



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
INDEX OF MINUTES
February 14 and 15, 2013**

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The Chair, G. Howell, declared the meeting to be regularly called and properly constituted for the transaction of business at 9:00 a.m.

1. IN-CAMERA WITH THE CEO

The meeting started with an in-camera with the CEO.

2. APPROVAL OF AGENDA

MOTION AL13:02:01 That the agenda be approved. **Carried 11-0**

3. APPROVAL OF MINUTES

A word was added to the Motion 12:12:18 for agenda item number 4.8.

MOTION AL13:02:02 That the minutes of December 14, 2012 be approved as amended. **Carried 11-0**

4. BUSINESS

4.1 Sustainability Planning

4.1.1 Introduction

The CEO reported that ALAPP staff will need direction from the Board for the report to the Minister due by March 31, 2013. Once the Board has provided direction, the report will be brought forward to the March 15, 2013 Board meeting for review and approval.

D. Aldous joined the meeting at 9:30 a.m.

4.1.2 Funding Update

The VP, Investments presented a report "Funding Policy and the Managed DB Solution". The report provided information on three identified risks to the plan, which include Balance Sheet Volatility, Plan Maturity and Improved Longevity. The presentation advised of the four different types of Pension Plans; Defined Benefit, Defined Contribution, Target Benefit and Managed Defined Benefit (DB). The Managed Defined Benefit Plan is the one recommended by Management and options were given as to how to move to that type of plan.

R. West joined the meeting at 9:45 a.m.

There was discussion on long bond yields, discount rates, plan growth, accrued liability, asset strategy, contribution rates, governance, COLA, and the use of levers.

MOTION AL13:02:03 That the Board receive this report for information. **Carried 13-0**



4.1.3 Plan Design

The Mercer actuary presented historical data on the costing suites and the latest costing suites for information purposes. There was discussion on COLA, delinking terminated members, commuted values, levers, early retirement, 35 year cap, and mortality rates.

MOTION AL13:02:04 That the Board receive this report for information. **Carried 13-0**

4.1.6 Ad Hoc Committee Presentation

The VP, Stakeholder Relations provided an explanation to the Board of the Ad Hoc Committee, its purpose and its members. She explained the timeline the Ad Hoc Committee was working within, as well as the materials which have been presented to the Committee.

MOTION AL13:02:05 That the Board received this report for information **Carried 13-0**

The Ad Hoc Committee Presentation was presented to the Board at table.

The Co-Chairs of the Ad Hoc Committee presented the findings of the Ad Hoc Committee to the Board. There was discussion on the Employer and Employee involvement in plan design, governance, time constraints, the use of levers, temporary plan design change, and the proposed March report to the Minister.

4.1.4 Plan Design Implementation

The VP Pension Policy and Funding reported that management has received the legal opinion on the Sustainability review (Attachment 1) and advised that the information contained within the legal opinion is privileged and confidential. There was discussion about grandfathering, notice periods, the report to the Minister, the timelines and next steps.

MOTION AL13:02:06 That the Board approves, for future communications on sustainability, as warranted, a stated intention that, if the Board recommends plan design changes, it will also recommend grandfathering provisions and notice periods. **Carried 13-0**

4.1.5 Consultation/Survey Report

The VP, Stakeholder Relations gave the background on the Consultation and survey process and information sharing with plan members. There was discussion about the pension knowledge base of members, the obligation to communicate with members, the survey wording, and the directive from the Minister regarding member consultation.



MOTION AL13:02:07 That the Board receive the results of surveys 1 and 2, and share a summary of them with stakeholders and the Minister; and that the summary include a transparent accounting of all the issues raised about the survey and the opposition to it.

Defeated 6 – 7

D. Aldous, D. Sieben, G. Walker, S. Gould, G. Howell recorded for the motion.

Management was directed to prepare draft communications regarding the survey for review and approval at the March Board Meeting.

The Board discussed the Stakeholder Consultation Group (SCG) agenda for March 11, 2013.

MOTION AL13:02:08 That the Board approve the proposed SCG agenda for March 11, 2013 as amended. Motion tabled until February 15, 2013.

The Board recessed at 4:10 p.m.

N. Kettler left the meeting at 4:10 p.m.

The Board reconvened at 8:00 a.m. Friday February 15, 2013.

J. Whaley joined the meeting at 8:00am

4.3 Investment De-Risking

The VP, Investments provided an introduction into understanding of de-risking.

The Asset Advisor gave the presentation “Leverage and Interest Rate Risk Management”, including an overview of what leverage is, derivatives, interest rate risk, and interest rate hedging.

There was discussion on liability driven investments, pension plan investing across Canada, immunization, capacity issues, governance, actuarial involvement, timing, inflation rates and current AIMCo investing.

The Mercer Actuary gave the presentation “Annuity Buy-Outs and Buy-Ins”, which included an overview of annuity transactions and related considerations as well as considerations for LAPP, notional and physical liability portioning, the use of different discount rates, plan maturation and concerns regarding implementation.

MOTION AL13:02:09 That the Board receive this report for information.

Carried 12-0

4.4 AIMCo Public Debt Changes

The VP, Investments provided a review of proposed changes by AIMCo to the product descriptions for the Universe Fixed Income Pool (CDPA) and the Canadian Long term



Government Pool (CLGP) to permit the re-positioning of Private Debt and Loan strategy from Private Income to Fixed Income within the LAPP asset allocation. He explained that any changes would be written into the SIP&G.

