



ProComp

Teacher Compensation Trust Board of Directors

MINUTES

January 31, 2008

MEMBERS IN ATTENDANCE: Andree Hall, chair, Velma Rose, vice chair, Brett Fuhrman, Mark Harmon, Bruce Hoyt, Lee White and Jerry Graves. STAFF IN ATTENDANCE: Kathy Kochis, Pro Comp Director. OTHERS IN ATTENDANCE: Mary Brauer of Reinhart, Trust Board attorney, Bria Cunneen, ProComp Team.

I. Review and Approve Agenda

Jerry Graves made the motion to approve the agenda. Velma Rose seconded the motion. Motion carried.

II. Approve December 5, 2007 meeting minutes

Mark Harmon made the motion to approve the minutes. Brett Fuhrman seconded the motion. Motion carried. In addition to posting these minutes online, it was requested that the By-Laws are also added to the Trust Board's website.

Information:

I. Documentation sent to Northern Trust (Bria Cunneen)

Northern Trust required documents indicating who on the Board can interact with their firm regarding the Trust's investment. These documents, listing all members of the Board and signed by Tom Buescher, the Board's secretary, were sent to Northern Trust last week. These documents will need to be updated to include Bruce Hoyt, replacing Kevin Patterson as a board member. Bria Cunneen will update the documents and forward them to Tom Buescher to be sent to Northern Trust.

II. Investment implementation status (Mary Brauer)

Due to a conflict between Colorado state law and Illinois state law, the investment contract has been delayed. Mary Brauer will work on establishing a timeline with Northern Trust and will report back to the Trust Board with an update at the next meeting.

III. Meeting Protocol (Andree Hall)

Andree Hall reviewed the basic organization and operation of the Board: 8 members total, 6 present to constitute a quorum, and 5 members must agree to approve an action.

IV. Update on amendments made to the ProComp Agreement (Kathy Kochis)

The amendments to ProComp are currently out for a vote and ratification by DCTA; the summary created by the DCTA was reviewed by Kathy Kochis. Substantive changes include removal of PDU expiration, treatment of all non-licensed teachers as TiR's, replacement of current and proposed assignment language with "an assignment in the DCTA bargaining unit," and payment of bonuses annually vs. monthly. Editorial or non-substantive changes are also included as proposed changes.

Although not requiring ratification, the change in criteria for Hard to Serve schools to Free and Reduced Lunch percentages was explained. This prompted a discussion of how the Transition

Team is currently looking at making structural changes to ProComp; they have agreed on objectives and will use focus groups and possibly a facilitator to move forward with options to change the program.

V. Update on the status of the fiscal model (Kathy Kochis)

The two models, TM1 and Excel, show a discrepancy in the 50-year balance. Kathy noted that the assumptions and the logic on both models appear sound but the actual application of the logic is causing inconsistencies in the balances. She will continue to work through the differences and refine the approach, possibly contracting with a third party to recommend steps to modify or rebuild the model. The Trust Board discussed revisiting the contracting suggestion after Kathy and Carpe Datum have reworked the TM1 model.

Since the TM1 fiscal model is owned by the Trust Board, if the model cannot be created because the structure of the program is too complex, it is necessary to look at re-structuring the program. A joint meeting of the Transition Team and the Trust Board was suggested to review the financial model and outline the responsibilities of each group. Kathy will continue to work through the issues on the fiscal model and look to schedule a full or half-day workshop for both groups.

VI. Review of initial procedures for the Trust Board (Kathy Kochis)

The group reviewed an initial draft of the Board procedures written by Kathy and the ProComp team. Several items were pulled out for future discussion, such as expenses being approved by the Trust Board and the management of both the fiscal model and investments. The document was revised and will be revisited at the next meeting.

VII. December 2007 Financial Statements (Velma Rose)

Velma Rose presented the December ProComp Financial report and noted the reduced amount of taxes collected in December, traditionally the slowest month for tax revenue collection. She also noted that the Trust has a negative net revenue since the fund will be receiving tax revenue at a later date, in effect borrowing until the taxes have been collected, which is also an approved practice for the District.

Action Items:

I. Power of the Chairperson on behalf of the Board of Trustees (Mary Brauer)

To clarify the powers of the Chairperson to sign documents on behalf of the Board, Mary Brauer suggested adding a sentence to section 3.04 of the By-Laws. Velma Rose motioned to discuss the item. Bruce Hoyt seconded the motion. No discussion was necessary. The addition was approved.

II. Discussion on ProComp administration costs and funding issues (Kathy Kochis)

After reviewing the ProComp Trust Agreement, the ProComp collective bargaining agreement and the ProComp Ballot language, Mary Brauer concluded that assets of the ProComp Trust may be used for costs of administering the ProComp System, to the extent the administrative costs are "reasonable."

The group felt an inadequate amount of time remained to discuss the issue further. Velma Rose made the motion to table this item until the next meeting. Jerry Graves seconded the motion. Motion passed.

III. Discuss funding all ProComp payments out of the Trust (Kathy Kochis)

Velma Rose made the motion to also table this item until the next meeting. Jerry Graves seconded the motion. Motion passed.

IV. Required 12/31 Financial Stability report discussion (Velma Rose)

Velma Rose presented a draft of the required annual financial stability report to be reviewed by the Board of Education. Several edits were made, including noting that due to the complexity of the ProComp program and the lack of completeness of the fiscal model, the Board was not currently in the position to project the fiscal state up to 50 years. Also, an amendment was added noting the annual support expenses associated with ProComp were being reviewed; these costs are estimated at \$2.5 million this year and approximately \$1.2 million ongoing. Mark Harmon made the motion to amend the document. Lee White seconded that motion. Motion passed.

Information:

- I. Future Agenda Items
 - a. *Discussion on ProComp administration costs and funding issues*
 - b. *Discuss funding all ProComp payments out of the Trust*
 - c. *Discuss aspects of the Trust Board By-Laws*
 - i. *Proxy issue*
 - ii. *Executive session*
 - iii. *Invoices/expenses*
 - iv. *Quorum*
 - d. *Review of procedures for the Trust Board*
 - e. *Staff support discussion for the following tasks:*
 - i. *Oversight of the fiscal model*
 - ii. *Oversight of investment activity*
 - iii. *Support for the Trust Board*
 - f. *Future fiscal stability report requirements*
 - g. *Investment implementation status: CO/IL state law conflict*
 - h. *Joint Trust Board-Transition Team meeting update*