



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
INDEX OF MINUTES
September 19 & 20, 2013**

		Page #
1.	IN CAMERA WITH THE CEO	3
2.	APPROVAL OF AGENDA.....	3
3.	APPROVAL OF MINUTES.....	3
4.	BUSINESS	3
4.1	AIMCo Pre-discussion	3
4.2	AIMCo Q2 Report	3
4.3	Leverage	4
4.4	Private Debt & Loan Pool	5
4.5	Investment Management Agreement Update	4&5
4.6	CEM 2012 Report	5
4.7	AIMCo De-Brief.....	5&6
4.8	Minister’s Sep 16th Meeting De-Brief.....	6
4.9	Governance and Plan Sustainability	6
4.9.1	Government Update.....	6&7
4.9.2	LAPP Experience Study	7
4.9.3	2012 Valuation – Assumptions & Future Contribution Rates	7
4.9.4	Plan Design – Member Impact	8
4.9.5	Governance and Plan Sustainability Strategy	8
4.10	SCG Agenda	8&9
4.11	APS Reports	10
4.11.1	APS 2nd Quarter Report	10&11
4.11.2	APS Semi Annual Report	11
4.11.3	APS Annual Reporting.....	11
4.12	Employer Application – Wood Buffalo Utilities	9
4.13	Corporate Matters	9
4.14	Committee Membership	9
4.15	Management Business Report.....	10
4.16	Committee of the Whole Review.....	11&12
5.	INFORMATION ITEMS	
5.1	Board Correspondence	10
5.2	Conference/Calendar of Events.....	10
5.3	Other Information Items	10
5.4	Presentation Review.....	12



The Chair, G. Howell, declared the meeting to be regularly called and properly constituted for the transaction of business at 10:05 a.m.

S. Gould, K. Balkwill and R. Matheson, L. Thompson and J. Whaley absent at beginning of meeting on September 19 2013.

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 AL13:09:01 That the agenda be approved.

Carried 9-0

3. APPROVAL OF MINUTES

MOTION AL13:09:02 That the minutes of July 19, 2013 be approved.

Carried 9-0

4. BUSINESS

4.1 AIMCo Pre-discussion

The VP Investments provided a brief overview of the reports AIMCo would be presenting today. He also advised of the opportunity to update the AIMCo scorecard, the AIMCo poll, and AIMCo personnel changes not reflected in the reports.

The Mercer Actuary advised of some issues identified from the Mercer review and advised of the list of suggested questions (attached to the report) for the Board to ask AIMCo.

MOTION AL13:09:03 That the Board receive this report for information.

Carried 9-0

██████████, AIMCo Associate General Counsel and ██████████, AIMCo VP Client Relations joined the meeting at 10:40am.

4.2 AIMCo Q2 Report

The AIMCo VP Client Relations presented the AIMCo Q2 Investment Report to the Board.

There was discussion about interest rate movement, fixed income returns, public investment strategy, private investment strategy, residential mortgages, Innovations impact, and accounting policy changes.

MOTION AL13:09:04 That the Board receive the report for information.

Carried 9-0



4.3 Leverage

The VP Investments advised the Board that these presentations are being given as part of the 2013 Investment work plan, and would hopefully be part of a series of discussions given the complexity of leverage.

The AIMCo Associate General Counsel gave a presentation on the use of leverage in investing, including when it is used, where it is used and why it is used.

D. Seiben left the meeting at 11:50am.

There was discussion about the prudent person rule, shorting, public pools, compliance monitoring, and risk reporting.

██████████, AIMCo Associate General Counsel left the meeting at 12:05pm.

The Mercer Actuary gave a presentation on leverage and interest rate management, including different definitions, examples of pension plans using leverage in Canada, the risk associated with using leverage, options for managing interest rate risk, interest rate hedging, timing and capacity.

*L. Thompson and D. Seiben joined the meeting at 1:00pm.
T. Agoto left the meeting at 1:05pm.*

There was discussion regarding return enhancing strategy and pension liability.

T. Agoto joined the meeting at 1:15pm.

There was additional discussion on funding status and counter party risk.

██████████, AIMCo VP Client Relations left the meeting at 1:35 pm.

MOTION AL13:09:05 That this report be received for information.