MOTION AL13:02:10

1. Consent be given to AIMCo to hold non-rated debt (Private Debt and Loan) in the Universe Bond Pool (CDPA) and the Long Bond Pool (CLGP) subject to the limits in the LAPP SIP&G.
2. Management make changes to the LAPP SIP&G and bring them forward to a future Board meeting for approval by the Board.

Carried 12-0

D. Steben joined the meeting at 10:00 a.m.

4.1.7. Sustainability Planning

The CEO advised the Board that Management would need direction from the Board in order to draft the report to the Minister. She suggested a two-pronged approach: Prong 1 – Plug the leaks in plan design and proceed with funding and investment strategy work within the existing governance structure, Prong 2 – Task Force on Governance and Complex Issues in Plan Design.

There was a discussion on moving forward in a passive to moderate approach, GOA willingness to discuss governance, the Minister's perspective on governance as an issue, a phased in approach, on-going plan design review, and employer concerns on sustainability.

MOTION AL13:02:11 That Management prepare a draft report to the Minister providing a progress update and including a recommendation for a task force to review governance for approval at the March Board Meeting. **Carried 13-0**

4.1.5 Consultation/Survey Report – Continued from February 14, 2013

There was continued discussion of the SCG agenda for March 11, 2013.

MOTION AL13:02:08 That the Board approve the proposed SCG agenda for March 11, 2013 as amended. **Carried 13-0**

MOTION AL13:02:12 Arising from the discussion was the recommendation that Management prepare a report for the Board on a plan to increase the membership of the Stakeholder Consultation Group. **Carried 13-0**

4.5 Annual Strategy & Risk Report to Minister

The CEO provided a brief explanation of the report and the objectives of providing it to the Minister.



MOTION AL13:02:13 That the Board send the Annual Strategy and Risk Report, as amended and with attachments, to the Minister of Finance with a request for a meeting.

Carried 13-0

4.6 Enterprise Risk Management Update

The CEO provided a brief explanation and the objectives of the report.

L. Murray left the meeting at 11:55 a.m.

MOTION AL13:02:14 That the Board receive the report for information

Carried 12-0

4.7 Employer Withdrawal Requests – Village of Kitscoty and Town of Swan Hills

The VP, Pension Policy and Funding provided a brief historical outline of the concerns the Board has had regarding Employer Withdrawal Requests. She highlighted the importance of a policy being developed.

There was discussion on grandfathering, choice of participating, and APS concerns.

MOTION AL13:02:15 That the Board, in the absence of legislative or regulatory rules regarding the withdrawal of inactive employers, request management develop for the Board's consideration a formal policy that will address the requests to withdraw from LAPP received from the Village of Kitscoty and the Town of Swan Hills and any future requests.

Carried 12-0

4.8 CEO's 2013 Performance Objectives

The CEO provided an explanation of the performance objectives for 2013. There was discussion on measuring outcomes, bonus structure, perhaps changing the structure to top 10 for 2014, and the formal process.

MOTION AL13:02:16 That the CEO's 2013 Performance Objectives be approved.

Carried 12-0

4.9 Management's Business Report

There was discussion of the deadlines for Employer Pension Plan Reporting, the CLPE Request for transfer agreement, Covenant Health participation in the Plan and the AIMCo Innovation project.

MOTION AL13:02:17 That the Board receive this report for information.

Carried 12-0

4.10 2013 Board and Committee Work Plan

The CEO provided a brief explanation of the report and attachment.



MOTION AL13:02:18 That the Board receive this report for information. **Carried 12-0**

4.11 Ethics Policy Review and Certificates

Each Board Member who was a member in 2012 reviewed the Ethics and Conduct Policy and Conflict of Interest Policy and signed the compliance certificate and conflict of interest letter. There were no conflict of interest and all were in compliance with the policies in 2012.

4.12 Corporate Matters

The CEO advised that with the appointment of the new Board Members, the Indemnity of Directors would need to be updated.

MOTION AL13:02:19 That the Chair and Vice Chair execute the Indemnity for Directors to include the new Board Members. **Carried 12-0**

5. INFORMATION ITEMS

5.1 Board Correspondence

The Board reviewed the correspondence for October.

MOTION AL13:02:20 That the Board Correspondence be received for information. **Carried 12-0**

5.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events.

The Board requested the Milken Conference be added to the Conference schedule. Trustee Matheson will be attending.

Trustee Walker would like to attend the ACPM in September.

MOTION AL13:02:21 That up to four Board Members can attend the ACPM in September. **Carried – 12-0**

Trustee Howell would like to attend the 2013 BC Public Sector Pension Plan Conference in April.

MOTION AL13:02:22 That up to two Board Members can attend BC PSPP Conference in April. **Carried – 12-0**

A request was made for the Board Secretary to add June 14, 2013 to the Calendar of events as an Audit Committee place holder.



MOTION AL13:02:23 That the Conferences/Calendar of Events report be received for information. **Carried 12-0**

5.3 Other Information Items

The Board reviewed the other information items.

MOTION AL13:02:24 That the Other Information Items be received for information. **Carried 12-0**

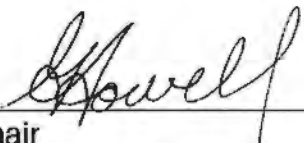
5.4 Presentation Review

The Board reviewed the presentations provided today. There were no suggestions for improvement.

6. Board In-Camera

The Board went in camera with the CEO 2:00 p.m.

As the agenda was completed, the Chair declared the meeting adjourned at 2:10 p.m.



Chair
December 14, 2012

Board Secretary