

Minutes
Meeting of the Trustees of Utrust
May 1, 2020

Trustees of Utrust met May 1, 2020 through zoom conferencing due to COVID-19 pandemic. Attending the meeting were: Chairman David Jones, Trustees: Vice-Chairman Joey Cooper, Dawn Fry, Roger Greene, Jasper Taylor, Norma Tate and Regina Waller. Trust Attorney Dewey Branstetter; staff members: Dr. Dan Tollett, Trust Administrator, Kristi Coleman, Director of Finance & Administration and Dameron Johnson, Communications Specialist; and Mike Hill from SunTrust Investment Firm.

Chairman David Jones called the meeting to order at 2:00 p.m. He welcomed all participants. He requested a motion for adoption of the consent agenda.

Taylor/Fry

Motion to adopt the consent agenda. **Motion carried unanimously.**

Administrator's Report

Dr. Dan Tollett thanked trustees for making the extra effort required to participate in a Zoom meeting.

Requests for assistance with Unemployment Issues. He reported that Kristi had received an unprecedented number of requests for assistance with Unemployment Issues and he and Kristi spent many hours in trying to accurately answer questions from our member school districts about how to handle very complicated issues related to unemployment and the coronavirus. He said that neither the state nor federal government has done a very good job of telling school districts how to handle issues related to unemployment and the CARES Act. He said that the staff has communicated Sen Alexander's office about issues and reported that Kristi has participated in a couple of webinars to explain UC issues.

Claims Could Snowball. He said that if the state had not taken the action that it took to continue to fund schools as if school was still going on, and the federal government hadn't pitched in, we would already have had a disaster with unemployment claims.

Intergovernmental Agreement Proposal. He said that the staff will be proposing and Dewey will be explaining a substantial change to the Intergovernmental Agreement to protect the assets of Utrust.

Staff Visits. Dr. Tollett reported on excellent visits in several school systems including Van Buren (2), DeKalb, Sullivan, Trousdale Counties before the pandemic struck.

Utrust Appreciation Program. He said that schools were able to celebrate all but Special Teacher, Support Staff and Teacher Appreciation Days before school was discontinued and that most schools will celebrate the other appreciation days even though school is not in session.

Mini grants. He reported that Utrust mini-grants funded lots of creative projects that will impact schools in some impressive positive ways when classes resume. Many schools were unable to implement their projects before school attendance was suspended.

Legacy. He predicted that current trustees will leave a legacy for the mini-grants and the Utrust Appreciation Program and suggested that it is very important that we keep both of these programs going as long as we have schools.

Investment Report

Mike Hill of Sun Trust Investments summarized issues related to Utrust investments. He reported that for the period ending March 31, 2020, markets around the globe sold off at the fastest and steepest rate in history as markets reacted to the pandemic and credit crisis. Equity indexes around the world were down -20% to more than -30%. Fixed income securities, with the exception of US Treasuries were down -3% to -13% for high yield corporate bonds. Individual stocks and bonds posted significantly greater drawdowns. During the period, beginning in mid-February SunTrust correctly anticipated the market dislocation that was likely to result and began de-risking the portfolio. The overweight allocation to equities that was a key driver of excess returns in 2019 was reduced from 73% at the beginning of the quarter to 54% as of March 31. The allocation to fixed income was increased along with a buildup in cash equivalents to a level of 11%. During the period the portfolio was also reallocated to a growth exposure, replacing value styles. Within fixed income, US Treasury exposure was added to help offset continued volatility in equities. These actions along with all active equity managers outperforming their respective benchmarks helped to minimize the drawdown for the period while positioning the portfolio for long-term growth in light of a cautious outlook.

Cooper/Waller

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

Financial Report

Kristi Coleman presented the financial report for March 31, 2020. She reported that since the pandemic started in early March causing schools to close for the remainder of the school year, there has been an increase in unemployment benefits. In addition, investments experienced a significant decline in value due to the uncertainty in the market. She said that as a result we currently have a significant net loss for the year and expect to end the year with a loss as well. She reported that most of the mini-grant funds had been paid out to member boards with a few systems who didn't apply for the funds made available to them.

