



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD OF DIRECTORS**

MINUTES of the meeting of the Alberta Local Authorities Pension Plan Corp. Board of Directors held on July 20, 2018, at Suite 2000, 10130 103 Street, Edmonton.

Board members

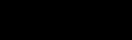
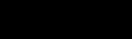
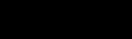
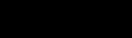

Present:

T. Agoto - Chair
D. Sander – Vice-Chair
K. Balkwill
S. Bradshaw
B. Burton
K. Craig
T. Giesbrecht
P. Marsden
S. McGillivray
S. Odegard
S. Pusch
L. Thompson
R. West

Absent:

H. Rogers

Staff/Board Advisors (Present at the request of the Board):

, President and CEO
, Vice-President, Pension Policy and Funding
, Vice-President, Investment Policy and Risk Management
, Vice-President, Stakeholder Relations and Communications
, Board Secretary

NEXT REGULAR BOARD MEETING SCHEDULED FOR: September 28, 2018



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BOARD OF DIRECTORS
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July 20, 2018**

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The Chair, T. Agoto, convened the Board of Directors meeting at 8:00am on July 20, 2018 with 13 Board members present.

CONFLICT OF INTEREST DECLARATION

The Chair asked if any Board member had any conflicts of interest to declare. Hearing none, the meeting commenced.

1. IN CAMERA WITH THE CEO

_____ joined the meeting at 8:05 am.

2. APPROVAL OF AGENDA

MOTION AL18:07:01 That the Board of Directors approve the agenda.

Carried 13-0

3. APPROVAL OF MINUTES –May 25, 2018 and June 18, 2018

MOTION AL18:07:02 That the Board of Directors approve the minutes of the May 25, 2018 Committee of the Whole and June 18, 2018 Board of Directors meetings.

Carried 13-0

4. BUSINESS

4.1 Committee of the Whole Report

The Board reviewed the recommendations from the Committee of the Whole.

MOTION AL18:07:03 That the Board approves the following recommendations from the May 25, 2018 Committee of the Whole meeting:

Approval of Agenda

1. The Committee of the Whole recommends that the Board of Directors approve the agenda as amended.

Approval of Minutes –March 16, 2018 and April 19, 2018

2. The Committee of the Whole recommends that the Board of Directors approve the minutes of the March 16 and April 19, 2018 meetings.

Management’s Business Report

3. The Committee of the Whole recommends that the Board receives this report for information.

Enterprise Risk Update

4. The Committee of the Whole recommends that the Board receives this report for information.

Calculation of Contribution Rates

5. The Committee of the Whole recommends:
 - a) That the Board endorse management’s recommended employee and employer required contribution calculation methodology, which once implemented would be



included as a component of the General Policy Guidelines (GPGs) on administration provided to Alberta Pensions Services Corporation (APS).

- b) That management be directed to engage Plan stakeholders to educate them about the calculation methodology and discuss its proposed implementation timeline.

Annual Review of AIMCO

- 6. The Committee of the Whole recommends that the Board receives this report for information.

HR&C Committee Report

- 7. The Committee of the Whole recommends that the Board receives this report for information.

Board Governance Committee Report

- 8. The Committee of the Whole recommends that the Board receives this report for information.

SCG Debrief

- 9. The Committee of the Whole recommends that the Board receives this report for information.

Board Correspondence

- 10. The Committee of the Whole recommends the Board receives this report for information.

Conferences/Calendar of Events

- 11. The Committee of the Whole recommends the Board receives this report for information.

Governance Update

- 12. The Committee of the Whole recommends that the Board receives this report for information.

Carried 13-0

4.2 Management's Business Report

The ALAPP Corp. CEO provided an update on items outstanding with ATBF, including the retiree nominee process and contribution rate setting authority, along with an update on a statement of claim recently served against the Plan. The VP Pension Policy and Funding (**VP PPF**) provided an update on annualization of earnings and the shortened life expectancy recommendation. The VP Investment Policy and Risk Management provided an update on fund performance and private investments.

MOTION AL18:07:04 That the Board receives this report for information.

