



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
INDEX OF MINUTES
March 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 8:00 a.m.

1. IN-CAMERA WITH THE CEO

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

2. APPROVAL OF AGENDA

MOTION AL13:03:01 That the agenda be approved.

Carried 12-0

3. APPROVAL OF MINUTES

A change was made to the minutes on page 5.

MOTION AL13:03:02 That the minutes of February 14 & 15, 2013 be approved as amended.

Carried 12-0

4. BUSINESS

4.1 Results Based Budgeting

The ADM, Financial Sector Regulation and Policy Division, advised the Board of information he had shared at the SCG Meeting on March 11, 2013. He had told the Employee group that he met with, that the work the LAPP Board is doing is a micro part of a macro process. He advised that ATBF is looking at the work that is being done by LAPP on sustainability within a broader context of the other three public sector plans, the Results Based Budgeting process, the Auditor's process and within the context of pension changes across the country. He told the Board that the current Minister is interested in hearing input on governance.

S. Gould joined the meeting at 8:20 a.m.

There was discussion on how solutions should not be one size fits all, how one plan change may affect other plans, as well as how LAPP is much larger than the other Public Sector Plans.

D. Sieben joined the meeting at 8:30 a.m.

The ADM, Financial Sector Regulation and Policy Division, updated the Board on Results Based Budgeting (RBB) and the review of LAPP Corp. He advised the Board that a review of LAPP Corp. is unavoidable due to RBB Legislation. The expectation is that the RBB process will answer the following questions: Is the program/service delivered in the most efficient manner and is the program/service operating efficiently?

There was discussion on the definition of efficiency, the cost for the review, the previous role of Board Secretariats, the sophisticated support the LAPP Board currently receives, benchmarking with other plans, how the RBB review will take place, the Mandate and Roles timeline and Employer Withdrawal responsibility.

The Chair advised that he and the Vice Chair would be meeting with an ATBF representative on Tuesday March 19, 2013, regarding results based budgeting. Key messages for the meeting were included in the report.

There was discussion about the operating cost of LAPP Corp, service and cost issues if LAPP Corp's services were centralized with other Board's support services, that there needs to be more details in the key messages, and how the RBB will get information/feedback from the stakeholder group.

MOTION AL13:03:03 That the Chair and Vice Chair communicate the Board's key messages (as amended) on the LAPP Corp. Results Based Budgeting review to Alberta Treasury Board and Finance staff. **Carried 13-0**

4.2 Sustainability Planning

4.2.1 Consultation/Communication Update

The VP, Stakeholder Relations provided a brief description of the Board's February 15th decision and resulting Motion AL 13:02:07 regarding the survey results. She provided the suggested communication plan to alleviate member concerns and communicate at a broad level on all issues.

There was discussion regarding the Ad Hoc portion of the Report to the Minister, stakeholder concerns and acknowledgement letters to stakeholders that filled out the survey.

S. Gould and D. Sieben left the meeting at 9:45 a.m.

MOTION AL13:03:04 That Management communicate, based on the amended key messages in this report, that the Board will not be receiving the results of the sustainability surveys **Carried 11-0**

MOTION AL13:03:05 That Management communicate, based on the amended key messages in this report, a summary of the Board's Report to the Minister on Sustainability. **Carried 11-0**

S. Gould and D. Sieben joined the meeting at 9:55 a.m.

4.2.2 SCG and Ad Hoc Committee Debrief

The VP, Stakeholder Relations provided a brief update to the Board regarding the position of the Employer and Employee groups from the SCG and Ad Hoc Committee. The Employer position has not changed – plan design changes are not predicated on governance and the Employee position being that without governance changes, nothing can change.

There was discussion regarding the Ad Hoc portion of the report to the Minister and that if there were minor changes requested by the Employee or Union members of the Ad Hoc Committee, they would be reviewed by the CEO, Chair and Vice Chair, and that if there were major changes, the Board would be notified via email.

The Vice Chair requested that the minutes reflect that LAPP Corp. has done an enormous amount of work to support the Ad Hoc Committee at a very high level.

MOTION AL13:03:06 That the Board recognizes the excellent and immense amount of work that Management has done to support the Ad Hoc Committee. **Carried 13-0**

There was further discussion regarding the Board's decision to provide a progress report, what the other Boards are doing and the fiduciary responsibility of plan design changes.

MOTION AL13:03:07 That the Board receive this debriefing report for information. **Carried 13-0**

4.2.3 March Report to the Minister

The CEO provided a brief description of the Report to the Minister and the attachments (not included in Board package, but on remote site).

She requested direction from the Board on next steps. She reminded the Board of the Minister's timeline and advised them that legal advice on fiduciary responsibility would be recommended at this juncture.

There was discussion regarding the submission of the report as a progress report, not a final conclusion, concerns regarding wording contained within the report, the timelines the other plans are using, AHS decision to report to the Minister directly, the delegation of authority for Board Members from their respective nominating bodies, the prospect of requesting the Minister meet with Employee/Labour groups regarding their governance concerns, that governance is not insurmountable to change, that the Ad Hoc group meet to discuss governance and to answer the question, what does good governance look like?

MOTION AL13:03:08 That the Board approve the Sustainability Planning Update Report to the Minister Finance, including suggested changes. **Carried 13-0**

MOTION AL13:03:09 That the Chair, Vice Chair and CEO review any Sustainability Planning Update Report submissions from the Employee group and advise the Board via email of any substantive changes to the report.