Carried 10-0

4.5 Investment Management Agreement(IMA) Update

The LAPP VP, Investments updated the Board on discussions regarding the new IMA agreement between the Government of Alberta and AIMCo. He specifically advised on 5 concerns:

- I. managing specific risks
- II. hedging
- III. beta exposure
- IV. diversification
- V. active risk



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

MOTION AL13:09:06 The Board directs management to prepare a letter to ATBF from the Board, stating that the Board is pleased with the progress and on-going collaboration on the IMA to date and looks forward to on-going significant collaboration on the draft agreement.
Carried 10-0

4.4 Private Debt and Loan Pool (PD&L Pool)

The LAPP VP, Investments provided a brief introduction to the use of PD&L Pools, AIMCo's history regarding PD&L Pools, and appropriate allocation decisions.

*J. Whaley joined the meeting at 2:05pm.
D. Aldous left the meeting at 2:05pm.*

MOTION AL13:09:07 The Board directs Management to work with AIMCo to develop a blended fixed income benchmark and the capacity to manage duration at the Fund level. The appropriate amendments to the SIP&G will be brought forward to the Board's November meeting as part of the annual SIP&G review after discussions with AIMCo
Carried 10-0

4.6 CEM 2012 Investment Report

The Board reviewed the report.

MOTION AL13:09:08 That the Board receive the report for information.
Carried 10-0

4.7 AIMCo De-Brief

There was discussion about the AIMCo staffing as well as real estate and infrastructure pricing.

There was additional discussion on how the Board could be reassured that the Innovations system is performing as required, within budget, and providing accurate and timely information.

The LAPP VP, Investments requested the Board's input in order to prepare a draft Balanced Scorecard for the Board's approval at the October Meeting.

There was general discussion on the four areas of the scorecard: Performance, Portfolio, Alignment, and Organization.

There was additional discussion on the AIMCo survey question: "Do you trust AIMCo". As the question lacks definition, the question will not be completed.



██████████, Mercer Actuary left the meeting at 2:30pm.

MOTION AL 13:09:09 That the Board receive the report for information.

Carried 10-0

4.8 De-Brief of Minister's September 16th Meeting

The LAPP CEO provided a list of questions to the Board to review before the Government Update item.

There was discussion on roles, the service provider relationships, whether the Board should take a position on the Government Proposal, and communications. The Board directed management to develop a more detailed list of questions for the ADM the next day.

MOTION AL 13:09:10 That the Board receive the report for information.

Carried 10-0

At 4:30pm the meeting adjourned until 8:00am September 20 2013

S. Gould, K. Balkwill and J. Whaley absent on September 20 2013

The meeting reconvened at 8:00am, September 20, 2013.

4.9.1 Government Update

██████████, ATBF ADM joined the meeting at 8:05am.

The LAPP CEO distributed a list of questions for the ADM to answer.

The ATBF ADM gave a brief summary of what the government has been working on since the September 16, 2013 announcement.

██████████, Executive Director, ATBF, joined the meeting at 8:10am.

There was discussion on the Board's fiduciary responsibilities, stakeholder engagements, communication issues, stakeholder definition clarity, timeline clarity, sponsor costs, transitional costs, and online calculators. The ADM advised that the Board of Trustee's primary focus during the transition between now and January 1, 2016 should be on its on-going fiduciary management of the plan, rather than on its sponsor role relating to plan rule amendments. The ADM advised the Board to discontinue further analysis of alternative plan design options. The Minister is seeking comments on the government's plan rule amendments directly from stakeholders. The ADM advised that the Minister has no expectation that the Board will take a position on the government's proposal nor conduct any further analysis of it. Further discussions on a future governance structure will be between the government and sponsors, once the government determines who the LAPP sponsors are. Government also hope to "leverage" the Board's existing stakeholder relations and communications channels. The Board and staff will be expected to direct questions and comments to the government's plan sustainability website.



██████████, ATBF ADM and ██████████, Executive Director, ATBF, left the meeting at 9:10am.

MOTION AL 13:09:11. That the Board receive the report for information.

Carried 11-0

██████████, Mercer Actuary, joined the meeting at 9:20am

4.9.2 LAPP Experience Study – Planning

The LAPP VP, Pension Policy and Funding, provided a brief introduction of why LAPP does an experience study as well as the timelines and budget for the study.

There was discussion on termination rates, demographics, average retirement age, and mortality rates.

MOTION AL 13:09:12 That the Board direct Management to work with the actuary to perform an experience study based on the scope and budget outlined by the actuary.

Carried 11-0

4.9.3 Actuarial Valuation Results

There was discussion about inflation, salaries, anticipated impact from the government announcement, unfunded liability payment schedule, and filing the valuation.

