



## Master Pooled Trust

### ANNUAL REPORT - 2009

The Arc of Texas Master Pooled Trust ended 2009 with a cumulative funding amount of twenty-six million, nine hundred eighty-nine thousand, eight hundred sixty-four dollars (\$26,989,864). This demonstrates an increase of five million, four hundred thirty-one thousand, six hundred ten dollars (\$5,431,610) from the 2008 year-end total, representing the largest single year increase in Trust assets in its over twelve year history.

Since its inception in 1997, the Master Pooled Trust has served a cumulative total of one thousand two hundred eighty-seven (1,287) enrollees.<sup>1</sup> At 2009 year's end, there were nine hundred fifty-two (952) trust sub-accounts currently funded or awaiting funding by future sources. Seven hundred sixty-five (765) of the enrollments were funded, and one hundred eighty-seven (187) remained unfunded; that is they will be funded later with life insurance policies, family estates, or pending funds due the beneficiaries.

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<sup>1</sup> Since the Trust's inception, a total of 335 active accounts have been closed, due either to the death of the beneficiary or to depletion of funds in the sub-account.

## TYPES OF TRUST SUB-ACCOUNTS

### TRUSTS I & II

These are “supplemental needs only” trusts. This means that these Trust accounts can make disbursements for supplemental items which are not covered by government benefits or insurance. Disbursements are not available for goods and services which are considered “basic needs” (such as food and shelter). This restriction is in order to protect eligibility for those public benefits.

**Trust I** sub-accounts are funded with “third-party money.” This means the source of the money is from any person other than the beneficiary. Many of these are not funded at this time. Most often, the sub-account is funded by parents or other family members through life insurance policies, their wills, or from family income.

**Trust II** sub-accounts are funded with the beneficiary’s own money. Often, the source of the money is a lawsuit or insurance settlement, an inheritance already received, or an SSI back payment.

**It is important to note:** Trust I sub-accounts are not subject to Medicaid claims from the state after the beneficiary’s death, but Trust II sub-accounts are subject to a Medicaid lien. This is the main reason why we encourage families to plan ahead, set up trusts, and revise wills.

### TRUSTS III & IV

Many people with disabilities are not receiving “means-tested” public benefits such as SSI and Medicaid but still need the financial oversight of a disability organization like The Arc. For these individuals and families, we developed Trusts III & IV that can make disbursements for the basics such as food, clothing, and shelter, *if* the beneficiary is not currently on “means-tested” public benefits. If the individual requires benefits, then The Arc will approve only supplemental disbursements in order to protect those benefits, as with Trusts I & II (above).

Providing the choice of Trusts III & IV opens the door to families and attorneys who want The Arc Trust to pay for basic maintenance and support and, therefore, allows grantors to fund the Trusts with higher dollar amounts.

**All four Trusts have been approved by the Texas Regional Social Security Office and the Texas Department of Aging and Disability Services**

**State offices agree that funds in the Master Pooled Trusts I, II, III & IV are not counted as “resources.”**

## TRUST STAFF

**Trust Manager:** Chris Oglesby is a licensed attorney who has been with The Arc of Texas for over ten years. Chris has been the Manager of the Master Pooled Trust since January 2001. Chris communicates with families and beneficiaries regarding approval of checks for items and services to improve beneficiaries' lives; works with attorneys to set up new sub-accounts; works with The Arc of Texas Finance & Trust Committees and our corporate Trustee JP Morgan-Chase to ensure the investments are secure and records are accurate; and speaks with family and professional groups about the benefits and uses of the Master Pooled Trust.

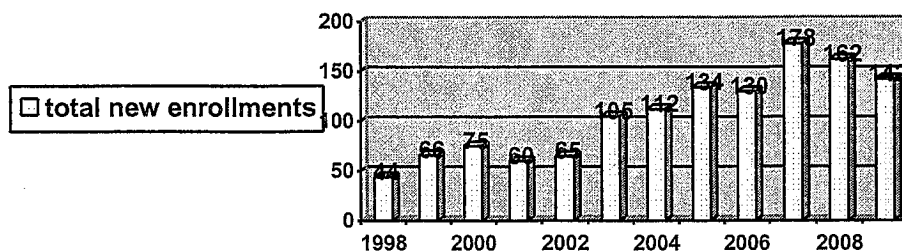
**Trust Coordinator:** Dee West is the primary customer service contact for trust beneficiaries and their representatives. She is responsible for handling the daily administration of disbursement requests, check deposits, and enrollment of new accounts. Ms. West taught middle school and high school science for five years prior to coming to The Arc in fall 2004. She also has many years of experience in the financial world, especially mortgage lending and investment publishing.

