



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

MINUTES of the meeting of the Local Authorities Pension Plan Corp. Board of Directors held on June 20, 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
N. Ketler
M. Mahar
R. Matheson
D. Sander
D. Sieben
L. Thompson
G. Walker
R. West

Absent:

J. Whaley

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: July 18, 2014



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
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June 20, 2014**

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

J. Whaley and T. Agoto absent at start of the meeting on June 20, 2014.

1. IN-CAMERA WITH THE CEO

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

██████████, *Legal Counsel joined the meeting at 8:05am.*

T. Agoto joined the meeting at 8:15am.

██████████, *Legal Counsel left the meeting at 9:00am.*

██████████, ██████████ and ██████████ *joined the meeting at 9:05am.*

MOTION AL14:06:01 The Board of Directors directs management to retain external legal counsel to undertake a review of information pertaining to a Board matter.

Carried 13-0

2. APPROVAL OF AGENDA

Trustee Thompson requested that the Human Resources and Compensation Report be added to the agenda.

MOTION AL14:06:02 That the agenda be approved as amended

Carried 13-0

3. APPROVAL OF MINUTES

MOTION AL14:06:03 That the minutes of May 23, 2014 be approved.

Carried 13-0

The Board of Directors meeting recessed at 9:10am.

The Board of Directors meeting resumed at 9:15am.

4. BUSINESS

4.1 Pension Reform

4.1.1 De-Briefing: All Party Committee

The LAPP VP of Stakeholder Relations provided an overview of the Committee meetings to date.

MOTION AL14:06:04 That the Board receive the report for information.

Carried 13-0



4.8 Human Resources and Compensation Committee Report

██████████ left the meeting at 9:45am.

██████████ joined the meeting at 10:30am.

MOTION AL14:06:05 That the Board approve base salary ranges be adjusted to bring them in line with the Compensation Philosophy with P65 at the mid-point, where the current ranges are below P65, based on the Hay Group Compensation and Incentive Review Report June 2014.

Carried 13-0

MOTION AL14:06:06 That the Board affirm the Compensation Philosophy for the next three years.

Carried 13-0

MOTION AL14:06:07 That the Board approve the next steps as outlined by Davies Park for the CEO recruitment.

Carried 13-0

██████████, AIMCo Chief Client Relations and Legal Office, ██████████, AIMCo VP Client Services, ██████████, AIMCo EVP Public Investments, ██████████, AIMCo SVP Fixed Income, ██████████, AIMCo SVP Private Mortgages and ██████████, AIMCo SVP, Private Debt & Loan, joined the meeting at 10:30am.

4.3 Fixed Income Review

The LAPP VP Investments provided a brief background of the Board's annual fiduciary oversight cycle. He advised that this session will look at the fixed income component of the fund which includes the allocations to nominal long bonds and universe bonds, private debt & loan, and mortgages.

The AIMCo EVP Public Investments provided introductions of the AIMCo attendees.

The AIMCo SVP Fixed Income provided a presentation on Fixed Income. There was discussion about the repo strategy vs securities lending.

The AIMCO SVP of Private Mortgages provided a presentation to the Board on Mortgages. There was discussion about the strategies involved and the risk balance.

The AIMCo SVP of Private Debt & Loan provided a presentation to the Board on Private Debt & Loan. There was discussion about normal loan loss, LIBOR (London Interbank Offered Rate), and the anticipated future AUM growth.

██████████, AIMCo Chief Client Relations and Legal Office, ██████████, AIMCo VP Client Services, ██████████, AIMCo EVP Public Investments, ██████████, AIMCo SVP Fixed Income, ██████████, AIMCo SVP Private Mortgages and ██████████, AIMCo SVP, Private Debt & Loan, left the meeting at 12:00pm.

MOTION AL14:06:08 That the Board receive the report for information.

Carried 13-0



██████████, Auditor General, ██████████, Assistant Auditor General and ██████████, OAG Principal, joined the meeting at 1:00pm.

4.4 Auditor General Report

The OAG Principal provided an overview of the process in preparing the February 2014 Report, including the knowledge of business process. He advised of the focus on risk management by the department and that the review had been started before the department started the sustainability review. He also advised about what the OAG found through their review: governance is a key issue, AIMCo/APS oversight a smaller issue, there needs to be better coordination of risk management to provide a clear line of sight for risks, and that the initial review of sustainability, although they covered a good depth of subject, was constrained by the timelines.

There was discussion about what risk means, the all party committee OAG presentation, the tolerance levels of government and employers for their costs to the plan, the potential impact to the plan of part time employees, the risks facing the plan and the timelines for the department to respond to the OAG.

██████████, LAPP CEO, ██████████, Auditor General, ██████████, Assistant Auditor General and ██████████, OAG Principal, left the meeting at 2:00pm.

MOTION AL14:06:09 That the Board receive the report for information.

Carried 13-0

4.5 De-Brief of Auditor Report

4.6 Active Management and Investment Decision Making

The item was moved to the July Board meeting.

4.1 Pension Reform - Continued

4.1.2 Contribution Rate Cap

There was discussion about alternative solutions for plan viability, the legislated role of the Board and the unintended consequences of the government's proposed changes.

D. Aldous, left the meeting at 3:05pm.

MOTION AL14:06:10 That management be directed to provide feedback to the department regarding the effects of a contribution rate cap on LAPP and to prepare a response to the government's contribution rate cap discussion paper that includes reference to the following key messages;:

- The Board views a possible cap on contribution rates as a matter that needs to be determined amongst the sponsors of the Plan: employers and employee representatives.



- In the event government chooses to proceed with a contribution rate cap within the current governance system it should consult with the Board on its proposed cap structure and rate in order that appropriate stochastic modelling can be undertaken to understand the implications of such a cap on LAPP and its members.

Carried 12-0

MOTION AL14:06:11 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 12-0

D. Sieben and T. Agoto left the meeting at 3:25pm.

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

4.2 Part Time Participation.

MOTION AL14:06:12 The Committee Whole recommends to the Board of Directors that this report be tabled to the July 19, 2014 Board meeting.

Carried 10-0

4.7 Management's Business Report

The Committee reviewed the report.

MOTION AL14:06:13 The Committee of the Whole recommends that the Board of Directors accept the report for information.

Carried 10-0

5. INFORMATION ITEMS

5.1 Board Correspondence

The Committee reviewed the most recent correspondence.

MOTION AL14:06:14 The Committee of the Whole recommends that the Board of Directors receive the Correspondence report for information.

Carried 10-0

5.2 Conferences/Calendar of Events

The Committee reviewed the amended Conferences and Calendar of Events.

MOTION AL14:06:15 The Committee of the Whole recommends that the Board of Directors receive the amended Conferences/Calendar of Events report for information.

Carried 10-0

MOTION AL14:06:15 The Committee of the Whole recommends that the Board of Directors receive the Other Information Items report for information.

Carried 10-0

5.4 Presentation Review

There was discussion about the AIMCo presentations. There was a request that AIMCo include time within the allotted time given for questions.

MOTION AL14:06:16 The Committee of the Whole recommends that the Board of Directors receive the report for information

Carried 10-0

6. Board In-Camera

The Board went in camera with the Interim CEO at 3:55pm

■ ■ ■ ■ ■ left the meeting at 3:55pm.

As the agenda was completed, the Chair declared the meeting adjourned at 4:05pm.

Chair
June 20 2014

Board Secretary