



# ProComp

## Teacher Compensation Trust Board of Directors

### MINUTES

September 10, 2008

MEMBERS IN ATTENDANCE: Velma Rose, vice chair (and presiding as acting chair); Tom Buescher, secretary; Brett Fuhrman; Donald Gilmore; Jerry Graves; Mark Harmon and Bruce Hoyt. STAFF IN ATTENDANCE: Tom Boasberg, Chief Operating Officer and District Bargaining Team representative; Rob Gould, Teacher and DCTA Bargaining Team representative; Brad Jupp, Superintendent's Senior Policy Advisor; Patrick Riordan, Pro Comp Data Analyst; and Erik Schmidt, District independent contractor. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney

I. Review and Approval of the Agenda

*The meeting convened at 4:30pm. Ms. Rose pointed out the misspelling of Erik Schmidt's name on the original agenda. Mr. Buescher noted that Action Item III should state "acknowledgment" instead of "approval". Tom Buescher moved approval of the agenda as amended. Jerry Graves seconded the motion. Motion carried.*

II. Approval of the June 11, 2008 meeting minutes

*Bruce Hoyt made the motion to approve the minutes. Tom Buescher seconded the motion. Motion carried.*

Action Items:

III. Acknowledgement of the Appointment of Donald Gilmore to the Pro Comp Trust Board to fill Andree Hall's vacancy

*Ms. Rose reviewed the requirements of the Pro Comp Trust Agreement for filling Trust Board vacancies and presented the following documents: July 14, 2008, email from Andree Hall stating her resignation from the Trust Board; August 7, 2008, email and September 10, 2008, signed letter from Kim Ursetta, DCTA President, appointing Donald Gilmore to fulfill the remainder of Andree Hall's term, or through December 31, 2008; and August 7, 2008 letter from Donald Gilmore accepting the appointment. Mark Harmon made the motion to approve the resolution acknowledging Donald Gilmore's appointment. Bruce Hoyt seconded the motion. Motion carried.*

IV. Election of Chairperson to the Pro Comp Trust Board

*Ms. Rose reviewed the requirements of the Pro Comp Trust Board Agreement and Pro Comp Trust Board Bylaws for the election of the Chairman and presented the email from Lee White stating that he would accept the position if nominated. Ms. Rose submitted the nomination of Lee White as the Chairman through the period December 31, 2008. Ms. Rose reminded the Board that the election of officers is an annual event, to occur during the first meeting of each calendar year. As no other nominations were presented, Lee White's election as Chairperson was approved.*

V. Approval of a Resolution to Report on the Financial Stability of the Trust as a Result of the Amendments to the Pro Comp Agreement and to Amend the 2008-2009 Trust Fund Adopted Budget

*Ms. Rose presented a Resolution, the contents of which received prior review by Mary Brauer and Mr. Buescher, the purposes of which were to (1) meet the requirement of the Pro Comp Trust Agreement to address the impact of the settlement between the District and the DCTA on the financial status of the Trust; and (2) to approve the revisions to the 2008-2009 Trust Fund budget as*

long such revisions do not present any of the conditions cited in the Pro Comp Agreement warranting withholding of such approval. The Resolution also referred to the Board receiving a presentation by representatives from the DCTA and the District bargaining teams on the amendments to the Pro Comp Agreement, included in their settlement, in addition to a review of the assumptions of the Trust's revenue and expenditure projections based on these amendments.

1. Receive an explanation of the terms of the settlement (Rob Gould and Tom Boasberg)

*Rob Gould reviewed the Tentative Agreement signed by Michael Bennet, the District's Superintendent and Kim Ursetta, the DCTA President, on August 23, 2008. Rob Gould, Tom Boasberg and Brad Jupp responded to questions from members of the Trust Board.*

2. Receive a demonstration of the McKinsey Model and explanation of the assumptions underlying the cash flow projections based on the settlement (Erik Schmidt)

