



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

MINUTES of the meeting of the Local Authorities Pension Plan Corp. Board of Directors held on February 13, 2014 at the Royal Glenora Club, 11160 River Valley Road, and on February 14, 2014 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101 Street, Edmonton.

**Board members**

**February 13, 2014:**

T. Agoto  
D. Aldous  
G. Howell  
N. Ketler  
G. Walker  
L. Thompson  
M. Mahar  
R. West

**February 14, 2014:**

T. Agoto  
D. Aldous  
G. Howell  
N. Ketler  
G. Walker  
D. Sieben  
M. Mahar  
R. West

**Absent:**

D. Sieben February 13)  
J. Whaley (February 13 & 14)  
L. Thompson (February 14)

**Non-Voting Members Present:**

R. Matheson  
C. Good  
D. Sander

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

██████████, CEO  
██████████, Vice-President, Investments  
██████████, Vice-President, Pension Policy and Funding  
██████████, Vice-President, Stakeholder Relations  
██████████, Board Secretary  
██████████, Mercer Actuary – February 14, 2014  
██████████, Mercer Asset Consultant – February 14, 2014 (via phone)

**NEXT REGULAR BOARD MEETING SCHEDULED FOR: March 21, 2014**



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.  
BOARD MEETING  
INDEX OF MINUTES  
February 13 and 14, 2014**

	<b>Page #</b>
<b>1. APPROVAL OF AGENDA.....</b>	<b>3</b>
<b>2. APPROVAL OF MINUTES.....</b>	<b>3</b>
<b>3. BUSINESS .....</b>	<b>2</b>
3.1 Strategic Planning Session .....	2 & 3
3.2 In Camera with the CEO .....	3
3.3 Actuarial Sciences Education Session.....	4
3.4 Experience Study.....	4 & 5
3.5 Termination Benefit Analysis .....	5 & 6
3.6 Advocacy Update .....	6
3.7 AIMCo Public Equity Report .....	8
3.8 AIMCo Top Down Investment Report .....	8
3.9 AIMCo Debrief .....	8 & 9
3.10 SCG Agenda.....	6
3.11 Lease Update .....	6
3.12 Corporate Matters .....	6
3.13 Management’s Business Report .....	7
<b>4. INFORMATION ITEMS</b>	
4.1 Board Correspondence.....	7
4.2 Conference/Calendar of Events.....	7
4.3 Other Information Items .....	8
4.4 Presentation Review .....	9

Because there was not a quorum present, the Chair, M. Mahar, convened the meeting as a Committee of the Whole at 8:15 AM

*D. Sieben, J. Whaley absent at February 13, 2014 meeting.*

**3. BUSINESS**

**3.1 Strategic Planning Session – Royal Glenora Club**

The Chair welcomed [REDACTED], the Facilitator for the LAPP Board Strategic Planning Session.

The CEO provided a brief overview of the legislated and delegated roles of the Board of Directors and the Board of Trustees.



There was discussion about what success means to the Board and how to achieve that success. The Board reviewed its operational and transitional functions and agreed that its mandate is to complete all functions.

*N. Ketler joined the meeting at 11:30am.*

██████████, ATBF ADM, joined the meeting at 11:50am.

The ATBF ADM advised the Board that the government sees the current role of the Board as transitional, with responsibility for the day to day operation of the Plan and to help set the revised governance structure up for success.

He advised that the MRD still needs to be completed, and that the Investment Management Agreement (IMA) and the Pension Services Agreement (PSA) are still on government’s list for completion.

There was discussion about the process for sponsor selection, the proposed spring legislation, the proposed contribution cap, and the recently released Auditor General’s report.

██████████, ATBF ADM, left the meeting at 12:30pm.

In the afternoon, the Board reviewed the 2012-2016 Strategic Plan, Strategic Communications Plan and Stakeholders Relations Plan. Management was given direction to amend the plans to reflect the transitional functions of the next few years.

*The meeting adjourned at 3:45pm, until 9:00am February 14, 2014.*

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

*J. Whaley, L. Thompson absent at February 14, 2014 meeting*

### **3.2 IN-CAMERA WITH THE CEO**

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

██████████, ██████████, ██████████ and ██████████ joined the meeting at 9:10am.

#### **1. APPROVAL OF AGENDA**

**MOTION AL14:02:01** That the agenda be approved.

**Carried 8-0**

#### **2. APPROVAL OF MINUTES**

**MOTION AL14:02:02** That the minutes of December 13, 2013 be approved.

**Carried 8-0**

██████████, Mercer Actuary and ██████████, Mercer Actuary joined the meeting at 9:15am.



