



**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 October 20 & 21, 2016 in the Local Authorities Pension Plan Board Room, Suite 1202, 10250 – 101st Street, Edmonton.

Board members

Present October 20:

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

Present October 16:

D. Sander – Chair
T. Agoto – Vice Chair
K. Balkwill
B. Burton – by phone
K. Craig
P. Marsden
L. Thompson
G. Walker
R. West
J. Whaley

Absent:

S. Bradshaw
J. Whaley

Absent:

S. Bradshaw
D. Sieben

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 Investment Consultant

NEXT REGULAR BOARD MEETING SCHEDULED FOR: December 16, 2016



**ALBERTA LOCAL AUTHORITIES PENSION PLAN CORP.
BOARD MEETING
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October 20 & 21, 2016**

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7. BOARD IN CAMERA

D. Sander, Chair assumed the chair, and convened the meeting at 8:10am on October 20, 2016, with 10 Board members present.

S. Bradshaw and J. Whaley absent

1. IN CAMERA WITH THE CEO

█ **█** **█** **█** and **█** **█** **█** joined the meeting at 8:25am.

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 AL16:10:01 That the Board of Directors accept the agenda.

Carried 10-0

4. APPROVAL OF MINUTES

MOTION AL16:10:02 That the Board of Directors accept the minutes of the July 15, 2016 meeting.

Carried 10-0

5. BUSINESS

5.1 APS Pre-Brief

The ALAPP Corp. VP, Pension Policy and Funding provided an overview of the upcoming presentations as well as next steps. Trustee Walker updated the Board on recent events at the APS Board meeting. There was discussion about the upcoming year end closing with the Compass system, concerns about the level of service members are receiving and the absence of the APS CEO at the presentation of the APS Business Plan and Budget to the LAPP Board.

MOTION AL16:10:03 That the Board receives this report for information.

Carried 10-0

█, APS COO, **█**, APS CFO **█**; APS Executive Director, Strategic Stakeholder Relations and **█**; APS Executive Director, Client Services, joined the meeting at 8:50am.

5.2 APS: The Member Experience

The APS Executive Director, Clients Services, provided an overview of the presentation. There was discussion about surveys for the member experience and the ability to capture data from the new self-serve system.

MOTION AL16:10:04 That the Board receives this report for information.

Carried 10-0

5.3 APS Business Plan and Budget

The APS COO provided the presentation on the APS Business Plan. The APS CFO provided the APS draft budget to the Board. There was discussion about LAPP's portion of the budget, tier 2 costs and alignment between APS and LAPP.

MOTION AL16:10:05 That the Board receives this report for information.

Carried 10-0

██████████, APS COO, ██████████, APS CFO, ██████████, APS Executive Director, Strategic Stakeholder Relations and ██████████, APS Executive Director, Client Services, left the meeting at 10:25am.

5.4 APS Debrief

There was discussion about the need to evolve the relationship documents between LAPP and APS, including service levels and guidelines on administration, disappointment with the absence of the APS CEO to present the APS Business Plan and Budget and the reputational risk inherent in the existing governance relationship.

MOTION AL16:10:06 That management respond to APS based on the feedback provided by the Board.

Carried 10-0

██████████, Executive Director, Pension Policy, and ██████████, Senior Manager, Public Sector Pension Policy, joined the meeting at 11:00am.

5.5 Government Update

The Executive Director, Pension Policy provided an overview of work being done by government on pensions. The Senior Manager, Public Sector Pension Policy updated the Board on the CPP reforms. There was discussion about CPP death benefits and timelines on consultation with Boards about the CPP changes.

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

Carried 10-0

██████████, APS Manager Application Development, ██████████, APS Manager of Digital Media ██████████, APS Customer Products Architect, and ██████████, APS Product Owner, joined the meeting at 11:20am.

5.6 Website Redevelopment Update

The ALAPP Corp. VP, Stakeholder Relations provided a presentation on the redesign of the LAPP webpage. There was discussion about accessibility, the email capacity of the new system and if there were options for members to ask the Board questions on the new site.

MOTION AL16:10:08 That the Board receives this report for information.

Carried 10-0



██████████, Executive Director, Pension Policy, and ██████████, Senior Manager, Public Sector Pension Policy, ██████████, APS Manager Application Development, ██████████, APS Manager of Digital Media, ██████████, APS Customer Products Architect, and ██████████, APS Product Owner, left the meeting at 12:00pm

5.7 SCG Items

The ALAPP Corp. VP, Stakeholder Relations provided an overview of the upcoming Stakeholder Consultation Group Meeting. There was a discussion about the expectation for the role of Board members at the meeting.

MOTION AL16:10:09 That the Board receives this report for information.

Carried 10-0

██████████, Mercer Investment Consultant and Director of Strategic Research, joined the meeting at 1:00pm.

5.8 Investment Agenda Overview

The ALAPP Corp. VP, Investments, outlined the investment portion of the agenda. There was discussion about quantifying risk, the value-added targets and the cost difference between active management and outside management fees.

