



**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 23, 2014 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101st Street, Edmonton.

Board members

Present:

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

Absent:

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: June 20, 2014



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
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May 23, 2014**

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

R. Matheson and L. Thompson absent at start of the meeting on May 25, 2014.

1. IN-CAMERA WITH THE CEO

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

██████████, Mercer Investment Consultant, ██████████, Mercer Principal, ██████████, ██████████, ██████████ and ██████████ joined the meeting at 9:05.

2. APPROVAL OF AGENDA

MOTION AL14:05:01 That the agenda be approved as amended

Carried 12-0

3. APPROVAL OF MINUTES

MOTION AL14:05:02 That the minutes of April 25, 2014 be approved.

Carried 12-0

4. BUSINESS

4.1 Committee of the Whole

The Board reviewed the report.

MOTION AL14:05:03 That the Board approve the following recommendations made by the Committee of the Whole at the April 25, 2014 meeting:

3.7 AIMCo Public Equity Report:

That the Board of Directors receive this report for information.

3.8 AIMCo Top Down Investment Report:

That the Board of Directors receive this report for information.

3.9 AIMCo Debrief:

That the Board of Directors receive this report for information.

Carried 12-0

4.2 2014 Q1 AIMCo Investment Report

The LAPP VP Investment's provided an overview of the 2014 Q1 AIMCo investment report as part of the Board's annual fiduciary oversight cycle, including a summary of the funding risk, active management, funded status, market risk, and implementation risk. The Mercer Investment Consultant also provided some insight on fixed income and a shift in long bonds.



There was discussion about large plan defensive investing, diversification, alternative strategies, portfolio construction, current compliance issues relating to infrastructure, and the need to have a fulsome discussion with AIMCo regarding long bonds allocation.

MOTION AL14:05:04 The Board directs management to:

- 1) bring forward a recommendation with respect to the Plan's exposure to long duration bonds.
- 2) bring forward a recommendation with respect to the Plan's inflation risk management.
- 3) bring forward a recommendation with respect to the Plan's public market policy weights and private equity exposure.

Carried 12-0

4.3 Mercer's Annual Review of AIMCo

The Mercer Investment Consultant provided the Annual Review of AIMCo. The review looked at business and risk management, fixed income, public equities, real estate, infrastructure and timberland, private equity and global tactical asset allocation. Also included within the review was an organization review.

There was discussion about Repos, the retirement of the AIMCO CEO, AIMCo costs, compensation, the maturity of AIMCo, restriction within the LAPP SIP&G, AIMCo sub-strategies, equity skyline, and reasonable value added expectations.

MOTION AL14:05:05 That the Board receive the report for information.

Carried 12-0

██████████, AIMCo Chief Client Relations and Legal Office and ██████████, AIMCo VP Client Services joined the meeting at 11:20am.

██████████, Mercer Principal left the meeting at 11:20am.

4.4 AIMCo Clients First and Currency Management

The AIMCo Chief Client Relations Officer presented the AIMCo Clients First Presentation. The presentation included information on a new initiative from AIMCO to develop a more client centric approach.

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

There was discussion about historical gestures from AIMCo in this regard, the need to understand the roles, managing stakeholder's expectations, and investment performance.

D. Sieben joined the meeting at 11:50am.

MOTION AL14:05:06 That the Board receive the report for information.

Carried 12-0

██████████, AIMCo Chief Client Relations and Legal Office and ██████████, AIMCo VP Client Services left the meeting at 11:55am.



There was additional discussion on the Board's expectation, the perception that AIMCo wants to grow, and the need for the same conversation with APS.

██████████, Mercer Investment Consultant, left the meeting at 12:00pm.

4.5 Investment Decision Making Education Session

The item was moved to the June Board Meeting Agenda.

4.6 Part Time Participation

The LAPP VP Pension Policy and Funding provided an overview on the Board's request for management to obtain information related to part time participation policies and participation rates.

There was discussion about historical requests of this nature, the timing of the request, costing of the alternative data collection option, what the data collected would be used for, the rights of the employers and unions for bargaining part time employees benefits, the plan policy regarding part time participation and the impact of the government's proposed changes on part time members.

MOTION AL14:05:07 That the Board recommend to the Board of Trustees a recommendation to the Minister of Finance for an amendment to the LAPP Regulation to require each participating employer to provide to the Minister as represented by Alberta Pensions Services Corporation (APS), on an annual basis, both:

(1) a copy of its written policy for determining the basis on which persons are eligible to become employees for the purposes of the Plan, and

(2) the number of persons employed by the employer and their Plan participation rates based on the categories of mandatory participation/full-time continuous; optional participation; and ineligible for participation as outlined by the Plan;

and that the Minister provide such information to the Board in a written report at least annually.

Carried 10-2

L. Thompson joined the meeting via phone at 1:15 pm.

MOTION AL14:05:08 The Board directs administration to investigate the cost of the alternative data collection option and report back to the Board at the June 2014 meeting.

Carried 8-5

The Board of Directors meeting recessed at 1:20pm.

The Board of Directors meeting resumed at 1:40pm.

