



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

MINUTES of the meeting of the Local Authorities Pension Plan Corp. Board of Directors held on May 16, 2013 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101st Street, Edmonton.

Board members

Present:

D. Aldous
K. Balkwill
G. Howell
N. Ketler
L. Murray
D. Sieben
G. Walker
L. Thompson
M. Mahar
R. West

Absent:

C. Good
S. Gould
R. Matheson
J. Whaley

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

██████████ CEO
██████████ Vice-President, Investments
██████████ Vice-President, Stakeholder Relations
██████████ Vice-President, Pension Policy and Funding
██████████ Board Secretary

NEXT REGULAR BOARD MEETING SCHEDULED FOR: June 21, 2013



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
 BOARD MEETING
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 April 19, 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 8:05 a.m.

1. IN-CAMERA WITH THE CEO

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

D. Sieben joined the meeting at 8:10am

2. APPROVAL OF AGENDA

██████████, ADM ATBF, ██████████, Executive Director, ATBF, ██████████ joined the meeting at 8:15am.

MOTION AL13:05:01 That the agenda be approved.

Carried 10-0

3. APPROVAL OF MINUTES

MOTION AL13:05:02 That the minutes of April 19, 2013 be approved.

Carried 10-0

4. BUSINESS

4.1 Sustainability

4.1.1 Minister's Response

The ADM, ATBF, provided a brief overview of his thoughts on the Governance Summit recently attended. He then advised the Board that the tone of the Minister's response was intended to show appreciation for the work already done by the Board and make it clear that he understands the gridlock created by the governance concerns. He acknowledged that governance needs to be looked at concurrently with sustainability, that the Minister has identified that he will need to take a leadership role in the review, and that the intent is not to unilaterally impose a system on the four public pension plans.

There was discussion on the current sense of urgency, the amount of work already completed by the LAPP Board, the concern of trust between the Board and Government, the concern of trust from plan members, the vision for public sector pension plans, amending legislation, timelines for completing the governance and sustainability review, the current unfunded liability, and self-governance.

██████████, ADM ATBF, ██████████ Executive Director, ATBF, left the meeting at 9:15am.

There was additional discussion on key messages for the meeting with the Minister, to be proactive instead of reactive, the position and role of the Board with respect to governance, the need to identify governance and sustainability simultaneously in any future communications and the opportunity to frame public debate.



MOTION AL13:05:03 That the Chair write a letter to the Minister in response to his May 6, 2012 letter, to advise him:

1. the Board will continue to work on governance and sustainability;
2. the Board would like written confirmation that both Plan design and Plan governance will be reviewed concurrently; and
3. the Board is supportive of the governance and sustainability review process and will provide support as required.

Carried 10-0

MOTION AL13:05:04 That the Chair write a letter to the Minister regarding the Results Based Budget Review and confirm the value of LAPP Corp. and the importance and value of their support to the sustainability review.

Carried 10-0

MOTION AL13:05:05 That the Board receive the report for information.

Carried 10-0

4.1.2 Funding Update

The VP, Investments, provided a brief update on investment research and discussions by Management and the Plan's actuary on the funding and investment legs of plan sustainability.

There was discussion on the specificity of the funding policy, de-risking, shared risk, COLA, commuted values, asset smoothing, interest rates, the 2012 ALM study, the significant changes in accounting rules, funding regulations, mortality rates, plan maturation, discount rates, the role of annuities and the development of alternative indexing formulas and intergenerational transfer.

MOTION AL13:05:06 That the report be received for information.

Carried 10-0

4.1.3 Plan Design

The VP, Pension Policy and Funding provided an update on work being undertaken relating to the plan design portion of sustainability planning. She advised she is working with APS to review a summary of possible changes and identify any questions regarding the specific details, provide views on implementation consideration (pros and cons) for items such as administration and communication and indicate a general sense of timing with regard to implementing the possible changes with the Next Generation system or the existing system.

There was discussion on a way to analyse confidence in the plan, and measurement of emotional impact of possible changes.

MOTION AL13:05:07 That this report be received for information

Carried 10-0



4.2 Valuation - Mortality

The Mercer actuary provided a brief education session on developments arising from recent mortality studies and the potential considerations going forward.

There was discussion on the jumps in mortality valuations, life settlements, health innovations and the experience study to be presented late this year.

MOTION AL13:05:08 That the Board receive the report for information.

Carried 10-0

4.3 Employer Withdrawal

The VP, Pension Policy and Funding provided a brief history of the Employer Withdrawal situation and the most recent letter from ATBF with their suggested changes to the suggested rules.

There was discussion about plan maturity, deferred members, solvency risk charge, asset transfers, and withdrawal scenarios.

██████████
MOTION AL13:05:09 That the Board, in order to be able to respond to this proposal, request further information from ██████████ Assistant Deputy Minister, ATBF regarding:

1. How ATBF intends to provide security of transferred members' benefits under the new "target benefit" and "jointly sponsored" plan design options being offered under the new EPPA.
2. How ATBF intends to define the concept of a "material" impact on the Plan with regard to the Minister's consideration of the treatment of inactives upon an employer's withdrawal.
3. Confirmation of whether ATBF continues to intend that the withdrawal of a sizeable employer would result in separate and distinct rules given the larger scope of impact.