Carried 13-0

4.3 2017 Actuarial Valuation

The ALAPP Corp. VP PPF and Funding provided an overview of the report to the



Board.

██████████, Aon Partner, ██████████, Aon Partner and ██████████, Aon Associate Partner, joined the meeting at 8:50am.

The Aon Partners and Associate Partner provided the 2017 Valuation Results presentation to the Board. There was discussion about CRA requirements, unfunded liability payments, contribution rate setting process, the need for a consistent approach to contribution rates, and the Board's long term funding strategy.

██████████, Aon Partner, ██████████, Aon Partner and ██████████, Aon Associate Partner, left the meeting at 9:50am.

MOTION AL18:07:05 That the Board of Directors recommends the Board of Trustees:

1. Direct the actuary to finalize the valuation results based on the following:
 - A. Adopting the actuary's best estimate demographic assumptions, which are unchanged from the preceding 2015 and 2016 actuarial valuations;
 - B. Adopting the actuary's updated best estimate economic assumptions, which are the same economic assumptions used in the 2016 actuarial valuation with the exception of:
 - a. An increase in the net investment return assumption from 6.30% to 6.40%, and
 - b. A decrease in the expected base salary increase over the short term, whereby the prior assumption was 2.00% for the first two years covering 2018 and 2019, and 3.00% thereafter, to an updated assumption of 0.00% for 2018 and 2019, with the same ultimate rate of 3.00% per annum applying thereafter, both with additional and unchanged age-based merit and promotional increases layered on top of the base;
 - C. Maintaining the Plan's margin level at the Optimal Margin target of 100 basis points (**bps**), which, in combination with the change in the net investment return assumption, results in an increase in the net discount rate assumption from 5.30% to 5.40%;
 - D. Maintaining the cost methodology used in the 2016 actuarial valuation;
 - E. Maintaining the asset smoothing methodology used in the 2016 actuarial valuation;
 - F. Reducing both employer and employee contribution rates by 1.00% effective for all payroll period pay dates occurring on or after January 1, 2019, with the reduced contribution rates being applicable for both the 2019 and, at this time, 2020 calendar years, recognizing that 2020 contribution rates may be adjusted based on results of the 2018 actuarial valuation scheduled to be completed next year;
2. Direct the actuary to file the 2017 valuation with the Canada Revenue Agency (**CRA**), meaning that the next valuation required will be as at December 31, 2020;
3. Direct the actuary to apply to CRA for an extension of the 9.0% employee contribution rate limit exemption from December 31, 2019 to December 31, 2021;
4. Direct ALAPP Corp. management to initiate the process pursuant to section 5(2) of Schedule 1 (**Act Schedule**) to the *Public Sector Pension Plans Act (Alberta)* (**Act**) for the preparation and filing of a Regulation, to be signed by the Chair of the Board of Trustees, with the Registrar of Regulations, to effect the contribution rate change for 2019



approved in item 1.F and to work with Alberta Pensions Services Corporation to effect implementation of the contribution rate prior to the commencement of the 2019 Plan year;

5. Based on previous written rejection of the applicability of the filing of the Regulation in reliance on section 5(2) of the Act Schedule from government, in the event that the filing of the Regulation referred to in item 4 is not accepted by the Registrar of Regulations prior to the date determined by the Chair and Vice Chair to be necessary for the contribution rate change to be implemented prior to the commencement of the 2019 Plan year:
 - A. Make a recommendation to the Minister to amend the LAPP Regulation pursuant to section 4 of the Act Schedule, to effect the contribution rate change for 2019 approved in item 1.F, on the basis that such amendment is recommended if and only if the amendment to the LAPP Regulation shall be approved by Order in Council effective, and capable of being implemented, as of January 1, 2019; and
 - B. Make such recommendation in item 5.A only on a without prejudice basis expressly reserving to the Board of Trustees the right to assert an interpretation of section 5(2) of the Act Schedule which does not require the Board to make a recommendation under section 4 of the Act Schedule to effect a change to contribution rates for the Plan, including, without limitation, utilizing the budgetary and staff support of ALAPP Corp; and
6. Direct ALAPP Corp. management to advise stakeholders of items 1 through 4 above without delay, and if necessary, of item 5 in accordance with the Board's Communication of Proposed Plan Amendments policy.