### 3. BUSINESS- Continued

#### 3.3 Actuarial Sciences Education Session

In preparation for the 2013 actuarial cycle, the Mercer Actuary presented an Education Session: Actuarial Valuations: A Primer to the Board. The presentation touched on various concepts, including: understanding liabilities and balance sheets, understanding asset smoothing, setting contribution rates, and supporting a culture of risk management.

There was discussion about levers, the reporting process for valuation assumptions, and setting the discount rate.

**MOTION AL14:02:03** That the Board receive this report for information.

**Carried 8-0**

#### 3.4 Experience Study

The Mercer actuary presented the analysis of demographic experience for the period January 1, 2003 to December 31, 2012 for the purposes of determining demographic assumptions for use in the actuarial valuation as at December 31, 2013.

There was discussion about mortality rates, termination rates, retirement rates, family composition, commuted value election rates, and merit and promotion.

#### **MOTION AL14:02:04:**

- 1.1 That, with regard to the termination demographic assumption, the Board:
  - continue to use sex distinct termination rates;
  - continue to use the 2-year select period;
  - discontinue the use of higher termination rates for members aged 50 and above; and
  - smooth the results of this experience study by age;
- 1.2 That, with regard to the retirement demographic assumption, the Board:
  - continue the use of distinct retirement rates for members with 85 points and members with less than 85 points; and
  - adopt the results of the experience study, including extending the age at which all members are expected to retire to age 69;
- 1.3 That, with regard to the post-retirement mortality rate demographic assumption, the Board:
  - adopt the public sector mortality table and the mortality improvement scale from the final CIA Report (once available); and
  - apply a multiplier to the CIA table based on actual pension-weighted LAPP experience;
- 1.4 That, with regard to the retiree family composition demographic assumption, the Board:
  - reduce the percentage with a pension partner to 70%; and

- maintain the spousal age difference assumption of 3 years;

**1.5** That, with regard to the percentage electing commuted value on termination of employment, the Board:

- maintain the current assumption that 75% of terminating members elect a commuted value; and
- continue to apply a load to the actuarial reserve for members assumed to elect a commuted value on termination;

**1.6** That, with regard to the merit and promotion demographic assumption, the Board:

- continue to use the current rates and monitor the situation each time a valuation is performed;

**1.7** That all of the demographic assumption changes be applied to the December 31, 2013 actuarial valuation subject to further amendment at the April Board meeting if required due to further changes to the CIA updated mortality tables and any plan design changes that may be announced by government or approved for recommendation by the Board of Trustees prior to that meeting.

**Carried 8-0**

### **3.5 Termination Benefits**

The VP, Pension Policy and Funding provided a brief overview of the history behind the termination benefits analysis.

**MOTION AL14:02:06** That the Board of Directors table Termination Benefits.

**Lost 4-4**

For: R. West, N. Ketler, T. Agoto and M. Mahar  
Against: G. Howell, D. Aldous, D. Sieben and G. Walker

There were discussions about the timing of the recommendation, if a notice period would be required for the recommended changes, and the accountability of the Board of Trustees to make decisions on what is best for the plan members.

**MOTION AL14:02:06** That the Board of Directors recommend that the Board of Trustees make a recommendation to the Minister for the following plan rule changes:

1. Amend the definition of “commuted value” so that it can be based on the Plan’s going concern funding and not restricted to the actuarial assumptions and methods recommended by the Canadian Institute of Actuaries for the minimum transfer values of deferred pensions;
2. Allow for the payout of commuted values to be limited by the Plan’s funded ratio;
3. Delink termination and deferred benefits – remove the application of cost of living adjustments (COLA) for the period of deferral; continue to apply COLA during the period of retirement;
4. Delink termination and deferred benefits – remove the reference to the age and pensionable service points factor; and



5. Delink termination and deferred benefits – remove the reference to the reduction for early retirement and replace with the actuarial equivalent; and that such changes be applied on future service only.

**Lost 4–4**

For: G. Howell, D. Aldous, D. Sieben and G. Walker

Against: R. West, N. Ketler, T. Agoto and M. Mahar

██████████, Mercer Actuary and ██████████, Mercer Actuary left the meeting at 1:00pm.

### **3.6 Advocacy Update**

The VP Stakeholder Relations provided an update on the Board’s advocacy strategy. She advised of the work being undertaken by the Canadian Public Pension Leadership Council.