4.8 Pension Reform

The LAPP CEO provided a brief overview on what has transpired with respect to Pension Reform since the last Board meeting. She advised that the ATBF ADM would be attending to update the Board on items pertaining to the LAPP website and pension reform next steps. She also advised that ATBF had requested that the APS CEO be present for the discussion.

█, ATBF ADM █; APS CEO and █ APS VP Policy and Research joined the meeting at 1:50pm.

4.7 APS Pension Reform Impact.

The APS CEO advised the Board that the proposed pension reform would have minimal impact on the Next Generation project as it is designed to allow for changes with a minimal cost. She updated the Board on the allocation of costs for the government initiative. The two areas where there was cost were the pension estimator and communications; approximately \$200,000 split equally between the three affected plans.

█, ATBF Executive Director and █, ATBF Executive Director joined the meeting at 2:00pm.

4.8 Pension Reform – Continued

The ATBF ADM introduced the new Executive Director. He advised the Board that the communications group, which includes LAPP staff, would be meeting next week to review some of the current communications strategies, including the Pension Websites.

He advised the Board that the changes contemplated by Bill 9 are still before the Legislative Assembly for consideration, notwithstanding that the Bill has been referred to the All Party Committee on Alberta's Economic Future.

There was discussion about the LAPP website, what ATBF would be providing the Standing Committee on Alberta's Economic Future, the Contribution Rate Cap discussion, the cancellation of the governance forum, the feeling that the governance issue has been shelved by government, the timelines of Bill 9, and the need to have Alberta Pension Plan experts speak to the Standing Committee.

█, ATBF ADM, █; APS CEO and █ APS VP Policy and Research, █, ATBF Executive Director, █, ATBF Executive Director and █, █, LAPP CEO left the meeting at 2:50pm.

The LAPP VP Investments advised the Board that an invitation for the Board to present to the Standing Party on Alberta's Economic Future on June 4, 2014, had been received during the Board meeting.

There was discussion on who should attend, what should be prepared and presented, what information the Committee would require to understand the unique situation of LAPP, whether the Mercer Actuary should attend to answer technical questions, and the need for the Committee to understand that the LAPP Board started a sustainability review two years ago.

D. Aldous and D. Sieben left the meeting at 3:10pm.



MOTION AL14:05:09 That the LAPP Board of Directors present to the Standing Committee on Alberta's Economic Future and provide information regarding LAPP characteristics including the Board's position on governance and sustainability. The presenters should include but are not limited to the Board Chair, Vice-Chair and CEO.

Carried 11-0

There was discussion about the government's rate cap paper discussion, the feeling that this issue should be resolved by sponsors, the need for additional education, the current role of the Board and the complexity and far reaching effects of a contribution rate cap.

MOTION AL14:05:10 The Board table the question of whether it wishes to make a submission to the Minister of Finance regarding the Contribution Rate Cap Discussion Paper to the next Board meeting.

Carried 11-0

There was discussion about the requests to release the pension reform costings information, including the updated mortality tables.

MOTION AL14:05:11 That the changes in current service cost arising from the proposed plan changes and the new mortality tables, in summary format and in context, be shared with AAMDC with a copy to the Stakeholder Consultation Group.

Carried 11-0

4.9 Annual Report

The Board reviewed the report. The LAPP VP Stakeholder Relations advised that some new photos would be required from the Board.

MOTION AL14:05:12 That the Board approve the 2013 Annual Report for publication and distribution.

Carried 11-0

MOTION AL14:05:13 That the Board provide a draft version of the 2013 Annual Report to the Standing Committee on Alberta's Economic Future.

Carried 11-0

4.10 2015 Board and Committee Meeting Schedule

The Board reviewed the report.

MOTION AL14:05:14 That the Board approve the LAPP Board and Committee meeting schedule for 2015.

Carried 11-0

J. Whaley and C. Good left at 4:05pm.

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

4.11 Management's Business Report.

The Committee reviewed the report.

MOTION AL14:05:14 The Committee of the Whole recommends that the Board of Directors receive the report for information.

Carried 9-0

5. INFORMATION ITEMS

5.1 Board Correspondence

The Committee reviewed the most recent correspondence.

MOTION AL14:05:15 The Committee of the Whole recommends that the Board of Directors receive the Correspondence report for information.

Carried 9-0

5.2 Conferences/Calendar of Events

The Committee reviewed the Conferences and Calendar of Events.

MOTION AL14:05:16 The Committee of the Whole recommends that the Board of Directors receive Conferences/Calendar of Events report for information.

Carried 9-0

5.3 Other Information Items

The Committee reviewed the other information items.

MOTION AL14:05:17 The Committee of the Whole recommends that the Board of Directors receive the Other Information Items report for information.

Carried 9-0

5.4 Presentation Review

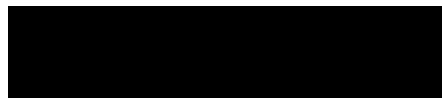
There was discussion about the Mercer presentation and that the presenters need to assume the reports have been read.

MOTION AL14:05:17 The Committee of the Whole recommends that the Board of Directors receive the report for information

Carried 9-0



Chair
May 23, 2014



Board Secretary