

Minutes
Utrust Trustee Meeting
September 22, 2017

Trustees of the Unemployment Compensation Trust met September 22, 2017 at the Utrust offices. Attending the meeting were: Chairman David Jones, Vice Chairman Joey Cooper; trustees: Roger Greene, Jasper Taylor, Dawn Fry and Regina Waller; Dewey Branstetter, Trust Attorney; Investment Adviser Mike Hill from SunTrust; Auditor Amanda Cromwell from Dempsey, Vantrease & Follis; staff members: Dr. Dan Tollett, Trust Administrator, Kristi Coleman, Director of Finance & Administration and Dameron Johnson, Communications Specialist.

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

TAYLOR/COOPER: Motion to approve the consent agenda. **Motion carried unanimously.**

Administrator's Report

Dr. Tollett expressed appreciation to the trustees for their continued reliability in attending trustee meetings. They reported that Norma was unable to attend because treatment due to her husband's illness.

He reported with delight that the Utrust reserve had surpassed \$20 million. He described it as a milestone event that the staff and trustees had long hoped for.

He reported that although Dan Cantor did not perform the audit as he had done in the past, he did oversee the audit performed by Dempsey, Vantrease, and Follis, PLLC.

He said the Utrust Appreciation Program had gained momentum with the beginning of the school year and the newly created Facebook page had been extremely busy with school coordinators posting photos and summaries from appreciation day celebrations in their schools. He summarized visits that he and Kristi had made to seven school districts.

He previewed an activity regarding the history of Utrust to occur later in the meeting and explained that Dewey Branstetter would present a historical overview of legal aspects. He identified several issues regarding the member appreciation dinner to be discussed at the meeting and pointed out that later in the meeting trustees would determine the amount to be distributed through mini grants could be as much as \$1 million.

Investment Report

As of June 30, 2017, The Utrust portfolio had a market value of \$21,100,891. The portfolio composition continues to favor growth with a 65% allocation to equity and the balance to fixed income. The portfolio remains broadly diversified and in compliance with objective targets. For the one year period ending June 30, 2017, the portfolio gained 14.05% versus a benchmark return of 9.70%. Both allocation decisions along with individual manager outperformance accounted for the excess returns relative to the benchmark.

The portfolio remains well positioned consistent with SunTrust's outlook for continued slow and steady economic expansion in the US and continued accommodative monetary policy globally.

COOPER/FRY:

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

Audit Report

Amanda Cromwell discussed the audit report. They said the financials as of June 30, 2017 were presented in a fair and accurate manner and therefore the Trust received a very favorable opinion. No adjustments were necessary.

GREENE/WALLER:

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

Financial Report

Kristi Coleman reviewed the financial report for July 31, 2017. She reported that the investments had increased in value since the beginning of the fiscal year attributing to the net gain for the fiscal year to date of a little over \$300,000.

She reported the claims for July were significantly more than the same time last year. Typically claims are higher in the summer months when school is out. She stated the August claims had come in the day before and while they were almost \$10,000 more than the same time last year, we are hopeful the trend for claims will decline since school is back in session.

COOPER/TAYLOR:

Motion to approve the financial report as of July 31, 2017. **Motion carried unanimously.**

Employee Appreciation Program

Dameron Johnson reported about the Utrust Appreciation Program starting the year off with Bus Driver Day with the Nashville theme. She explained how themes are very different this year from years past. The themes for this year's appreciation days will be various big cities around the globe such as Paris, Tokyo, New York City. She discussed the overall theme for the year is a "Trip Around the World".

Dameron stated the closed Facebook Utrust Coordinators group is already flooded with photos, videos and summaries of activities all around the State. She showed a video from Lake City Elementary School in Anderson County of their bus driver celebration. The video was a great example of wonderful things being done in schools through this program. She stated seeing the photos and videos of all the activities is a constant encouragement to keep striving to make this program easy to implement and fun to do. She ended her presentation with the notion that "one school at a time" is driving the staff to keep pushing schools to implement this program because it WILL make a difference. It WILL change lives.

Membership Appreciation Dinner

The agenda for the evening was discussed with trustees volunteering for specific responsibilities.

Recess. Chairman Jones called a recess at 3:35 p.m. He called the meeting back to order at 3:45 p.m.

Report of Legal Counsel

As part of his legal report, Mr. Branstetter provided the trustees with a brief history of his involvement with the Unemployment Compensation Trust ("Utrust") and issues between the Tennessee School Boards Association ("TSBA") and Utrust. He was elected to the Metro Nashville Board of Education in 1982 and served as a member of the TSBA Executive Council from 1983 until 1992. He was a member of the TSBA Executive Council in 1985 when the Unemployment Compensation Trust loaned TSBA \$180,000.00 in order to complete the TSBA building located on Nelson Merry Street at 13th Avenue North in Nashville. Part of that loan was repaid and the remaining amount of \$148,500.00 was converted to a 99-year lease which required TSBA to provide Utrust with office space in the TSBA facility. He was also on the TSBA board when Utrust paid \$450,000.00 for the construction of the Board Development Center at the TSBA building. He explained that when he left the TSBA board the relationship between TSBA and Utrust was excellent and that each entity was supportive of the other.