**MOTION AL14:02:07** That the Board receive the report for information.

**Carried 8-0**

### **3.10 SCG Agenda**

The Board reviewed the report and attached draft SCG Agenda.

**MOTION AL14:02:08** That the Board approve the proposed agenda for the March 28, 2014 meeting of the Stakeholder Consultation Group (SCG).

**Carried 8-0**

### **3.11 Lease Update**

The CEO advised the Board that since the report was written, further discussions had taken place with the landlord and they agreed that LAPP could enter into a 3-year extension at \$20/sq. ft. with a 3 month penalty for early termination. ATBF officials have indicated that they are supportive of the proposed costs.

**MOTION AL14:02:09** That the Board authorizes the CEO to enter into a lease extension of three years of the existing premises at HSBC Bank Place at a rate of \$20/sq. ft. with an early termination penalty of 3 months.

**Carried 8-0**

### **3.12 Corporate Matters**

**MOTION AL14:02:10** That the Chair and Vice-Chair execute the Indemnity for Directors to include the new Board member, effective on date of appointment.

**Carried 8-0**

**MOTION AL14:02:11** That the Chair and Vice-Chair execute the written resolution of officers of the corporation, reflecting the new Chair and Vice-Chair.

**Carried 8-0**



### 3.13. Management's Business Report

There was discussion about the Auditor General's recently released report. Management advised it would be on an upcoming Board Agenda. There was also discussion about the ability to provide input on the sponsor selection, the criteria that would be used, and the Edmonton Lab Services situation.

**MOTION AL14:02:12** That the Board receive the report for information.

**Carried 8-0**

## 4. INFORMATION ITEMS

### 4.1 Board Correspondence

The Board reviewed the most recent correspondence.

**MOTION AL14:02:13** That the Board Correspondence be received for information.

**Carried 8-0**

### 4.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events.

**MOTION AL14:02:14** That the Conferences/Calendar of Events report be received for information.

**MOTION AL14:02:15** That up to four Board Members can attend the PBLI Essential Tasks of Pension Benefit Plan Trustees in Vancouver on February 26, 2014.

**Carried 8-0**

**MOTION AL14:02:16** That two Board Members can attend the 2014 BC Public Sector Pension Conference.

**Carried 8-0**

**MOTION AL14:02:17** That one Board Member attend the Rotman – ICPM Board Effectiveness Program in December.

**Carried 8-0**

**MOTION AL14:02:18** That up to four Board Members can attend the ACPM conference in September.

**Carried 8-0**

**MOTION AL14:02:19** That one Board Member can attend the ATMS in Halifax in October.

**Carried 8-0**

**MOTION AL14:02:20** That Trustee Matheson attend the Milken Conference and the Board will cover airfare and hotel for him.

**Carried 8-0**



### 4.3 Other Information Items

The Board reviewed the other information items.

**MOTION AL14:02:21** That the Other Information Items be received for information.

**Carried 8-0**

██████████, AIMCo Director, Client Relations, ██████████, AIMCo Sr. VP, Public Equities and ██████████, AIMCo Executive VP, Investment Strategy & Risk joined the meeting at 1:50pm.

██████████, Mercer Asset Consultant joined the meeting via telephone at 1:50pm.

### 3.7 AIMCo Public Equity Report

The AIMCo Sr. VP, Public Equities provided a presentation to the Board on Public Equities. The presentation included information on currency, beta and alpha strategies, asset selection, risk targets and AIMCo's strategies for 2014.

*D. Sieben left the meeting at 2:25pm.*

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

**MOTION AL14:02:22** The Committee of the Whole recommends that the Board receive the report for information.

**Carried 7-0**

### 3.8 AIMCo Top Down Investment Report

The AIMCo Executive VP, Investment Strategy & Risk provided a presentation to the Board on top-down decision making, new initiatives and investment outlook.

There was discussion about Innovations, risk management, investment approval protocol, the Global Tactical Alpha team, the currency management initiative, Canadian Economic conditions, and interest rates.

**MOTION AL14:02:23** The Committee of the Whole recommends that the Board receive the report for information.

**Carried 7-0**

██████████, AIMCo Director, Client Relations, ██████████, AIMCo Sr. VP, Public Equities and ██████████, AIMCo Executive VP, Investment Strategy & Risk left the meeting at 3:45pm.

### 3.9 AIMCo Debrief

The Mercer Asset Consultant and LAPP VP Investments provided some feedback on the AIMCo presentations.

██████████, Mercer Actuary left the meeting via telephone at 1:50pm

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



