

## SCHOOL TRUST INVESTMENT TASK FORCE

### Minutes

April 24, 2013

Attending: Jennifer Johnson, Elizabeth Tashjian, David Hemingway, Sterling Jenson, Rich Cunningham, and David Damschen, Task Force Members. Bruce Williams, Margaret Bird, Tim Donaldson, Paula Plant, USOE. Jill Flygare, Tenielle Young, GOPB. Betsy Ross, Treasurer's Office.  
Excused: David Hemingway.

#### Future Task Force Meetings

May 7, 12-2 PM

May 13, 12-2 PM

May 29, 12-2 PM

#### Overview of the Utah Treasurer's Office (continued)

David Damschen concluded his presentation from the previous meeting. He discussed possible reforms that the State Treasurer's Office has been considering or would be agreeable to. There are governance issues and concerns that the State Treasurer's Office recognizes but would like to solidify and fortify through statutory changes to the existing model. Additional mandates could be added, with reporting to the Legislature and Governor. Additional staffing would also provide a practical challenge to a "rogue treasurer" seeking to attack institutional defenses.

#### Trust Law 101

Tim Donaldson, School Children's Trust Specialist at the Utah State Office of Education, gave an overview of the basics of trust law and distributed a 1 page handout. Trustees have the duty to act with undivided loyalty to the beneficiaries, and the beneficiaries have the right to have trustees act accordingly. Beneficiaries have legal rights against the trustee and equitable rights in the property itself. Third parties who knowingly deal with a trust are liable if they engage in sharp dealing or fraud. There is a higher prudent professional standard. The beneficiaries are not one interest group to be balanced against others; they are entitled to sole and undivided loyalty. Collaboration and win-wins are good, but deals cannot be made which come at the expense of beneficiaries. Kent Misener raised some concerns about the complexities in balancing today's beneficiaries against all of the future ones, and suggested that periodic studies be conducted. Tim emphasized that trusts are dangerous things- an expert is given a non-expert's property. That is why trusts are a basic legal subject in law school and on the bar exam. That structure becomes even more dangerous when government is charged to be the trustee, and the beneficiary is a general class of the public, like public schools.

#### Open Discussion of Ideal Governance Structures

The Task Force discussed extensively the characteristics of an ideal governance structure. It was agreed that an ideal structure would be independent of politics, lobbying, and all state budget pressures. It would be responsive to current beneficiary input while balancing current and future beneficiary needs. The Task Force created a list of 15 such characteristics that would be in place under an ideal investment structure. There were also 7 key points with respect to a professional investment board agreed upon.

Adjourned 2:00 p.m.