MOTION AL 13:09:13 That the Board:

1. Direct the actuary to finalize the valuation results based on the following:
 - A. Maintaining the current cost and smoothing methodologies,
 - B. Maintaining the existing demographic and economic assumptions with the exception of the inflation and YMPE/ITA rates which will be adjusted to reflect lower inflation rates for the next three years, and
 - C. Maintaining the existing discount rate of 5.75%, which includes an increase in margin from 45 basis points (bps) to 65 bps as a result of an increase in expected asset returns from 6.2% to 6.4%, in order to assist in managing future losses expected to arise from mortality improvements and plan experience being studied in 2013.
2. Direct the actuary to prepare the 2012 valuation for filing with the Canada Revenue Agency (CRA) such that contribution rates will not at this time be further increased on January 1, 2015.

Carried 11-0



4.9.4 Plan Design – Member Impact

MOTION AL 13:09:14 That the Board receive the report for information.

Carried 10-1

C. Good opposed.

■■■■ left the meeting at 10:05am

4.9.5 Governance and Plan Sustainability Strategy

There was discussion about the possibility of LAPP staff engaging in assisting ATBF, whether the Board should take a position on the government proposal, communication from the Board, employer withdrawal, and the Governance and Plan Sustainability (GPS) Task Force. It was determined that based on the Minister's direction to the Board with respect to its role during the transition, the Board would not take a position either endorsing or opposing the government's proposal for plan design changes. Communications on sustainability will be limited to directing inquiries and comments to the government for response: we will not attempt to answer questions about the proposal beyond clarifying the fact and correcting misinformation.

With respect to stakeholder consultations, we will proceed with hosting the upcoming Stakeholder Advisory Committee on Governance and Plan Sustainability for the purpose of allowing the ADM to explain to sponsors the next steps, but the Board's Task Force on Governance will be disbanded and will not attend the meeting.

The Board also discussed the use of LAPP resources by the government and by sponsors during the transition. The Board determined that, if the sponsors as a group wish to retain the Plan actuary to conduct any actuarial analysis with respect to the government's proposal, the Board approves of this, with respect to the use of LAPP Corp. staff resources by government, the CEO will discuss further with the ADM.

D. Sieben left the meeting at 10:55am

As quorum was lost, the Board convened as a Committee of the Whole.

COMMITTEE OF THE WHOLE

MOTION AL 13:09:15 The Committee of the Whole recommends that the Board of Directors repeal the GPS Task Force on Governance and Plan Sustainability.

Carried 10-0

4.10 SCG Agenda

The LAPP VP, Stakeholder Relations, provided a brief update on the next SCG meeting scheduled for October 25, 2013.

There was discussion about the agenda and attendance.



MOTION AL 13:09:16 The Committee of the Whole recommends that the Board of Directors direct management to amend the SCG agenda as discussed.

Carried 10-0

4.12 Employer Application – Wood Buffalo Utilities Application

The LAPP VP, Pension Policy and Funding, provided background information on this employer application.

MOTION AL 13:09:17 The Committee of the Whole recommends that the Board of Directors recommend to the Board of Trustees a recommendation to the Minister of Finance that:

- (1) 1698718 Alberta Ltd. be added to the LAPP Regulation AR 366/93 Schedule 2 Part 1 as a participating employer in LAPP pending regulatory approval of its establishment and effective as of a date to be determined following receipt of such regulatory approval; and
- (2) The Minister's guidelines related to new employer participation in LAPP be updated to clarify that "operating on a non-profit basis" includes those organizations where profits, if any, flow back to a local authority.

Carried 10-0

4.13 Corporate Matters

MOTION AL 13:09:18 The Committee of the Whole recommends that the Board of Directors approve the following:

- 1) That the Chair and Vice-Chair execute the Indemnity for Directors to include the new Board member.
- 2) That the Chair and Vice-Chair execute the written resolution of officers of the corporation, including Michael Mahar in the office of Vice-Chair.

Carried 10-0

4.14 Committee Membership

MOTION AL 13:09:19 The Committee of the Whole recommends that the Board of Directors approve the following recommendation as amended:

- 1) That Terry Agoto replace Larry Murray on the Board Operations Committee.

Carried 10-0



4.15 Management's Business Report

The LAPP CEO advised that the Mandate and Role documentation from ATBF had been received after the September agenda package had been prepared and would be coming forward in the October meeting agenda.