Greene/Taylor

Motion to approve the financial report as of March 31, 2020. **Motion carried unanimously.**

Premium Proposal

Kristi Coleman presented a proposal for premiums for the 2021 fiscal year. She said that premiums were calculated according to the current bylaws that state premiums will be the average of each member system's claims for the past four and a half years plus dividends or average claims plus dividends since 1990 depending on the experience rating for that system.

Waller/Fry

Motion to approve proposed premiums for 2020/21. **Motion carried unanimously.**

Legal Update

Dewey Branstetter pointed out that during the week of March 14, 2020, 2746 new claims for unemployment benefits were filed, with 16,342 claims continuing. By the week of April 25, however, 440,000 new claims had been filed, with over 324,500 Tennesseans receiving unemployment benefits as of April 25. He also pointed out that in the last six weeks 30 million claims for unemployment benefits have been filed nationwide, representing 15% of the United States workforce.

He then discussed the Coronavirus Aid, Relief, and Economic Security Act, commonly known as the CARES Act, signed on March 27, 2020. Among other benefits, this act provides economic relief to school systems, allocating 13.5 billion dollars for elementary and secondary education. He mentioned five important points related to the CARES Act.

First, State funding will continue for all school systems for the rest of this school year. State law (TCA 49-3-317) requires the state to continue to fund education in the event of an epidemic or natural disaster. As a result, all school system employees should continue to be paid through the end of this school year.

Second, eligibility for funds under the CARES Act is contingent on continued employment. This will help reduce unemployment claims as all employees should continue to be employed

Third, states applying for funds must commit to fund schools for the school years starting in 2020 and 2021 at the same level as the average of the last three fiscal years. This level of funding should also reduce the need for layoffs, although anyone who is furloughed will be eligible for unemployment benefits. The biggest issue that most school systems will face is how to handle substitute teachers.

Fourth, unemployment benefits by federal law have been extended by 13 weeks. This means that in Tennessee there will be a total of 39 weeks of unemployment benefits, with the federal government paying 50% of the benefits that are paid due to COVID-19. The federal government will also fund an additional \$600 per week as part of the Pandemic Unemployment Compensation. This extra \$600 per week will expire on July 31, 2020. The 50% matching funds for the extension of benefits will expire on December 31, 2020.

Fifth, the Tennessee Department of Labor and Workforce Development will develop guidelines for the implementation of the CARES Act funding, but those guidelines have yet to be published and it is not known when the guidelines will be available.

Mr. Branstetter briefly mentioned the Families First Coronavirus Response Act, which expands the FMLA requirements and requires emergency paid sick leave for up to 10 days if someone is unable to work because they have the coronavirus, they are quarantined due to exposure to the coronavirus, if they have to care for someone who is in quarantine, or if they have to provide child care due to a school or daycare closure resulting from COVID-19.

He explained that he, Dan, and Kristi had been discussing how to protect Utrust and maintain its viability for the future if there were an extraordinary number of claims as a result of the coronavirus situation. It had been determined that rather than wait until claims skyrocketed, that it was best to be proactive to protect Utrust, and ultimately our

members, by addressing the potential for greatly increased claims before being faced with that problem.

The decision was made to recommend changes in the Intergovernmental Agreement to address this concern. Trustees were earlier mailed a draft of proposed changes to this agreement. Mr. Branstetter briefly mentioned certain housekeeping changes, and then discussed in detail proposed changes to Article V Section 3. The recommendation was that if a school system in any 18-month period experienced five times the number of claims that had previously been experienced, then that school system would then be responsible for paying directly its unemployment claims for up to the next 24 months.

Mr. Branstetter also discussed the proposed language that would provide the Trustees with the discretion to modify any aspect of this provision when appropriate. While the five times average claims in an 18-month period, and the requirement for a system to then pay its claims directly for 24 months, would be the default, the Trustees could override these provisions whenever the Trustees determined it would be appropriate to do so.

There was extensive discussion about the proposed language, and specifically how it could impact small systems which could rapidly have a five times increase in claims. Ultimately, it was determined that in addition to a multiplier that a dollar amount should be added to the language to protect smaller systems.

