receive full and timely cooperation from management. JDS Professionals did not identify any errors or any complications. In addition, JDS Professionals did not report any deficiencies and did not make any final audit adjustments. Ms. Rose also stated a subsequent event footnote was added to the audit report as a result of the impact of the decline in the market on the value of the Trust's investments through September 30, 2008.*

*Lee White inquired about the sample size for testing transactions. Ms. Korenek replied that the industry standard is a sample size of 25, 40, or 60. JDS Professionals drew a sample of 40 and reviewed the payment and documentation of each transaction.*

*Velma Rose moved to accept the audit report, seconded by Tom Buescher. Motion carried.*

*Jerry Graves made a request for these reports to be archived for future reference or review.*

IV. Approval of Amendments to the ProComp Investment Policy Statement (Velma Rose)

*Velma Rose reviewed the recommended changes made by Howard Biggs of Arnerich Massena & Associates, Inc. to the Trust's Investment Policy Statement, pointing out that such changes included*

clerical changes, revisions to the minimum and maximum targets for certain asset allocations and new language around the rebalancing of the assets. Board members discussed the timing for rebalancing of assets, in light of when the budget is approved, when property taxes are received and when payouts occur. Specific questions focused on the dates (a) for the asset balances, (b) for Board approval of the rebalancing and (c) by when completion of rebalancing is to occur. Board members requested further clarification and simplification of this section of the Investment Policy Statement. The Board expressed interest in affirming that sufficient cash would be available to meet annual ProComp payroll commitments without having to liquidate investments in an untimely manner or adverse market. The Board requested that Velma Rose and Mandy Potts work with Howard Biggs to modify this language and bring the revised amendments to the ProComp Investment Policy Statement to the next meeting for action.

Tom Buescher moved to table action to approve amendments to the investment policy statement. Jerry Graves seconded the motion. Motion carried.

#### Information Items:

##### V. Introduction of Program Director, Deb Cunningham

*Velma Rose presented Deb Cunningham, ProComp Project Director, who shared with the Board her professional background.*

*Tom Buescher requested an explanation of the roles of Ms. Cunningham and the two Board employees (Mandy Potts and Patrick Riordan).*

*Ms. Rose stated Mandy Potts and Pat Riordan work for the ProComp Trust Board. Ms. Potts manages all financials and investment information, board packets, board communication and minutes. Mr. Riordan is responsible for data accuracy which requires analyzing data, systems and underlying processes which the Trust Board relies on for calculating the monthly ProComp invoice. In addition, Mr. Riordan is responsible for maintaining the fiscal model and modeling the cash flow. Ms. Potts and Mr. Riordan are committed to understanding the model assumptions and the payment business rules and how they apply and impact the cash flows of the ProComp Trust Fund.*

*Brad Jupp added that Board members' questions for the Trust Board staff should be directed to the Chairman, Lee White. Mr. Jupp explained that Ms. Cunningham is responsible for overseeing the implementation of ProComp to include management of the TIF Grant.*

##### VI. Presentation of the August and September financials (Mandy Potts)

*Mandy Potts reviewed the August and September financials. Special note was made on the September financials that detailed a significant unrealized investment loss. Lee White noted that the Trust Board has a long term investment strategy and the fixed income portion cushioned the Fund from losses associated with recent equity market declines.*

##### VII. Presentation of 2<sup>nd</sup> Quarter ProComp Trust Investment Committee Report (Jerry Graves)

*Jerry Graves presented the 2<sup>nd</sup> quarter report which detailed the diversity of the investment portfolio and noted the fund exceeded investment benchmarks as of June 2008. The Board will continue to implement the Investment Policy Statement strategy.*

##### VIII. Review the Proposed Amendment to ProComp Trust Agreement (Mary Brauer)

*Mary Brauer stated the goal of the proposed changes to the ProComp Trust Agreement was to incorporate changes included in the collective bargaining agreement between DCTA and DPS that affected the Trust Board's role. The Trust Board will review and affirm these changes at the next meeting. At that time, the Amended ProComp Trust Agreement will be forwarded to the Boards of the DPS and DCTA for their review and approval.*

##### IX. Discussion of future meeting dates (Velma Rose and Brad Jupp)

*Velma Rose and Brad Jupp reviewed the duties and timelines of the Trust Board. The Board agreed less frequent meetings would be needed in the future. A recommendation was made by Mr. Jupp to meet February 25, April 22, June 10 and October 28 of 2009. Mr. Jupp will prepare a schedule that will include these dates and activities. The next scheduled meeting will be November 19, 2008 at 4:30pm.*

X. Future Agenda Items

1. Update on the External Evaluation Activities and Timelines (Deb Cunningham)
2. Presentation of the administrative cost (Tom Boasberg)

The meeting adjourned at 6:28 pm.