**Trust Assistant:** Tamara Thomas has a B.A. in English from the University of Texas. She is responsible for ensuring all Trust records are current and accurate. Tamara also assists the Trust Coordinator in various customer service duties. She works 30 hours a week.

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## GROWTH RATE

Word continues to spread about the Master Pooled Trust and how it benefits people with disabilities. Trust enrollments continue to grow at a healthy rate. Below is a graph indicating the increases in the relative rate of growth in the Trust since its inception:



## INVESTMENTS

JP Morgan-Chase invests the pooled fund with oversight from the Master Pooled Trust Finance Committee. The Committee is comprised of volunteer board members with accounting, finance, and investment backgrounds. To reduce the volatility of investment returns, with the advice of JP Morgan-Chase, we maintain a “balanced portfolio” investment strategy to balance growth with income and principle stability.

At year end 2009, Trust funds were invested 48.52% in equities and 47.11% in fixed income and cash (money market) assets; 4.37% of the fund was invested in “alternate” investments. At year’s end, 11.3% of the fund remained in cash, to cover all beneficiaries’ disbursement requests.

Pursuant to the investment strategy devised by The Arc Finance Committee and the Trustee JP Morgan-Chase, trust sub-accounts experienced another year in which they were competitive with major financial indices. Diversification across multiple asset classes helps to manage volatility over the long-term.

**The Master Pooled Trust Portfolio had an overall gain of 16.6% in 2009.** The Equities component of the investments grew in the amount of 31.7%. Fixed income and cash components grew at a moderate rate of 1.9%. Alternative assets brought in 7.8%.<sup>2</sup>

It is our intended investment goal to exceed the growth of the general markets consistently throughout the future by continuing with our conservative investment strategy.

## 2009 LEGISLATIVE SESSION: NEW LAW RELATING TO MPT

Upon request by Trust Staff, the Texas Chapter of NAELA (National Academy of Elder Law Attorneys; [www.naela.org](http://www.naela.org)) drafted legislation which was sponsored by Rep. Will Hartnett as **Texas House Bill 3080**. The legislation passed and was signed by the Governor, making it more clear how to fund a Master Pooled Trust sub-account in cases falling under Section 867 of the Texas Probate Code relating to guardianships of incapacitated individuals. The new law makes it permissible for judges to place funds into a master pooled trust as an alternative to an individual court created trust pursuant to Texas Probate Code 867, and it will allow the MPT to serve more Texans with disabilities.

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<sup>2</sup> For a more detailed investment performance report, contact the Arc of Texas Master Pooled Trust staff.

## SUPPORT FROM TEXAS LEGAL SERVICES

Bruce Bower, Esq., our contracted attorney from Texas Legal Services Center, has continued to provide us excellent advice concerning questions surrounding approving Joinder Agreements and disbursements and with research concerning law and policy. The Master Pooled Trust continues to provide families with information regarding attorneys who may work at reduced rates on behalf of individuals with disabilities. The Texas Legal Hotline is a lawyer referral service provided statewide by Texas Legal Services Center and is a great first-step on the road to estate planning services for many Texas families. Families seeking a lawyer to assist with estate planning can call TLSC for attorney referrals: Contact The Legal Hotline for Texans: (800) 622-2520 or (512) 477-3950. <http://www.tlsc.org>

## COMMUNICATIONS WITH THE STATE

The Master Pooled Trust continues communications with Texas probate courts, the Texas Department of Aging and Disability Services, the Social Security Administration, and other state, city and county agencies providing benefits to people with disabilities. Through these communications, we have been able to ensure correct understanding of regulations in order to protect individuals' benefits. Even though the Medicaid and Social Security agencies have approved of our trust and provide us support, not all eligibility workers in the field have been thoroughly informed. The Arc's staff has been able to relieve beneficiaries and their families from the burden of explaining the trust to their eligibility workers, while also ensuring that their benefits are protected.

## RESULTS OF THE ANNUAL USER SATISFACTION SURVEY

The Arc of Texas Master Pooled Trust intends to offer the best possible service to participants. In order to receive feedback on how we are doing, Trust staff have sent a Satisfaction Survey to all of the families and individuals representing active accounts (that is, funded accounts which have requested at least one check during 2009), as well as all new funded and unfunded accounts since the previous survey. Out of the 465 surveys sent this year, 128 families completed and returned the survey; that is a 36% return.

Each question in the survey has five possible answers and scores. They are: Never (0), Rarely (25), Sometimes (50), Usually (75), Always (100). To determine an average score, we add the scores for each question and divide by the number of respondents.

Below are the questions and scores from our twelfth annual survey. The score for each question is in quotations, with a score of 100 being perfect.