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

Carried 10-0

5.9 AIMCo Pre-Brief

The ALAPP Corp. VP, Investments outlined the upcoming presentations from AIMCo.

MOTION AL 16:10:11 That the Board receives this report for information.

Carried 10-0

██████████, AIMCo Director, Client Relations, ██████████, AIMCo Senior VP, Private Equity and Relationship Investing, and ██████████, AIMCO Senior VP, Infrastructure and Timber, joined the meeting at 1:40pm.

5.10 Investment: Private Equity and Infrastructure

The ALAPP Corp. VP, Investments provided an overview of the report. The AIMCo Senior VP, Infrastructure and Timber, provided a presentation to the Board on Infrastructure and Timber. There was discussion about the benchmark, the investment strategy and growth opportunities.

The AIMCO Senior VP, Private Equity and Relationship Investing provided a presentation to the Board on Private Equity. There was discussion about the investment team growth, the real estate business model and the due diligence practiced by the investment team.

MOTION AL 16:10:12 That the Board receives this report for information.

Carried 10-0

██████████, AIMCo Senior VP, Private Equity and Relationship Investing, and ██████████, AIMCO Senior VP, Infrastructure and Timber, left the meeting at 2:30pm.

5.11 Investment: AIMCo Q2 Reporting

The ALAPP Corp. VP, Investments provided an overview of the Q2 report. The AIMCo Director, Client Relations, provided the Q2 Investment presentation to the Board.

MOTION AL 16:10:13 That the Board receives this report for information.

Carried 10-0

██████████, AIMCO Director, Responsible Investing, joined the meeting at 3:00pm.

5.12 Responsible Investment Review

The ALAPP Corp. VP, Investments provided history on AIMCo's responsible investment program. The AIMCo Director, Responsible Investing provided a presentation to the Board on Responsible Investing. There was discussion about carbon footprint and how the responsible investment information is getting to the Minister.

MOTION AL 16:10:14 That the Board receives this report for information.

Carried 10-0

██████████, AIMCO Chief Risk Officer joined the meeting at 3:20pm.

5.13 Investment Risk Review

The ALAPP Corp. VP, Investments provided an overview on risk management and how to operationalize the Board's risk appetite. The AIMCO Chief Risk Officer provided a presentation to the Board on risk. There was discussion about turnover, the loss of the AIMCo CFO and the continuity of reporting.

K. Balkwill, Board Trustee, left the meeting at 4:09pm

MOTION AL 16:10:15 That the Board receives this report for information.

Carried 9-0

██████████, Mercer Investment Consultant and Director of Strategic Research, ██████████, AIMCo Director, Client Relations, ██████████, AIMCO Director, Responsible Investing and ██████████, AIMCO Chief Risk Officer, left the meeting at 4:10 pm.

The Board meeting adjourned at 4:10pm until the following day.

As the Board did not have quorum, the meeting commenced as Committee of the Whole at 8:00am on October 21, 2016.

S. Bradshaw, D. Sieben and L. Thompson absent.

5.14 Management's Business Report

The Board reviewed the report.

MOTION AL 16:10:16 The Committee of the Whole recommends that the Board receives this report for information.

Carried 9-0

██████████, Mercer Investment Consultant and Director of Strategic Research, joined the meeting at 8:10am.

5.15 AIMCo Debrief and Scorecard

The ALAPP Corp. VP, Investments provided an overview of the AIMCo scorecard and the rationale behind the recommendations. There was discussion about past performance, how other pension plans are doing on investments, the increased use of leverage and the senior staff turnover at AIMCo.

MOTION AL 16:10:17 The Committee of the Whole recommends that the AIMCo Scorecard be approved by the Board and communicated to AIMCo and the Minister of Finance.

Carried 9-0

5.16 ALM Recommendation

The ALAPP Corp. VP Investments provided an overview of the ALM process to date. The Mercer Investment Consultant and Director of Strategic Research, provided the presentation to the Board. There was discussion about risk appetite, interest rates and the different asset mixes presented.

L. Thompson joined the meeting at 9:40am.

The Committee of the Whole adjourned and the Board of Directors meeting commenced at 9:40am.

There was further discussion about margins, communication, margin gap and the rationale to not incur additional risk.

MOTION AL 16:10:18

1.1 That the Board approve the development of:

1. an amendment to the Plan's Actuarial Valuations Policy to provide guidance to the Plan's actuary in setting the expected return assumption as outlined in the report; and
2. an amendment to the asset mix policy in the Statement of Investment Policies and Goals (SIP&G) based on portfolio C as outlined in the report, as part of the SIP&G review at the December Board meeting.

1.2 That management communicate the draft SIP&G to AIMCo and finalize a transition plan to be reviewed with the approval of the finalized SIP&G.

Carried 10-0

5.17 Value Added Review

The ALAPP Corp. VP, Investments provided an overview of the report and presentation. There was discussion about private equity management fees, hedge funds, if value-added would stay net 0 for the valuation and the more realistic view of the proposed changes.