Carried 13-0

MOTION AL13:03:10 That the Board retain outside legal counsel to advise on Board members' fiduciary and sponsor obligations.

Carried 13-0

MOTION AL 13:03:11 That the Board direct Management to prepare four alternative proposals for next steps: 1) A full suite of plan design changes with costings, 2) A partial suite of plan design changes with costings, 3) A minimal suite of plan design changes with costings, and 4) A proposal that the Board will refuse to move ahead on plan design changes until ATBF agrees to take action on governance.

Carried 13-0

4.3 Pre-Discussion re: AIMCo

The VP, Investments gave background information on the AIMCo Q4 and Q2 investment reports included in the AIMCo presentations. He advised of the review of the AIMCo scorecard which would follow the presentation by AIMCo.

The Mercer Asset Consultant advised the Board of his findings of AIMCo's report, which is set out in the Executive Summary of Attachment 2.

There was discussion regarding the mix of private equity and private income in LAPP investments, the benchmarks for private equity, hedge fund investments, the evaluation parameters, how AIMCo uses active risk, and the organization of AIMCo.

MOTION AL 13:03:12 That the Board receive this report for information.

Carried 13-0

L. Murray left the meeting at 12:30 pm

4.4 AIMCO Q4 Report

The AIMCO VP, Client Relations, and the Assistant VP, Client Relations, presented the AIMCo Q4 Performance Review. They advised that overall the investment performance was good, the asset mix for the four year horizon showed strong asset returns, that 2012 was an unpredictable market and that 2013 was expected to be the same.

The AIMCo CEO advised that the LAPP benchmark is very high, which makes it hard to show good investment performance, that it is his view that interest rates will be going back up as current interest rates are unsustainable, the hiring strategy for AIMCo, the AIMCo Innovation project is moving into user acceptance testing and is right on budget, and the challenge of helping clients to do new things.

MOTION AL 13:03:13 That the Board receive this report for information. **Carried 12-0**

4.5 AIMCo De-Brief

There was discussion on how to measure AIMCo performance, the shift from asset class to strategies, and a suggested 3 year review of benchmarks.

The VP, Investments asked the Board for input on the AIMCo scorecard. He also provided background information on the sliding scale and a summary on all four categories: performance, portfolio construction, organization and alignment.

Each section of the scorecard was reviewed, with explanations provided of where progress has been made, and where it has not improved.

There was discussion on the lack of reporting in staff turnover, the cost of AIMCo Innovations, the benchmarks differences, a 10 year assessment model, the change in the 4 year performance model once 08/09 drops off, risk budgeting, external management fees, and succession planning for AIMCo.

The Board provided input to the VP Investments on the scorecard in all four categories.

MOTION AL 13:03:14 That management prepare a draft balanced scorecard for the April Board Meeting. **Carried 12-0**

4.6 Committee Membership

MOTION AL 13:03:15 That the Committee membership for 2013 be as follows: **Audit Committee:** John Whaley, Darren Aldous, Chris Good, Neil Ketler, Rod Matheson; **Board Operations Committee:** Darren Aldous, Larry Murray, Mike Mahar, Don Sieben, Richard West; **Human Resources & Compensation Committee:** Stephen Gould, Liz Thompson, Ken Balkwill, George Walker and John Whaley. **Carried 12-0**

4.7 Board Appointments: Retiree and Management/Out of Scope

MOTION AL 13:03:16 That the Board write the Minister recommending the re-appointments of Ken Balkwill and Chris Good on January 1, 2014 for a term of no less than 4 years. **Carried 12-0**

MOTION AL 13:03:17 That the Board write the Minister recommending the re-appointment of Rod Matheson on January 1, 2014 for a term of no less than 4 years. **Carried 12-0**

4.8 Management's Business Report

The VP, Pension Policy and Funding advised the Board that the review of delegation of certain oversight items to management will be on the April agenda.

There was discussion on the APS Next Generation Project, the Common Services Working Group meetings, and the national steering committee set up to explore advocacy for public sector pension plans.

MOTION AL 13:03:18 That the Board receive this report for information. **Carried 12-0**

5. INFORMATION ITEMS

5.1 Board Correspondence

The Board reviewed the correspondence for February 2013

MOTION AL13:003:19 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 Chair advised that all Board members are expected to attend the Governance Conference in May.

Trustee Thompson, Trustee Ketler and Trustee Howell would like to attend the ACPM in September.

MOTION AL13:03:20 That up to six Board Members can attend the ACPM conference in September. **Carried 12-0**

Trustee Sieben would like to attend the ICPM Board Effectiveness Program in December.

MOTION AL13:03:21 That up to one Board Member can attend the ICPM Board Effectiveness Program in December. **Carried – 12-0**

MOTION AL13:03:22 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 AL13:03:23 That the Other Information Items be received for information.

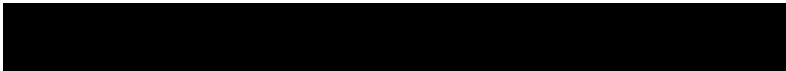
Carried 12-0

5.4 Presentation Review

The Board reviewed the presentations provided today. There was discussion regarding the speed of the AIMCo presentation and a suggestion that more time be allotted to them in the future.

6. Board In-Camera

The Board went in camera at 3:45 p.m.



As the agenda was completed, the Chair declared the meeting adjourned at 3:50 p.m

A handwritten signature in cursive script, appearing to read "A. B. ...".

Chair
March 15, 2013



Board Secretary