*Tom Boasberg explained the format of the Pro Comp Trust Balance document, wherein a snapshot was presented of each year's projected revenues and expenditures over a 52-year period. Erik Schmidt reviewed the Summary of the Pro Comp Incentive Payments, pointing out where dollar amounts changed and whether they were base-building or non-base-building. Mr. Schmidt then proceeded to provide an overview of the McKinsey Model, to include the assumptions, which are appended to these minutes. Mr. Schmidt demonstrated that the projected impact on the Trust Fund balance included the changes to the incentive payments, a 21.2% benefit rate (to include the Pension Certificates of Participation payment burden) and the Trust Fund share of the salaries of Pro Comp teachers paid from all funds of the District. Ms. Rose pointed out that the projected administrative expenses are representative of current annual spending levels approved by the Trust Board, not the 5% of annual tax receipts maximum level authorized in the amendments to the Pro Comp Agreement. As to why there was a projected decrease in the Trust Fund balance in year 10, Mr. Schmidt stated it was due to the squeeze of DCTA members in the lower versus higher salary brackets, thus prompting teachers to opt-in when the differences between the two systems were minimal. Though the payment of the banked PDUs was not included in the Model, Mr. Gould pointed out that the estimated 90 teachers with 1 to 2 banked PDUs each would have an immaterial impact.*

*Mr. Hoyt observed that though the low point was a balance of \$18 million in years 10-12, it was still a healthy balance, and that the use of bonuses allowed for greater predictability of the cash flows. In response to Mr. Graves' question on who was responsible for determining the assumptions, Ms. Rose stated that the Pro Comp Trust Board approved the revenue and administrative expense assumptions, and the Pro Comp Transition Team made the teacher behavioral assumptions (opt-in, turnover, new hire and entry salary, and the timing and percentage of teachers receiving the individual incentives). Patrick Riordan will be responsible for owning and updating the Model, once he's received the training from Mr. Schmidt. Mandy Potts, the Pro Comp Financial Analyst, will have the financial responsibilities, to include creating the invoices, the monthly financials and annual audit, and the investment policy and strategies, in addition to familiarizing herself with the Model. Mary Brauer pointed out that the Trust Board only had to assert to the reasonableness of the assumptions.*

*Mary Brauer requested of Mr. Gould the final amended Pro Comp Agreement so that she may prepare the necessary amendments to the Pro Comp Trust Agreement. Mr. Boasberg stated that at a minimum the Fiscal Model had to be rerun every three years, in light of the three-year agreement and the Pro Comp Agreement review cycle, taking into consideration the investment earnings and incentive payment experience. The dollar amount and base-building or non-base-building nature of the incentive payments can only be changed through the bargaining process and the cost impact on the Trust Fund must be approved by the Trust Board. Mr. Harmon observed that in a number of cases the assumptions used could be very conservative. Mr. Buescher requested that there should be an annual report presented to the Trust Board comparing these assumptions to actual experience.*

*Bruce Hoyt made the motion to approve the Resolution approving the revisions to the 2008-2009 Trust Fund Budget. Mark Harmon seconded the motion. Motion carried.*

- VI. Acceptance of the McKinsey Financial Model and Direction to District Staff to Communicate such to the Broad Foundation (Velma Rose)

*Ms. Rose explained that a condition of the payment received from the Broad Foundation for their share of the cost of the McKinsey Model was the acceptance of the McKinsey Model by the Trust*

*Board. If accepted, Ms. Rose would have Mandy Potts so notify the Broad Foundation. Tom Buescher made the motion to accept the McKinsey Model and direct staff to communicate such to the Broad Foundation. Brett Fuhrman seconded the motion. Motion carried*

VII. Adoption of the Amendments to the Adopted 2008-2009 Budget (Velma Rose)

*Ms. Rose requested the approval of the Amended 2008-2009 Trust Fund Budget presented to the Trust Board, and containing the revisions approved by the Trust Board in the Resolution approved in agenda item V. Bruce Hoyt made the motion to approve the Amended 2008-2009 Trust Fund Budget. Mark Harmon seconded the motion. Motion carried.*

VIII. Adoption of the Amendments to the Supplemental 2007-2008 Budget (Velma Rose)

*Ms. Rose requested the approval of the supplemental adjustments to the 2007-2008 Trust Fund Budget presented to the Trust Board in light of the higher than anticipated tax collections. Tom Buescher made the motion to approve the Supplemental 2007-2008 Trust Fund Budget. Brett Fuhrman seconded the motion. Motion carried.*