*1. Trust staff were helpful in filling out the Joinder Agreement to set up the Trust. Score: "98"*

This score continues to be high, as in previous years. Even though the Joinder Agreement is written in as user-friendly language as possible, many people have questions when completing the Joinder Agreement. The Arc MPT Staff continues to assist attorneys, beneficiaries, and family members with the procedures necessary to enroll in the Trust.

*2. When I call to discuss my trust, the person with whom I must speak is easily accessible. Score: "92"*

The Master Pooled Trust strives to always have someone available to answer questions. Oftentimes, staff is busy meeting with other interested families, assisting others on the phone, or traveling to present the Master Pooled Trust to parent or professional groups. In this case, staff returns calls as soon as possible. Despite the increased size of the Trust, we have seen almost a steady high customer satisfaction rating in this area, reflecting our emphasis on customer service.

*3. When the person with whom I must speak is not available, he/she does return my call and is able to speak with me within two business days of my request. Score: "96"*

It is a priority of the Trust staff to return calls immediately if someone calls while staff is out of the office or on the phone. This score is more evidence of our high quality customer service.

*4. When I call with a question on non-trust matters or need advice, the person with whom I speak is willing to help and/or provide a referral. Score: "95"*

Frequently, MPT Staff are asked about referrals to service programs or assistance in dealing with other non-trust-related problems. Our experience with regulations, for example, might lead to a quicker response than if the

caller had contacted a government agency directly. In addition, we may be able to refer callers to services of which they may not have been aware. This score remains very high, indicating consistently good customer service.

*5. I feel comfortable referring relatives, friends, and colleagues to the trust for assistance. Score: "98"*

This very high score indicates a considerable amount of confidence in the value of the MPT by those who are most familiar with its workings. Trust staff are pleased to know that the vast majority of families who use the Trust indicate that they would refer others to the Master Pooled Trust.

*6. Of the Trust materials that I have received and read, I found them to be helpful and easy to understand such as the Trust articles, brochures, and the annual report provided by The Arc. Score: "92"*

Trust staff makes an effort to clearly communicate Trust information through our materials. The Trust office maintains a library of trust, estate planning, and regulation information and makes any articles available to the public.

*7. When my disbursement request is received by The Arc MPT Staff, I receive approval and the check, or a response on the status of my request, within five working days. Score: "97"*

We give top priority to disbursement approval. There have been incidences where the request or the check was not received due to mail errors, and a few other delays occurred because more supporting documents (i.e. invoice, receipts) were needed from the Representative. However, most customers are completely satisfied with check approval procedures.

*8. When my disbursement request cannot be approved, the person to whom I must speak takes time to discuss the reasons with me so that I may have a clear understanding of why the disbursement was unable to be approved. Score: "98"*

Many participants replied that this question did not apply to them because all of their disbursements have been approved. New participants in the trust

are encouraged to call before they begin requesting disbursements so that they are clear on what kinds of disbursements can be approved. Our disbursement policy is to approve all requests that are for the benefit of the Beneficiary and that will not jeopardize the Beneficiary's eligibility for government benefits. A sample list of supplemental disbursements is available upon request. Communicating with and assisting families is very important to Trust staff.

*9. Requesting disbursements is a positive experience for me. The person with whom I speak is receptive to how I want the trust used. He or she is encouraging and supportive of my efforts. Score: "97"*

Master Pooled Trust staff does everything possible to provide for the participants in the Trust while staying within state guidelines that will protect their benefits. Our primary purpose is to improve the quality of life for people with disabilities. It is important to Trust staff that this score always be high, and we are pleased to have another excellent score in this area.

*10. The financial reports that I receive from the bank are understandable. Score: "94"*

Financial reports are sometimes hard for lay people to comprehend so Trust Staff have diligently worked with our Trustee JP Morgan-Chase to provide financial reports that are easier to understand. Trust staff is available to discuss these reports.

*11. I feel that the annual management fees charged for funded accounts are reasonable. Score: "86"*

Based on surveys conducted with leading bank trusts, the Master Pooled Trust fees are lower or comparable. Our minimum fee is significantly lower than bank trusts. The Trust Finance Committee evaluates fees and makes adjustments so that the Master Pooled Trust can provide services with fees that are as low as possible. While some beneficiaries report that they would prefer to pay no fees, particularly during hard financial times, the fee is necessary to maintain the services provided by The Arc of Texas staff and JPMorgan-Chase Bank. **There has been no increase in trust enrollment fees or annual management fees since 1999.**



### EMAIL US

In an effort to facilitate communications, please contact us with your e-mail address, so we may add it to your contact information. Let us know if you would like to receive future confirmations, reports and other correspondence from the Master Pooled Trust primarily via e-mail.

### CONTACT INFORMATION

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