

**Approved Minutes
Utrust Trustee Meeting
October 2, 2015**

Trustees of the Unemployment Compensation Trust met October 2, 2015 at the Utrust offices. Attending the meeting were: Chairman David Jones, Vice Chairman Don Weathers; trustees: Roger Greene, Joey Cooper, Jasper Taylor, and Regina Waller; Dewey Branstetter, Trust Attorney and Hunter Branstetter; Investment Adviser Mike Hill from SunTrust; Auditor Dan Canter from Canter & Company; Sharon Evins from Dempsey Vantrease & Follis; staff members: Dr. Dan Tollett, Trust Administrator, Kristi Coleman, Director of Finance & Administration and Dameron Johnson, Communications Specialist. Trustee Norma Tate was absent.

Chairman David Jones called the meeting to order at 2:00 p.m.

GREENE/WALLER: Motion to approve the consent agenda. **Motion carried unanimously.**

Administrator's Report

Dr. Tollett expressed appreciation to the trustees for their attendance and commitment to the trust. He pointed out that the intergovernmental agreement of TNRMT was approved as part of the consent agenda and mentioned that changes to the Utrust intergovernmental agreement would be considered on the agenda today.

He said that Utrust has had another good year and that Dan Canter would document that in the audit report today. He commended Dan for his work with the trust. He pointed out that Utrust had distributed \$750,000 in mini grants to the membership last year and had hoped to distribute \$1 million this year. He said the staff had included three proposals for their consideration that had not included the recommendation because of the volatility in the market.

Investment Report

Mike Hill reported for the period ending 3Q2015, all major stock indices had their worst quarter in 4 years. A combination of events from China's announced slowdown to inaction by the Federal Reserve to raise interest rates caused investor nervousness. Markets reacted with equity prices declining and bond prices rising. The Utrust portfolio held up well despite the sharp sell-off in stocks and remains well positioned for expected continued growth in the US. The portfolio return for the year-to-date period is -1.81% and long-term performance continues to be very strong. The portfolio's largest allocation is to US equities as the driver of growth for future returns. The portfolio has a small allocation to international equities at 11% and the balance of the portfolio, about 32% is allocated to fixed income.

Despite the recent downturn and volatility, our base case is the bull market remains intact: what has been unfolding over the past few months appears to be an uncomfortable correction within an ongoing, albeit mature, bull market. Specifically, recession risks appear low, oil prices have not spiked, monetary policy remains very accommodative and investor sentiment is far from euphoric. A backdrop that could lead to gains later in the year and into 2016.

WEATHERS/COOPER:

Motion to approve investment report. **Motion carried unanimously.**

Audit Report

Dan Canter discussed the audit report. He said the financials as of June 30, 2015 were presented fairly and therefore the Trust received a very favorable opinion. He reported since claims liability had continued to decline, the claims exposure was much less than in years past resulting in a change in liability of \$130,000. No adjustments were necessary at this year

WEATHERS/COOPER:

Motion to approve audit report. **Motion carried unanimously.**

Financial Report

Kristi Coleman reviewed the financial report for August 31, 2015. She reported that the investments had decreased in value since the beginning of the fiscal year to \$19 million representing almost a \$1,000,000 decline since June.

She reported the unemployment claims since the beginning of the fiscal year are trending roughly the same as the prior year.

She also explained several charts provided to give trustees in-depth information to evaluate the success of the Trust including: July claims for the past five years; history of claims paid for the last five years; and portfolio values from 2000-2015.

GREENE/COOPER:

Motion to approve the financial report as of August 31, 2015. **Motion carried unanimously.**

Employee Appreciation Program

Dameron Johnson reported the model for the Employee Appreciation Program continues to get better and easier to use. She said we are focusing on teaching the coordinators the importance of the G-Force. "G" stands for Gratitude. The team consists of 2 representatives from each classroom who lead their class in appreciation day activities as well as helping them develop an attitude of gratitude throughout the year, not just on the appreciation days.

She shared stories submitted from schools about their celebrations from Bus Driver Appreciation Day to show the tremendous impact this program is having on the students and staff in those schools.

She reported that the staff has been visiting members to help them better understand the program and how to implement it. Recently, school coordinator workshops were held in Hancock and Decatur Counties. The goal is to hold more coordinator workshops around the state to help them better understand the concept "Everyone does a little so no one does a lot."

Awards Program

Last year, the staff presented a proposal to modify the School System EAP of the Year Award to three regional awards to be presented to one system in each region. Each award carried with it \$100 cash to be paid directly to the school coordinator of each participating school.

The staff proposes to change the cash award to be paid to the school rather than the school coordinator since the success of the program is dependent on everyone working together to make the day great. New criteria to determine regional winners were also presented.

COOPER/WEATHERS: Motion to approve changes in the School System EAP of the Year Award to include cash awards paid to participating schools. **Motion carried unanimously.**

Membership Appreciation Dinner

The agenda for the evening was discussed with trustees volunteering for specific responsibilities. Trustees asked staff to order padfolios to give to the attendees and new shirts and jackets for trustees to wear that evening.

Recess. Chairman Jones called a recess at 3:50 p.m. He called the meeting back to order at 4:00 p.m.

Report of Legal Counsel

Dewey Branstetter shared that Mike Hill, our financial consultant from SunTrust, recommended we give consideration to protecting the assets of Utrust by analyzing our governing documents. Such an analysis led the staff to believe longer trustee terms with one trustees elected each year. This would make it considerably more difficult for any special-interest group to gain control through the election of trustees. An additional benefit of longer terms for trustees is that it takes a good amount of time for trustees to become knowledgeable about the operations of Utrust- -especially investments.

It also seemed feasible to add a statement of how trust funds are invested with a reference to applicable Tennessee state law and to officially change the name of the trust to Utrust.

TAYLOR/WEATHERS: Motion to approve all the proposed bylaws changes except moving the accumulated reserve amount from \$15 million to \$17 million. **Motion carried unanimously.**

Mini-Grants

The staff presented three options for distribution of Utrust Mini-Grants. The options included distribution of dividends through mini-grants in the amount of \$500,000, \$750,000 and \$900,000.

WEATHERS/GREENE:

Motion to approve the third option of \$900,000 for distribution of dividends through mini-grants. **Motion carried.**

Date of Next Meeting

The next trustee meeting was set for May 6, 2016.

GREENE/COOPER:

Motion to adjourn. **Motion carried unanimously.**

David Jones, Chairman

Dan Tollett, Trust Administrator