



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

MINUTES of the meeting of the Alberta Local Authorities Pension Plan Corp. Board of Directors held on July 15, 2016 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101st Street, Edmonton.

Board members

Present:

- D. Sander - Chair
- T. Agoto, Vice-Chair
- K. Balkwill
- B. Burton
- K. Craig
- P. Marsden
- D. Sieben
- L. Thompson
- G. Walker
- R. West
- J. Whaley

Absent:

- S. Bradshaw

ALAPP Corp. Staff/Board Advisors (Present at the request of the Board):

- ██████████, President and CEO
- ██████████, Vice-President, Investments
- ██████████, Vice-President, Stakeholder Relations
- ██████████, Vice-President, Pension Policy and Funding
- ██████████, Board Secretary

- ██████████, Mercer Partner - By Phone
- ██████████, Mercer Partner
- ██████████, Mercer Principal

NEXT REGULAR BOARD MEETING SCHEDULED FOR: October 20 & 21, 2016



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
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July 15, 2016**

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 7. BOARD IN CAMERA	

D. Sander, Chair assumed the chair, and convened the meeting at 8:00am on July 15, 2016, with 11 Board members present.

S. Bradshaw absent

1. IN CAMERA WITH THE CEO

██████████ and ██████████ joined the meeting at 8:10am.

2. CONFLICT OF INTEREST DECLARATION

The Chair asked if any Board member had any conflicts of interest to declare. Hearing none, the meeting commenced.



3. APPROVAL OF AGENDA

MOTION AL16:07:01 That the Board of Directors accept the agenda.

Carried 11-0

4. APPROVAL OF MINUTES

MOTION AL16:07:02 That the Board of Directors accept the minutes of the May 20, 2016 meeting.

Carried 11-0

5. BUSINESS

5.1 Management's Business Report

The Board reviewed the report. There was discussion about the sunshine list, CEM participation, participation in the ICPM Rotman Board Effectiveness program and the possible changes to CPP.

MOTION AL16:07:03 That the Board receives this report for information.

Carried 11-0

██████████ Mercer Partner, and ██████████, Mercer Principal joined the meeting at 8:40am.

5.2 2015 Actuarial Valuation

The ALAPP Corp. VP, Pension Policy and Funding, provided an overview of the preliminary valuation results being presented as well as a brief synopsis of the decisions required by the Board.

The Mercer Partner provided the preliminary valuation results to the Board. There was discussion about risks related to changes in demographics during a recession, the unfunded liability, whether Mercer has sufficient data to produce data by sector, the LAPP Funding Strategy, contribution rates, commuted value pay-outs, current Q2 investment results, process for filing the valuation with CRA and communication of the results.

MOTION AL16:07:04 That the Board of Directors recommends the Board of Trustees:

1. Directs the actuary to finalize the valuation results based on the following:
 - A. Maintaining the cost and smoothing methodologies used in the 2014 actuarial valuation;
 - B. Maintaining the demographic assumptions used in the 2014 actuarial valuation;
 - C. Adopting the economic assumptions used in the 2014 actuarial valuation, with the exception of the inflation assumption (reduced to 2.0% per year) and the real wage growth assumption (reduced to 2.75% for three years,

and 3.0% per year thereafter, plus age-based merit and promotion scale), which also result in decreases in the YMPE increase assumption (reduced to 3.0% per year) and COLA assumption (reduced to 1.20% per year);

- D. Reducing the discount rate to 5.25% from 5.50%, which reflects a decrease in margin to approximately 70 basis points (bps) from 80 bps primarily as a result of a decrease in expected long term asset returns (and a small adjustment to reflect smoothing reserves) to 5.95% from 6.3%; and
- E. Maintaining contribution rates and applying the accelerated funding towards the oldest unfunded liability payments first, such that contribution rates will not be adjusted on January 1, 2017 or, at this time, January 1, 2018, recognizing that 2018 contribution rates may be adjusted based on results of the 2016 actuarial valuation.

- 2. Directs the actuary to file the 2015 valuation with the Canada Revenue Agency, meaning that contribution rates will not be adjusted on January 1, 2017 or, at this time, January 1, 2018, and that the next valuation required will be as at December 31, 2018.
- 3. Directs ALAPP Corp. management to advise stakeholders of the above.

Carried 11-0

██████████, Mercer Partner, and ██████████ Mercer Principal left the meeting at 10:15am.

The Board of Directors meeting recessed at 10:15am and reconvened at 11:15am

5.3 Fall SCG Meeting

The Board reviewed the report.

MOTION AL16:07:05 That the Board approve the proposed agenda for the Fall 2016 meeting of the Stakeholder Consultation Group.

Carried 11-0

██████████, Mercer Partner, joined the meeting by phone at 11:25am.

5.5 ALM Review

The ALAPP Corp. VP, Investments, provided an overview of the report. The Mercer Partner provided the Board with the ALM Study Asset Classes and Capital Market Assumptions presentation. There was discussion about the alternative asset mixes provided, the considerations used for the Mercer recommendations and the next steps for the ALM Study.

MOTION AL16:07:06 That the Board of Directors approve the selected alternative asset mixes for further study.

Carried 11-0

██████████, Mercer Partner, left the meeting at 11:45am



5.4 HR&C Committee Report

The HR&C Committee Chair provided an overview of the June 10, 2016 HR&C Committee meeting.

MOTION AL16:07:07 That the Board receives this report for information.

Carried 11-0

5.6 Audit Committee Report

The Audit Committee Chair provided an overview of the June 10, 2016 Audit Committee meeting. There was a discussion about the APS Next Generation project costs. The Board requested that a report on Next Generation project costs be brought to the next Audit Committee meeting.

MOTION AL16:07:08 That the Board receives this report for information.

Carried 11-0

5.7 2016 Business Plan – Semi-Annual Report

The ALAPP Corp. CEO updated the Board on progress on the 2016 ALAPP Corp. Business Plan.

MOTION AL16:07:09 That the Board receives this report for information.

Carried 11-0

5.8 2016 Communication Plan – Semi-Annual Report

The ALAPP Corp. VP, Stakeholder Relations, updated the Board on progress on the 2016 LAPP Communications Action Plan. There was discussion about the communication between ALAPP Corp. and APS.

MOTION AL16:07:10 That the Board receives this report for information.

Carried 11-0

5.9 LAPP Renewal

The ALAPP Corp. CEO updated the Board on recent updates to the LAPP Renewal process.

MOTION AL 16:05:11 That the Board receives this report for information.

Carried 11-0

6. INFORMATION ITEMS

6.1 Board Correspondence

The Board reviewed the most recent correspondence.

MOTION AL16:07:12 That the Board receives this report for information.

Carried 11-0

6.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events.

MOTION AL16:07:13 That the Board receives this report for information.

Carried 11-0

6.3 Presentation Review

The Board reviewed the presentations today by the Mercer Principal and Mercer Partners.

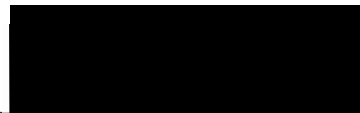
■ ■ ■ ■ ■ and ■ ■ ■ ■ left the meeting at 12:20pm

7. Board In-Camera

As the agenda was completed, the Chair declared the meeting adjourned at 12:40pm



Chair
July 15, 2016



Board Secretary