Tucson Unified School District No. 1  
Employee Benefits Trust Meeting  
Grey Room, Morrow Education Center  
1010 East Tenth Street  
Tucson, Arizona 85719  

July 22, 2013  
5:30 p.m.  

MINUTES

Committee Members Present:  
Dr. Neil West (phone)  
Dr. Stegeman  
Yousef Awwad  
Mark Mansfield  
Robert Harbour

Others Present:  
Janet Underwood – Recordkeeper  
Pam Palmo – Interim Executive Director of HR  
Tom Hedges – Wells Fargo  
Patricia Tanabe – Wells Fargo  
BettyAnn Ritter – Wells Fargo

MEETING CALLED TO ORDER  
Meeting called to order at 5:35 p.m.  
Mark Mansfield is the Vice Chairperson in Dr. West's absence.

CALL TO THE AUDIENCE  
No one requested to speak.

QUORUM - A quorum is present.

INFORMATION / ACTION ITEMS

Wells Fargo Investing  
Yousef proposed that we move $20m to Wells Fargo CDs and Agency Papers. Tom Hedges updated the group as far as treasury rates.

5 yr – 72 basis points (May 2013)  
Bernanke made a comment on the QE program, and all of a sudden rates jumped up to 62; saw 5 yr run-up).

The most data shows the 10 year backing off (five year / calming down). It is Wells Fargo’s belief is that the Feds will not be doing anything untoward. So there was a spike in rates but it appears to be back to normal. Wells Fargo provided a proposal with several elements:

- $5m in CDs
- $10m in Government Agency Paper (3-5 year range trading right on top of CDs).
  - Average Market Yield
  - Average Coupon Rate
  - Used 25 Securities
  - Duration is 2.65

- Federal (not mortgage backed paper); bonds issues by the agencies (Freddie/Fannie)
- Callable securities are priced to call; others are set for maturity
- Two agencies are bullets (callable dates ?)
- Yields
- Pg 5 of 12 – top is Fedl Home Loan Bank
- Called and Not Callable
- Issue Rates
- Called (roll down the curve) would be reinvested hopefully at higher yield
- CD’s – if these make sense, use a mix plus the bank account of 25 basis points.

Page 7 of 12: projects out to 12 months (some will have matured off; some will have rolled down the curve; some will have been called). Potential market value $15m+ (bonds market value + increase) + interest earned at 25 basis points at collateralized account).

Securities loss offset by market value change.

Liquid funds available in the bank account.

Discussion regarding loss in the state and why that occurred. A number of entities in the state lost money under Title 35. TUSD will not be using any corporate paper and will be using five year maturity. Tom also discussed risk and investment and options. The packet includes info on Title 35 (in statute).

Projections are indicated in the graphs (pages 10 & 11): 4 5-yr CDs (see handout for runout to 5 years). Shows the return if called / not called. Some will go all the way out to the maturity dates. Projection scenarios are geared to show how to get additional yield from the portfolio.

Yousef added that based on what is being earned at the County, TUSD will barely get .8 basis points.

Dr. Stegeman provided a handout of the Pima County Schedule of Investments. The handout was reviewed and discussed by the group. The District could consider Corporate paper in its investments, or use Agency paper which may be considered to be safer. It is not completely clear when the investments shown on the County handout were placed and what state they are in at this time. It was concluded that the proposed move is more conservative, with a higher rate of return.

Short Term Checking Liquidity (Exception Rate Savings Account) – holds funds until re-invested.

Bob Harbour questioned that $20m should be moved and is not sure that the fund is any worse than the proposal if kept in the County. The County has a
certain % in Corporate paper; Bob would not want to do so without an Investment Advisor; and feels the Trust needs a compelling reason to shift a lot of funds – what is the compelling reason?

- We cannot see the return from the County, definitively. It does appear to be diversified. What puzzles Tom with regard to the county is the LGIP – he has the four pools and the County must be using a blend.

- Bob Harbour offered that the Trust could invest $10m and re-evaluate the investment in three (3) months. Depending when the monies are moved, Mr. Hedges would evaluate the investment mix. CD’s can be acted on very quickly though.

Yousef Awwad made a motion to invest $15m to Wells Fargo and invest in $5m in CD’s and $10m in Government paper. Dr. Stegeman seconded the motion. Discussion included how both would mature in five years (in accordance with Arizona Revised Statue 35-323). The motion passed 4-0.

A monthly statement will be provided to TUSD, and a standard quarterly review will be scheduled.

The next meeting is September 30, 2013, at 5:30 pm.

Bob Harbour made a motion to adjourn the meeting; and Dr. Stegeman seconded the motion; passed 4-0. Meeting adjourned at 6:55pm.

Approved this 30th day of September, 2013.

TUSD EMPLOYEE BENEFITS TRUST BOARD

By ______________ Mark Mansfield _______________________

Mark Mansfield, Community Representative