Carried 10-0

MOTION AL13:05:09 That the Board requests ATBF work with management and the Board to develop rules that will address similar risks to the Plan related to partial withdrawals, divestitures, business terminations, and the withdrawal of inactive employers.

Carried 10-0

██████████ Associate General Counsel, AIMCo and ██████████ VP, Client Relations, AIMCo, joined the meeting at 11:40am.

4.4 AIMCo Scorecard



The AIMCo Associate General Counsel provided the Board with a review of AIMCo's reflections of the scorecard and provided an explanation for the 4 scorecard areas as well as goals for improvement.

There was discussion on AIMCo transparency, confidentiality, LAPP risk structure, risk metrics, AIMCo Innovations, the actions of the AIMCo CEO, fiduciary responsibility, alignment, and governance.

MOTION AL 13:05:10 That this report be received for information.

Carried 10-0

██████████ and ██████████ left the meeting at 12:20pm.

██████████, Mercer Principal, and ██████████, Mercer Principal, joined the meeting at 1:00pm.

██████████ Mercer Principal and ██████████, Mercer Principal joined the meeting via phone at 1:00pm.

4.5 Annual Review of AIMCo

Mercer Principal ██████████ provided a brief overview of the review process. He then provided a brief overview of each area of review: Business and Risk Management, Fixed Income, Public Equities, Real Estate, Infrastructure and Timber and Private Equity.

There was discussion about multiple views of risk, fixed income, quantitative strategies, AIMCO external managers, and exit strategies.

██████████ Mercer Principal and ██████████ Mercer Principal left the meeting at 2:00pm.

MOTION AL 13:05:11 That this report be received for information.

Carried 10-0

4.6 2013 AIMCo Q1 Investment Report

The VP, Investments, provided an overview of the oversight cycle which requires a regular review of fund performance and included an evaluation of investment policy and its implementation.

He advised the Board of the key issues management is focusing on in 2013: Developing the Strategic Context for Investing and Managing the AIMCo Relationship.

There was discussion on the AIMCo bonus structure and how it relates to long term investment decisions, Long Bond strategies, the investment policy not being an implementation policy, and investing in the long term while dealing with short term concerns.

██████████ Mercer Principal, and ██████████ Mercer Principal, left the meeting at 2:50pm

MOTION AL 13:05:12 That this report be received for information.

Carried 10-0

4.1.4 Governance Update



The VP, Stakeholder Relations provided an update on the recent Governance Summit. She also advised the Board of the Ad Hoc Committee's upcoming meeting on June 4th. She suggested the response from the Minister be shared with the Ad Hoc Committee at their upcoming meeting and for the Ad Hoc Committee to focus on governance at the meeting.

There was discussion about a summary of the Minister's response being prepared for sponsor groups, for the website and for the Highlights document.

MOTION AL 13:05:13 That this report be received for information.

Carried 10-0

4.7 Audit Committee Report

Trustee Ketler provided the Audit Committee Report.

MOTION AL 13:05:14 That this report be received for information.

Carried 10-0

4.8 2012 Annual Report

The VP, Stakeholder Relations provided an overview of the Annual Report to the Board.

MOTION AL 13:05:15 That the Board approve the 2012 Annual Report for publication and distribution.

Carried 10-0

4.9 2014 Board and Committee Meeting Schedule

MOTION AL 13:05:16 That the Board approve the LAPP Board and Committee meeting schedule for 2014 as amended.

Carried 10-0

4.10 APS Board Appointment

The CEO provided an explanation as to why an appointment to the APS Board is required at this time.

There was discussion regarding the value of having a Board Member on the APS Board.

MOTION AL 13:05:17 That the Board defer item **4.10 APS Appointment** to the June 2013 Board Meeting.

Carried 10-0



4.11 Management Business Report

MOTION AL 13:05:18 That this report be received for information.

Carried 10-0

5. INFORMATION ITEMS

5.1 Board Correspondence

The Board reviewed the correspondence for April 2013.

MOTION AL13:05:19 That the Board Correspondence be received for information.

Carried 10-0

5.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events.

MOTION AL13:05:20 That the Conferences/Calendar of Events be received for information.

Carried 10-0

5.3 Other Information Items

The Board reviewed the other information items.

MOTION AL13:05:21 That the Other Information Items be received for information.

Carried 10-0

5.4 Presentation Review

The Board reviewed the presentations provided today.

6. Board In-Camera

The Board went in camera at 3:55 p.m.

■■■■■■■■■■ left the meeting at 3:55 pm.

■■■■■■■■ left the meeting at 4:00 pm.

As the agenda was completed, the Chair declared the meeting adjourned at 4:05 p.m.

Chair
May 16, 2013

Board Secretary