Mr. Branstetter then explained how he had no contact with TSBA or Utrust after he left the TSBA board until 2006 when he was contacted by Ron Britt, a Utrust trustee, requesting that he consider representing Utrust due to a number of issues that had arisen, particularly with TSBA. Mr. Branstetter explained to the trustees his surprise when he learned that in 2005 TSBA had asserted that it "owned" Utrust. Fortunately, that assertion by TSBA was discredited when the State Attorney General issued an opinion that Utrust was a separate entity from TSBA, and that TSBA could not participate in or be a member of the Unemployment Compensation Trust since TSBA was not a governmental entity.

After agreeing to represent Utrust, Mr. Branstetter learned that individuals associated with TSBA had raised issues concerning the manner in which Utrust was investing its funds, which initially caused the Tennessee Comptroller's Office to take the position that the investments available to the Utrust would be limited to those investments available to cities and counties for their funds. Mr. Branstetter explained that he subsequently met with both the Comptroller and the Treasurer and presented to them information demonstrating that Utrust funds were not governmental funds once they were paid to Utrust, but were funds held in trust to pay future benefits much like funds held by The Tennessee Consolidated Retirement System. Ultimately, the Comptroller's office agreed not to require Utrust to divest itself of its assets that were invested in the stock market.

Mr. Branstetter also discussed other issues that arose between TSBA and Utrust, explaining to the trustees that TSBA would not allow Utrust to continue to have an office in the TSBA building, despite the fact that there was a substantial amount of time remaining on the 99 year lease that had been entered into in 1985. Mr. Branstetter met with representatives of TSBA and stated that TSBA would either have to honor the terms of the 1985 lease or buy out the remaining time left on that lease. After lengthy negotiations, TSBA ultimately paid Utrust \$118,500.00 to buy out the remaining time on the lease.

Mr. Branstetter explained that for years Utrust had been paying approximately \$85,000.00 per year to TSBA as a sponsorship fee, but that TSBA subsequently refused to participate in any Utrust activities, resulting in that sponsorship no longer being paid. TSBA had even taken the position that Utrust was improperly using the TSBA name, but dropped that issue when it was pointed out that the Unemployment Compensation Trust was only going by the name Tennessee School Board's Unemployment Compensation Trust and that the TSBA name was not part of name being used.

Mr. Branstetter also mentioned that after the method of selecting trustees for Utrust changed from appointment by TSBA to election by the members of Utrust, it was necessary to have a new agreement with the participating school boards. In 2005 Utrust prepared a new Intergovernmental Agreement to be signed by all participating school boards, but without providing any explanation, TSBA sent a letter to Utrust member boards and urged them not to sign the new agreement. Fortunately, all participating school boards ignored what TSBA recommended and signed the 2005 Intergovernmental Agreement.

Mr. Branstetter further explained that for many years Utrust held a member breakfast during the Tennessee School Boards Association annual convention. The breakfast did not conflict with any other TSBA activities. Unfortunately, the executive director of TSBA went to officials with Opryland Hotel and required Opryland not to allow the Unemployment Compensation Trust to have its member breakfast during the time of the TSBA convention as a condition of TSBA holding its convention at the Opryland Hotel.

As a result of no longer being able to have a member breakfast at the Opryland Hotel, Utrust began having a member appreciation dinner. In 2008 TSBA sent a memo to all board chairs and superintendents of school boards that were members of Utrust stating that it would be a violation of the "Model Code of Ethics Policy" for school board members to attend the Utrust member dinner. Mr. Branstetter explained that he responded in a strongly worded letter to TSBA that their position was both factually and legally incorrect, and that it would not be a violation of any code of ethics for a school board member whose school board was a participant in the Unemployment Compensation Trust to attend the UTRUST dinner. Although there was a slight decline in attendance at the dinner in 2008, nothing further was heard from TSBA concerning the Utrust dinner after Mr. Branstetter sent his letter, and the dinner continues to be well attended.

Mr. Branstetter concluded his presentation by explaining how disappointed he has been in the conduct and activities of TSBA as it related to Utrust, and how he understands that TSBA continues to denigrate Utrust. Mr. Branstetter noted that Utrust has never taken a position adverse or contrary to TSBA, except when forced to, such as dealing with the office space lease issue and responding to the position of TSBA that attending the member dinner would violate some code of ethics.

Mr. Branstetter also noted that in 2008 the trustees adopted the name Utrust as the nickname for the Unemployment Compensation Trust and stated that it had been a pleasure to represent Utrust for the past ten years.

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 \$600,000, \$750,000 and \$900,000.

JONES/COOPER:


Motion to approve the third option of \$1,000,000 for distribution of dividends through mini-grants. **Motion carried.**

Date of Next Meeting

The next trustee meeting was set for May 4, 2018.



David Jones, Chairman



Dan Tollett, Trust Administrator