Carried 13-0

4.4 Board and Staff Codes of Conduct

The ALAPP Corp. CEO provided an overview of the process to date, as well as a review of the changes requested by the Office of the Ethics Commissioner. The Board reviewed the suggested changes.

MOTION AL18:07:06

- 1.1 That the Board approves the Board Members' Code of Conduct, reflecting revisions required by the Alberta Ethics Commissioner, to take effect in accordance with its terms, and recommends approval of the Board Members' Code of Conduct to the Board of Trustees.
- 1.2 That the Board approves the Employee Code of Conduct, reflecting revisions required by the Alberta Ethics Commissioner, to take effect in accordance with its terms.
- 1.3 That, upon the Board Members' Code of Conduct and Employee Code of Conduct coming in to effect, the Board rescinds each of the Board Members' Ethics and Conduct Policy, the Board Conflict of Interest Policy and the Employee Ethics and Conduct Policy.
- 1.4 That the Board directs management to communicate the approval of the Employee Code of Conduct to ALAPP Corp. staff, to make each Code of Conduct public on the basis required by the Ethics Commissioner and to update references in all applicable Board and ALAPP Corp. policies to reflect the foregoing.

Carried 13-0

4.5 2018 Business Plan, Budget and Work Plans Semi-Annual Report

The ALAPP CEO and each of the VP's provided an overview of the report to the Board. There was discussion about the weighting of the Business Plan goals.

MOTION AL18:07:07 That the Board receives this report for information.

Carried 13-0

4.6 2019 Board and Committee Meeting Schedule

The Board reviewed the recommended schedule of meetings. There was discussion about changing the July meeting to avoid the annual K-Days parade.

MOTION AL18:07:08 That the Board approve the revised ALAPP Corp. Board of Directors and Committee meeting schedule for 2019.

Carried 13-0

4.7 Audit Committee Report

The Audit Committee Chair provided an overview of the report to the Board.

MOTION AL 18:07:09 That the Board receives this report for information.

Carried 13-0

4.8 Governance Update

The ALAPP Corp. CEO provided an overview of recent developments regarding the government's proposal for LAPP self-governance, including an overview of his recent meeting the ATBF, AIMCo and APS. There was discussion about timelines, the role of the Board, the larger employer stakeholders' upcoming meeting with the ATBF and the role of ALAPP Corp.

The VP Stakeholder Relations and Communications, provided the membership affiliation survey results at table. There was discussion about the accuracy of the data, the need to define out-of-scope employees and if the comparable membership by employer data was available.

K. Balkwill left the meeting at 11:55am.

MOTION AL 18:07:10 That the revised membership affiliation data and the comparable membership by employer data be shared with the Government of Alberta and the Stakeholder Consultation Group.

Carried 12-0

K. Balkwill joined the meeting at 12:00pm.

There was additional discussion about the possible need to seek a supplementary budget, and the Board's support for ALAPP Corp. staff to assist with the goal of LAPP self-governance as requested by Government.

MOTION AL 18:07:11 That the Board receives this report for information.

Carried 13-0

5. INFORMATION ITEMS

5.1 Board Correspondence

The Board reviewed the most recent correspondence.

MOTION AL18:07:12 That Board receives this report for information.

Carried 13-0

5.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events.

MOTION AL18:07:13 That Board receives this report for information.

Carried 13-0

5.3 Presentation Review

The Board reviewed the presentations from Aon. There was general agreement on the quality of the Aon presentation.

6. BOARD IN CAMERA

_____ left the meeting at 12:10pm.

7. BOARD SELF EVALUATION

_____, Hope Learning Systems, joined the meeting at 1:00pm.

The Board went in-camera to complete their annual self-evaluation.

_____ left the meeting at 1:15 pm.

As the agenda was completed, the Chair declared the meeting adjourned at 2:00pm.

Chair
July 20, 2018

Board Secretary