

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

MINUTES of the meeting of the Local Authorities Pension Plan Corp. Board of Directors held on July 19, 2013 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101st Street, Edmonton.

Board members


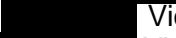
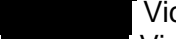
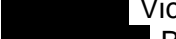

Present:

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

Absent:

S. Gould
R. Matheson

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: September 19 & 20, 2013

**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
INDEX OF MINUTES
July 19, 2013**

Page #

1.	IN CAMERA WITH THE CEO	3
2.	APPROVAL OF AGENDA.....	3
3.	APPROVAL OF MINUTES.....	3
4.	BUSINESS	3
4.1	Annual Actuarial Valuation Cycle	3&4
4.2	Governance and Plan Sustainability	4
4.3	Mandate and Roles Document.....	5
4.4	Semi Annual Communication Plan Progress Report.....	5
4.5	Semi Annual Report on 2012 Business Plan	5
4.6	Enterprise Risk Update	5
4.7	AIMCo Risk Report.....	8
4.8	Items from Audit Committee	5&6
4.9	Employer Participation – Capital Region Board.....	6
4.10	Items from Board Operations Committee.....	6
4.11	Appointment of Board Vice Chair	7
4.12	APS Board Appointment	7
4.13	Management Business Report.....	7
5.	INFORMATION ITEMS	
5.1	Board Correspondence.....	7
5.2	Conference/Calendar of Events.....	7
5.3	Other Information Items	8
5.4	Presentation Review	8

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

████████ Mercer Actuary, ██████████, ██████████, ██████████ and ██████████ joined the meeting at 8:05am.

MOTION AL13:07:01 That the agenda be approved.

Carried 12-0

3. APPROVAL OF MINUTES

MOTION AL13:07:02 That the minutes of May 16, 2013 be approved as amended.

Carried 12-0

4. BUSINESS

4.1 Annual Actuarial Valuation Cycle

The VP Pension Policy and Funding, provided a brief history of Actuarial Valuations for the Plan and outlined the LAPP Board Actuarial Valuation Policy.

The Mercer Actuary gave a presentation of the valuation results in order for the Board to review its costing method and funding assumptions to ensure the valuation will properly estimate the financial health of the Plan. She reviewed the plan statistics, assumptions and gains and losses based in experience compared to what was assumed and the actuarial cost method. She also reviewed funding results based on different discount rate sensitivities.

There was discussion about plan statistics, the unfunded liability payment rate, demographic stability, retirement age, growth in urban municipalities, aging workforce, mortality tables, the increase in utility corporations in smaller urban centres, inflation rate changes and sensitivity, COLA, smoothing, discount rates in other plans, ER contribution rates, risk vs current cost, communication, and the need to file the valuation.

MOTION AL13:07:03 The Board directs the Mercer Actuary to prepare additional valuation information with different inflation rates, while a) maintaining the current cost and smoothing methodologies, b) maintaining the existing demographic and other economic assumptions and c) maintaining the existing discount rate of 5.75%, which includes an increase in margin from 45 basis points (bps) to 65 (bps). The Board will make a decision in September regarding the Actuarial Valuation.

Carried 10-2

Decisions at the September Board meeting will relate to whether or not to file the valuation, not whether to change the 2014 contribution rates which were determined by the 2011 actuarial valuation. Management was directed to communicate to stakeholders that contribution rates are increasing January 1, 2014 as planned.

The Mercer Actuary advised that the Canada Revenue Agency has requested Mercer to re-file the LAPP 2011 and 2012 Valuations.

█ left the meeting at 10:00am

4.1 Governance and Sustainability

The LAPP CEO advised that to date, there has been no update from Alberta Treasury Board and Finance (ATBF) regarding a work plan on sustainability. She advised that as per the motions from the June Board meeting, the appropriate documents have been shared with ATBF and the Stakeholder Advisory Committee.

D. Sieben left the meeting at 10:10am.

There was discussion about the BC trip attended by the Board Chair, the LAPP CEO and the LAPP VP, Pension Policy and Funding, the importance of LAPP Corp. for plan sustainability, the cancellation of the Advisory Committee Group meeting in July, and future meeting dates for the advisory committee.

MOTION AL13:07:04 That the Board receive the report for information.

Carried 11-0

4.3 Mandate and Roles Document

MOTION AL13:07:05 That the Mandate and Roles document be taken from the table.

Carried 11-0

The LAPP CEO advised the Board that as the Alberta Public Agencies Governance Act was proclaimed on June 12, 2013, the Mandate and Roles Document (MRD) needs to be finalized by September 12, 2013. She advised that there are still some outstanding concerns which have not yet been resolved since the MRD was tabled in November 2012. The biggest concerns are: Delegation of Authority, General Policy Guidelines, Obligations of the Minister, obligations of Treasury Board and Finance, Operating Protocol, and Consultation with APS and AIMCo.

There was discussion about the MRD wording not matching the Legislation wording, the similarity of the MRD wording in the other plans and the need for clarity within the MRD as it will be posted to the website.

MOTION AL13:07:06 The Board directs management to prepare a letter to the Minister in response to the letter from ATBF dated October 4, 2012, indicating the Board's requirements that must be met before the Mandate and Roles document is finalized.

Carried 11-0

4.4 Semi Annual Communication Plan Progress Report

The VP, Stakeholder Relations gave a brief update on the progress made to date in 2013 on the Strategic Communications Plan and the Stakeholder Relations Plan.

There was discussion about the volume of work being undertaken in Stakeholder Communications, the volume of correspondence, and the possible need to add Governance and Sustainability to the Communications Plan.