MOTION AL 13:09:20 The Committee of the Whole recommends that the Board of Directors receive Management's Business Report for information.

Carried 10-0

5. INFORMATION ITEMS

5.1 Board Correspondence

The Board reviewed the correspondence for July and August 2013.

MOTION AL13:09:21 The Committee of the Whole recommends that the Board of Directors receive the Board Correspondence for information.

Carried 10-0

5.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events.

MOTION AL13:09:22 The Committee of the Whole recommends that the Board of Directors receive the Conferences/Calendar of Events for information.

Carried 10-0

5.3 Other Information Items

The Board reviewed the other information items.

MOTION AL13:09:23 The Committee of the Whole recommends that the Board of Directors receive the other information items for information.

Carried 10-0

R. Matheson and [REDACTED] left the meeting at 1:00pm.

[REDACTED], APS VP, Finance and Compliance, and [REDACTED], APS VP, Member and Employer Services, joined the meeting at 1:00pm.

4.11.1 APS Quarterly Reporting

The APS VP, Member and Employer Services updated the Board on the APS Next Generation project. He advised of the change management and change network plans.

D. Seiben joined the meeting at 1:15pm.



BOARD OF DIRECTORS MEETING RESUMED

There were discussions about policy decisions, the new APS Communications Director, OAG systems audit, and the continuing question on whether Deloitte will be reporting to the Board on the Next Generation progress to date.

The APS VP, Member and Employer Services provided key points to the Board from the APS Quarterly Services Report. He reported on the increase in members, number of deferred members, and call volumes.

MOTION AL 13:09:24 That the following APS Reports be received for information:

- 1) Quarterly Services Report: LAPP Q2, 2013, unaudited
- 2) Next Generation Update

Carried 10-0

4.11.2 APS Semi-Annual Reporting

There was discussion about tier 1 costs and transfers.

MOTION AL 13:09:25 That the following unaudited APS Reports be received for information:

- 1) LAPP Plan Financial Information (Q1 & Q2)
- 2) LAPP Statement of Pension Plan Transactions (Q1 & Q2)

Carried 10-0

4.11.3 APS Annual Reports

There was discussion about comparative data for other plans, part time members, and deferred members.

MOTION AL 13:09:26 That the following unaudited APS Reports be received for information:

- 1) Member Trends and Analysis
- 2) APS Key Indicators Report

Carried 10-0

██████████, APS VP, Finance and Compliance, and ██████████, APS VP, Member and Employer Services, left the meeting at 2:00pm.

4.16 Committee of the Whole

The Board reviewed the motions from the Committee of the Whole meeting on September 20, 2013.

4.9 That the Board of Directors repeal the GPS Task Force on Governance and Plan Sustainability.



4.10 That the Board of Directors direct management to amend the SCG agenda as discussed.

4.12 That the Board of Directors recommend to the Board of Trustees a recommendation to the Minister of Finance that:

1. 1698718 Alberta Ltd. be added to the LAPP Regulation AR 366/93 Schedule 2 Part 1 as a participating employer in LAPP pending regulatory approval of its establishment and effective as of a date to be determined following receipt of such regulatory approval; and
2. The Minister's guidelines related to new employer participation in LAPP be updated to clarify that "operating on a non-profit basis" includes those organizations where profits, if any, flow back to a local authority.

4.13 That the Board of Directors approve the following:

1. That the Chair and Vice-Chair execute the Indemnity for Directors to include the new Board member.
2. That the Chair and Vice-Chair execute the written resolution of officers of the corporation, including Michael Mahar in the office of Vice-Chair.

4.14 That the Board of Directors approve the following recommendation as amended:

1. That Terry Agoto replace Larry Murray on the Board Operations Committee.

4.15 That the Board of Directors receive Management's Business Report for information.

5.1 That the Board of Directors receive the Board Correspondence for information.

5.2 That the Board of Directors receive the Conferences/Calendar of Events for information.

5.3 That the Board of Directors receive the other information items 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 2:15 p.m.

██████████, and ██████████ left the meeting at 2:15pm.

██████████ left the meeting at 2:20 pm.



As the agenda was completed, the Chair declared the meeting adjourned at 2:30 p.m.

A handwritten signature in black ink, appearing to read "K. Howell", written over a horizontal line.

Chair
September 20, 2013

A black rectangular redaction box covering the signature of the Board Secretary.

Board Secretary