MOTION AL 16:10:19 That the value added objective in Section 5.3 of the Statement of Investment Policy and Goals (SIP&G) be changed to 85 basis points of value added net of fees.

Carried 10-0

5.24 Committee of the Whole Recommendations

The Board reviewed the recommendations.

MOTION AL 16:10:20 That the Board:

- 1.1 receives Management's Business Report for information; and
- 1.2 approve the AIMCo Scorecard and that it be communicated to AIMCo and the Minister of Finance.

Carried 10-0

5.18 LAPP 2017 - 2019 Strategic Plan

The ALAPP Corp. CEO provided an overview of the 2017 – 2019 Strategic Plan and the process undertaken in preparing it. There was discussion about the governance section of the new strategic plan and the thoroughness of the new plan.

MOTION AL 16:10:21 That the Board adopt the LAPP Strategic Plan: 2017-2019, as recommended.

Carried 10-0

5.19 2017 ALAPP Corp. Business Plan and Budget

The ALAPP Corp. CEO provided an overview to the Board on the 2017 Business Plan and Budget as presented. There was discussion about time considerations as measurements of success and who has control of the timelines.

MOTION AL 16:10:22 That the Board supports Management's 2017 Business Plan and approves the 2017 ALAPP Corp. Budget at \$3,436,000.

Carried 10-0

5.20 Annual Strategy and Risk Report

The ALAPP Corp. CEO provided an overview to the Board on changes to the risk report. There was discussion about agency risk, the ability to highlight the Minister's risks, the fiduciary responsibility of Board members, the high risk associated with employer withdrawal and the risk associated with lack of government action in response to Board recommendations and other strategic priorities for the Plan.

MOTION AL 16:10:23 That the Board approve the Annual Strategy and Risk Report as amended for transmission to the Minister of Finance.

Carried 10-0

5.21 Strategic Policies Review

The ALAPP Corp. CEO provided an overview of the report to the Board. There was discussion about the 10 - Year Master Planning Calendar.

MOTION AL 16:10:24 That the Board approves the amendments to the Ten-Year Master Planning Calendar, as recommended.

Carried 10-0

5.22 Items from Board Operations Committee

The Vice Chair of the Board Operations Committee provided an overview of the report. The ALAPP Corp. VP, Pension Policy and Funding provided an overview of the revisions to the appeal policy. There was discussion about the nomination process for Board members, the interviews to be conducted by the Board Chair and Board Operations Committee Chair with the candidates for the Management/ Out-of-Scope Employee nominee position on the Board and the outcome of the Committee Review.

MOTION AL 16:10:25

1. That the Board of Directors approve the following board education topics be organized by Management in 2017:
 - Pension Plan Governance
 - Financial Risk Management
 - Pension Plan Financial and Funding Principles
 - Appeal Hearings
2. That the Board of Directors approve and recommend that the Board of Trustees approve the changes outlined to the Chair and Vice Chair Terms of Reference and the Board Education Policy.
3. That the Board of Directors recommend that the Board of Trustees approve the revised Appeal Hearing Policy.
4. That the Board of Directors recommend that the Board of Trustees approve the revised Board Remuneration Policy and the Travel, Meal and Hospitality Expenses Policy.
5. That the Board of Directors approve [REDACTED] and [REDACTED] as candidates for the Management / Out-of-Scope nominee position on the LAPP Board of Trustees for submission to the Minister, subject to satisfactory interviews by the Board Chair and Board Operations Committee Chair.
6. That the Board of Directors approve the proposed changes to the Board's committee structure and related documents.

Carried 10-0

5.23 LAPP Renewal – Governance Options

The ALAPP Corp. CEO provided a presentation and overview of Canadian pension plan governance models to the Board. There was discussion about the principles provided, the window of opportunity for change, the processes needed for stakeholder engagement and the learnings from pension reform in other provinces.

MOTION AL 16:10:26 That the Board receives this report for information.

Carried 10-0

6. INFORMATION ITEMS

6.1 Board Correspondence

The Board reviewed the most recent correspondence.

MOTION AL16:10:27 That the Board receives this report for information.

Carried 10-0

6.2 Conferences/Calendar of Events

The Board reviewed the Conferences and Calendar of Events. A conflict was noted for the September 2017 meeting.

MOTION AL16:10:28 That the September 15, 2017 Board Education Meeting be moved to September 22, 2017.

Carried 10-0

MOTION AL16:10:29 That the Board receives this report for information.

Carried 10-0

6.3 Presentation Review

The Board reviewed the presentations by the Mercer Investment Consultant.

■ ■■■■, ■■■■, ■■■■ and ■■■■ left the meeting at 2:25pm

■ ■■■■ left the meeting at 2:45pm

7. Board In-Camera

As the agenda was completed, the Chair declared the meeting adjourned at 2:50pm

Chair
October 21, 2016

Board Secretary