



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

MINUTES of the meeting of the Local Authorities Pension Plan Corp. Board of Directors held on April 25, 2014 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101st Street, Edmonton.

Board members

Present:

D. Aldous
C. Good
G. Howell – by phone
N. Ketler
R. Matheson
M. Mahar
D. Sander
D. Sieben
L. Thompson
G. Walker
R. West
J. Whaley

Absent:

T. Agoto
K. Balkwill

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: May 23, 2014



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
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April 25, 2014**

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The Chair, M. Mahar, convened the meeting at 8:00 AM

D. Sander, T. Agoto and K. Balkwill absent at start of the meeting on April 25, 2014.

1. IN-CAMERA WITH THE CEO

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

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

2. APPROVAL OF AGENDA

MOTION AL14:04:01 That the agenda be approved.

Carried 11-0

3. APPROVAL OF MINUTES

MOTION AL14:04:02 That the minutes of March 21, 2014 be approved.

Carried 11-0

4. BUSINESS

4.1 2014 Environmental Scan

The LAPP VP Investments presented an overview of the 2014 Environmental Scan.

There was discussion about Capital Markets expectations, long bonds, real estate, risk management, LAPP portfolio construction and goal, margin sensitivities, and inflation.

MOTION AL14:04:03 That the Board receive the report for information.

Carried 11-0

4.2 Proposed Plan Design Changes: Plan and Member Impact

The LAPP VP Pension Policy and Funding advised the Board of the letter received from AAMDC regarding the release of information from the plan and member impact analysis.

The Mercer Actuary provided a presentation on the Plan and Member Impact from the proposed plan design changes. There were discussions about target COLA, the 50% excess test, current service cost, and 50/50 cost sharing.

There was also discussion about the Auditor General's Report regarding a contribution rate cap and the value of the plan.

D. Sieben left the meeting at 10:45am.

D. Sander joined the meeting at 11:00am.

MOTION AL14:04:04 The Board directs administration to pursue employer plan participation rules and actual participation numbers for part time members.

Carried 10-1



D. Sieben joined the meeting at 11:30am.

MOTION AL14:04:05 The Board direct the actuary and administration to address the concerns raised by the Auditor General on contribution rate caps and the value of the proposed new plan for new members

Defeated 5-7

N. Ketler, R. West, M. Mahar, L. Thompson and C. Good for the motion.

MOTION AL14:04:06 That the Auditor General be invited to attend a future Board meeting to expand on the sections of his report relating to a contribution rate cap and the value of the plan.

Carried 12-0

There was additional discussion about the new mortality tables and the definition of stakeholders, the timing of the legislation and the extensiveness of the report from Mercer.

MOTION AL14:04:07 That the Mercer *Proposed Plan Design: Costing Analysis and Member Impact Illustrations* presentation be received for information.

Carried 11-1

J. Whaley left the meeting at 12:00pm.

MOTION AL14:04:08 That the change in current service cost arising from the proposed plan design changes be shared with stakeholders, in summary format and in context, following such time as the Legislative Assembly may pass the bill related to government's public sector pension reform.

Carried 6-5

4.7 Items from Audit Committee

The Audit Committee Chair presented the report.

MOTION AL14:04:09 That the Board approve the LAPP Corp. 2013 financial statements as fairly presenting in all material respects the financial position of the Corp. and the results of its operations and changes in financial position for the year ending 2013, in accordance with generally accepted accounting principles.

Carried 11-0

MOTION AL14:04:10 That the Audit Committee Terms of Reference be amended to delete the "Other Responsibility" to "review the results of the annual performance review of the Committee, make appropriate recommendations to the Board arising from those results, and report to the members in the Annual Report of the Pension Plan that a review was completed".

Carried 11-0

MOTION AL14:04:11 That the Board approve the narrative portion for inclusion in the 2013 Annual Report.

MOTION AL14:04:12 That the Board receive the report for information.

Carried 11-0



4.3 2013 Actuarial Assumptions

The Mercer Actuary reviewed the valuation process with the Board and advised of the areas in which she required the Board's direction for preparing the valuation. There was discussion about the discount rate - best estimate and minimum risk, other plan comparators, change in member salaries, expected payroll growth, LAPP mortality experience, comparative growth rates and the valuation timing.

J. Whaley joined the meeting at 1:20pm.

MOTION AL14:04:13 That the actuary be directed to perform an actuarial valuation as at December 31, 2013 using the assumptions and sensitivities as set out in the actuary's presentation and reviewed with the Board.

Carried 12-0

4.4 Edmonton Labs

D. Sieben and D. Sander left the meeting at 1:45pm.

The LAPP VP presented the report to the Board. There was discussion about CV pay-outs, employer withdrawal and estimated plan cost.