IX. Approval of Amendments to the Pro Comp Investment Policy Statement (Velma Rose)

*Ms. Rose stated that due to the then departure of several Trust Board members from this meeting, and, thus, the lack of a quorum, this action item would be tabled and added to the next Trust Board meeting agenda.*

X. Schedule the Next Meeting

*Ms. Rose stated that the next scheduled meeting would be on October 22, 2008, at 4:30pm.*

Information Items:

XI. Status of Staffing (Velma Rose)

1. Program Director- update on hiring process

*This agenda item was not discussed and will be placed on the October meeting agenda.*

2. Financial Analyst- Mandy Potts (on vacation)

*Ms. Rose apprised every one of the job description and resume of Mandy Potts included in this meeting's packet of materials.*

3. Data Analyst- Introduction of Patrick Riordan

*Ms. Rose apprised every one of the job description and resume of Patrick Riordan included in this meeting's packet of materials.*

XII. June and July 2008 Monthly Financials (Velma Rose)

*Ms. Rose pointed out that the June and July 2008 monthly financials were included in this meeting's packet of materials and stated that if there were any questions they could be directed to either her or Mandy Potts.*

XIII. 2<sup>nd</sup> Quarter Pro Comp Trust Investment Committee Report (Jerry Graves)

*Ms. Rose stated that this item would be tabled and added to the October 22, 2008, meeting agenda.*

XIV. Future Agenda Items

- A. Update on the External Evaluation Activities and Timelines (Henry Roman)
- B. Presentation of the 2007-2008 Annual Audit Report (JDS Professional Group)

*Ms. Rose stated that these items would be on the October 22, 2008, meeting agenda.*

The meeting adjourned at 6:08 pm.







**ProComp Negotiations**  
**Final Assumptions Used In Model Negotiated 8/22/08**

	CY 08-09 Year 1	CY 09-10 Year 2	CY 10-11 Year 3	CY 11-12 Year 4	CY 12-13 Year 5	CY 13-14 Year 6	CY 14-15 Year 7	CY 15-16 Year 8	CY 16-17 Year 9	CY 17-18 Year 10	CY 22-23 Year 15	CY 27-28 Year 20	CY 37-38 Year 30	CY 47-48 Year 40	CY 57-58 Year 50	CY 58-59 Year 51	CY 59-60 Year 52
Growth Schools	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unidentified Non-Salary Adjustment 1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unidentified Non-Salary Adjustment 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unidentified Non-Salary Adjustment 3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**Assumptions about year prior to starting year**

	CY 06-07
Cash balance	\$ 59,344,252
Cash in Mill Levy	\$ 26,645,331
Administrative expense	\$ 500,000
<b>ProComp FTEs</b>	
Number of terminations	140
Ending ProComp FTEs	2336
Percent that have already received tuition reimbursement	20%
<b>ProComp salary</b>	
ProComp starting compensation (all funds)	\$ 121,644,864
<b>Traditional salary</b>	
Traditional starting compensation (all funds)	\$ 114,674,240
<b>For comparison with existing averages model</b>	
Avg. Starting Salary New Hires (for comparison with existing model)	\$ 41,321
Avg. value of step change	\$ 587.00
Avg. value of lane change	\$ 44.00
Carryforward salary payments	\$ 2,984.00

**Step Range to Earn Assumptions (used for all scenarios)**

Base Building Steps	From	To
Steps to Earn for PDU	1	14
Steps to Earn for an Advanced Degree	1	50
Steps to Earn for NBTS	1	50
Steps to Earn for Other Licenses	1	50
Steps to Earn for Performance Eval (P/S)	1	14
Steps to Earn for Performance Eval (NP/S)	1	14
Steps to Earn for Meets 2 Objectives	1	50
Steps for Unidentified Salary Adjustment 1	1	50
Steps for Unidentified Salary Adjustment 2	1	50
Steps for Unidentified Salary Adjustment 2	1	50
<b>Initial Non Base Building Steps</b>		
PDU	15	50
Steps for Hard to Staff Position	1	50
Steps for Hard to Serve School	1	50
Steps for Meets 1 Objective	1	50
Steps for CSAP Exceeds	1	50
Steps for Distinguished Schools	1	50
Steps for Growth Schools	1	50
Steps for Unidentified Non-Salary Adjustment 1	NM	NM
Steps for Unidentified Non-Salary Adjustment 2	NM	NM