Greene/Waller

Motion to approve changes as recommended to the intergovernmental agreement. **Motion carried unanimously.**

Trustees agreed by consent to add to the agreement a specifically dollar amount for claims in addition to the multiplier of five times the average amount of claims.

Risk tolerance for Utrust assets. The final item Mr. Branstetter discussed was a provision in the bylaws that relates to the risk tolerance for Utrust assets. Section 10 of the by-laws requires that the investment consultant be placed on probation, or terminated, if losses reach certain levels. The Trustees, however, can act to prevent the automatic probation or termination of the consultant. Mr. Branstetter recommended that the Trustees adopt a motion stating that in light of the current economic situation, which is outside the control of the Utrust investment consultant, that until further action by the Trustees, the Trustees will waive any action that might otherwise be required to be taken pursuant to Section 10 of the Utrust By-Laws

Taylor/ Greene

Motion to waive any action that might otherwise be required to be taken pursuant to Section 10 of the Utrust By-Laws until further action by the Trustees. **Motion carried unanimously.**

Report of Progress of 2019-20 Goals

Dr. Tollett gave a brief report of accomplishment of goals and objectives for the 2019-20 year. He commented on the progress made toward each goal. A copy of that progress report as adopted by the Board of Trustees is attached.

Waller/Fry

Motion to approve report of progress for 2019/20 goals. **Motion carried unanimously.**

Chairman Jones recessed the meeting at 3:05 p.m. He called the meeting back to order at 3:10 p.m.

Utrust Appreciation Program

Dameron Johnson presented an update on the Utrust Appreciation Program using a video she created highlighting some schools that continued to appreciate their employees even after in person school was discontinued. When the video concluded, Dameron stated the staff is encouraging the coordinators to finish the year strong with Teacher Day. She also said the staff is continuing to work on the Appreciation Program packets for next school year as though school will start in August. The staff is also brainstorming ways to celebrate appreciation days virtually if school is not in session in the fall.

Member Appreciation Event

Dr. Tollett recommended the Annual Member Appreciation Dinner be canceled due to the COVID-19 pandemic. He stated it was highly unlikely that gatherings of that size would be permitted to meet and even if the prohibition were lifted, people would be reluctant to subject themselves to such gatherings for a while. He said that considerable non-refundable financial commitment is required in advance of this meeting and it wouldn't be prudent to delay the decision especially since the projection of income next year is expected to be a loss.

Cooper/Taylor

Motion to cancel the annual member appreciation dinner due to COVID-19 pandemic. **Motion carried unanimously.**

Annual Goals & Objectives

Dr. Tollett said that the staff had prepared and agreed upon the proposed goals and objectives for 2020–21. He said the staff would welcome additional goals or changes that the board might prefer but in the absence of such, he recommended adoption of the goals as presented.

Waller/Cooper

Motion to approve annual goals and objectives. **Motion carried unanimously.**

Proposed Budget

Dr. Tollett presented an overview of the 2020-21 proposed budget. He said that budget notes were included to explain each budget item. He encouraged comments and questions about the budget and he and/or Kristi Coleman responded to each question.

Fry/Cooper

Motion to approve proposed budget. **Motion carried unanimously.**

Report of the Nominating Committee

David Jones, chair of the nominating committee which included Joey Cooper and Dawn Fry reported that the committee was pleased to unanimously recommend the re-election of Regina Waller for a Middle Tennessee Trustee position.

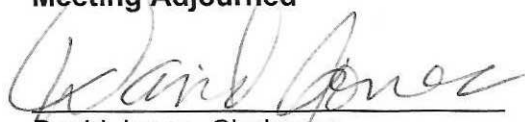
Greene/Cooper

Motion to nominate Regina Waller as a Middle Tennessee Representative on the Utrust Board of Trustees for a seven-year term.

Meeting Date

The next trustee meeting was set for September 25, 2020 at the Utrust offices.

Meeting Adjourned



David Jones, Chairman



Dan Tollett, Trust Administrator