R. West left the meeting at 10:40am.

MOTION AL13:07:07 That the Board receive the report for information.

Carried 10-0

R. West and D. Sieben joined the meeting at 10:55am.

4.5 Semi Annual Report on 2013 Business Plan

The LAPP CEO explained the Business Plan process for the new Board Members.

There was discussion regarding the progress with AIMCo and the colour coding of the objectives.

MOTION AL13:07:08 That the Board receive the report for information.

Carried 12-0

4.6 Enterprise Risk Update

The LAPP CEO updated the Board on the risk management framework. She advised that Management updates the framework with developments that have occurred to date.

There was discussion about contribution rates becoming unstable, the political influence/pressure to change the plan, the fiduciary responsibility of the Board and governance.

MOTION AL13:07:09 That the Board receive the report for information.

Carried 12-0

4.8 Items from Audit Committee

There was discussion about the APS Next Generation and AIMCo Innovations projects and the request for Deloitte to present their Audit of the Next Generation project to the Board.

MOTION AL 13:07:10 That the Board receive the report for information.

Carried 12-0

4.9 Employer Participation – Capital Region Board

As per section 3.16 – Conflict of Interest Policy from the LAPP Board Handbook, section 3.16.5, Trustee Whaley left the room until the discussion and voting of this matter were concluded.

There was a brief discussion about the number of employees, and the two employees not joining the plan.

MOTION AL 13:07:11 That the Board of Directors recommend to the Board of Trustees that the Capital Region Board be added to the LAPP Regulation AR 366/93 Schedule 2 Part 1 as a participant in LAPP.

Carried 11-0

4.10 Items from Board Operation Committee

K. Balkwill left the meeting at 11:40am.

MOTION AL 13:07:12. That the Board approve the attached Emergency Succession Plan

Carried 10-0

K. Balkwill joined the meeting at 11:42am.

MOTION AL 13:07:13 That the Board approve the attached revised Guidelines for Nominators.

Carried 11-0

MOTION AL 13:07:14 That the Board approve the attached Harassment Free Work Place Policy.

Carried 11-0

J. Whaley joined the meeting at 11:45am.

MOTION AL 13:07:15 That the Board approve the attached Use and Safeguarding of Company Assets Policy.

Carried 12-0

MOTION AL 13:07:16 That the Board approve the recommended Board Evaluation by ██████ of Hope Learning Systems with the same format as previous years, adding in a Committee evaluation process.

That, during his tenure, the Board Chair undertake individual meetings with each Board member, using Board member written self-assessments, discussion of overall Board effectiveness and other pertinent issues that may arise.

Carried 12-0

4.11 Appointment of Board Vice Chair

The item was moved to the Board of Trustees agenda.

4.12 APS Board Appointment

There was discussion as to the importance of a LAPP voice being heard on the APS Board, the frustration of the lack of authority of LAPP on the APS Board and the time involved with the APS Board.

MOTION AL 13:07:17 That the Board nominate an APS Board member to replace the resigning Vice Chair for the remainder of his term on the APS Board.

Carried 9-3

L. Murray and R. West opposed.

MOTION AL 13:07:18 That Trustee Mahar be nominated as the APS Board member to replace the resigning Vice Chair for the remainder of his term on the APS Board.

Carried 12-0

Management was directed to prepare a report for a future Board meeting agenda regarding APS's governance structure and LAPP's under-representation on the APS Board.

4.13 Management's Business Report

The VP, Pension Policy and Funding advised that AHS has closed its reconciliation for 2012.

There was discussion regarding benchmarks, AIMCo reporting on a gross basis rather than a net basis and asset allocation.

MOTION AL 13:07:19 That the Board receive the report for information.

Carried 12-0

5. INFORMATION ITEMS

5.1 Board Correspondence

The Board reviewed the correspondence for June 2013.

MOTION AL13:07:20 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.

MOTION AL13:07:21 That the Conferences/Calendar of Events be received for information.

Carried 12-0



5.3 Other Information Items

The Board reviewed the other information items.

MOTION AL13:07:22 That the other information items be received for information.

Carried 12-0

██████████, AIMCo Chief Risk Office, ██████████, AIMCo Assistant VP, Client Relations, ██████████, AIMCo Associate General Counsel and ██████████, Mercer Actuary joined the meeting at 1:10pm.

4.7 AIMCo Risk Presentation

The VP, Investments advised the Board that the presentation today was part of a series of education modules developed by AIMCo that would ultimately lead to a review of risk parameters within the clients' SIP&G.

The AIMCo Chief Risk Officer presented "Setting LAPP's Risk Tolerance" slide show. The presentation addressed seven main risk measurement concepts: policy SaR (surplus at risk), value-added target, manager expected skill level, active VaR (value at risk), active VaR usage and active VaR spread, upper limit portfolio SaR, and red, amber and green zones.

There was discussion regarding overweighting and underweighting, funded status, calculation of the zones, action and turnaround time for red zone reaction and suggested permissive language within the SIP&G.

██████████, AIMCo Chief Risk Office, ██████████, AIMCo Assistant VP, Client Relations, ██████████, AIMCo Associate General Counsel left the meeting at 2:15pm.

MOTION AL 13:07:23 That the Board receive the report for information.

Carried 12-0

5.4 Presentation Review

The Board reviewed the presentations provided today.

6. Board In-Camera

The Board went in camera at 2:20 p.m.

██████████, Mercer Actuary, ██████████, ██████████, and ██████████ left the meeting at 2:20pm.

██████████ left the meeting at 2:25 pm.

As the agenda was completed, the Chair declared the meeting adjourned at 2:27 p.m.

Chair
July 19, 2013

████████████████████
Board Secretary