MOTION AL14:04:14 That the Board write to the Minister of Finance and Official Administrator of AHS to identify concerns with the impact on the funding of the Plan arising from the future withdrawal of AHS and Covenant Health lab services staff in Edmonton, and to recommend that special rules be developed to protect the Plan from this transaction.

Carried 10-0

MOTION AL14:04:15 That the Board direct management to work with Alberta Health Services (AHS) and Alberta Treasury Board and Finance (ATBF) to develop rules that address the detrimental impact on LAPP of this transaction.

Carried 10-0

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

D. Sander, ██████████, AIMCo VP Client Relations and ██████████, AIMCo Senior VP Real Estate joined the meeting at 2:00pm.

4.6 Investment Review: Real Estate

The LAPP VP Investments provided a brief overview to the Board. The AIMCo Senior VP Real Estate provided a presentation to the Board on Real Estate Investments.

There was discussion about IPD benchmarks, how much of LAPP's portfolio is involved in real estate, and exposure to foreign markets.

N. Kettler left the meeting at 2:35pm.

██████████, AIMCo VP Client Relations and ██████████, AIMCo Senior VP Real Estate left the meeting at 2:40pm.

There was additional discussion about Real Estate Income Trusts (REIT), the Mercer Annual Review of AIMCo in May and the AIMCo house view on real estate returns.



MOTION AL14:04:16 That the Board receive the report for information.

Carried 10-0

4.5 AIMCo Scorecard

There was discussion about the alignment portion of the scorecard, the assignment of risk vs return, succession, and pooled investments.

MOTION AL14:04:17 That the AIMCo Balanced Scorecard be approved as amended and communicated to AIMCo and to the Minister of Finance.

Carried 10-0

4.7 SCG De-Brief

The LAPP VP Stakeholder Relations presented the report. There was discussion about the timing of the most recent SCG meeting, the purpose of the bi-annual meetings, the location of the meetings and a possible return to the original purpose of the consultation meetings.

MOTION AL14:04:18 That the Board receive the report for information

Carried 10-0

There was additional discussion about shifting the focus of the meetings from a government liaison session to more of an information session as to what the Board is currently doing.

The LAPP VP Stakeholder Relations was directed to canvass SCG members about these possible changes before the next SCG meeting.

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

4.9 Items from HR&C Meeting

The Board went in-camera with the CEO for the discussion.

MOTION AL14:04:19 That the Board retain the Hay Group to conduct a pay at risk review and triennial compensation review.

Carried 10-0

MOTION AL14:04:20 That an executive search firm be retained to assist in the search for a new CEO, through a targeted RFP to a minimum of three firms.

Carried 10-0

MOTION AL14:04:21 That the Board review and approve the Attributes for Success document to be used in the executive search for the new CEO.

Carried 10-0

MOTION AL14:04:22 That the Board of Directors delegate the selection of an executive search firm to the Human Resources and Compensation Committee.

Carried 10-0

MOTION AL14:04:23 That the Board approve the recommended interim CEO as recommended by the Human Resources and Compensation Committee.

Carried 10-0



MOTION AL14:04:24 That the Board approve a review process for the interim CEO, consisting of the Board Chair and Vice Chair providing a minimum of monthly feedback to the interim CEO.

Carried 10–0

MOTION AL14:04:25 That the CEO Performance Review process not be performed in 2014.

Carried 10–0

██████, ██████, ██████ and ██████ joined the meeting at 4:10pm.

C. Good and J. Whaley left the meeting at 4:15pm.

Committee of the Whole

4.10 Items from Board Operations Committee Meeting

MOTION AL14:04:26 The Committee of the Whole recommends that the Board approve the recommended Board Evaluation by Jim Beaubien of Hope Learning Systems with the same format as last year.

Carried 8–0

MOTION AL14:04:27 The Committee of the Whole recommends that the Board approve the LAPP Individual Board Member Self-Assessment form for 2014.

Carried 8–0

MOTION AL14:04:28 The Committee of the Whole recommends that the Board approve the black-lined Board Remuneration Policy.

Carried 8–0

4.11 Bill 9

There was discussion about the LAPP plan rules, and current media statements misrepresenting the Board's position.

M. Mahar left the meeting at 4:40pm.

The Vice-Chair assumed the Chair.

There was additional discussion about the LAPP website, the electronic message from the Board, and the request sent to APS in March of 2014.

The Board directed that a letter be sent to the Labour Coalition on Pensions correcting inaccurate statements in its radio ads regarding the Board's position.

The Board also directed the VP Stakeholder Relations to post the revised pension reform update to the LAPP website and send it by email to all SCG members.

4.12 Management's Business Report

Management's Business Report was deferred to May 2014 Board meeting.

5. INFORMATION ITEMS

All Information Items were deferred to May 2014 Board meeting.

The Vice-Chair declared the Committee of the Whole meeting adjourned at 4:55pm.



Chair
April 25, 2014



Board Secretary