



LOCAL AUTHORITIES PENSION PLAN BOARD OF TRUSTEES

MINUTES of the meeting of the Local Authorities Pension Plan Board of Trustees held on July 20, 2018, at Suite 2000, 10130 103 Street, Edmonton.

Board members

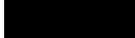
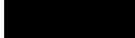
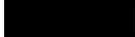
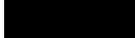
Present:

T. Agoto - Chair
D. Sander – Vice-Chair
K. Balkwill
S. Bradshaw
B. Burton
K. Craig
T. Giesbrecht
P. Marsden
S. McGillivray
S. Odegard
S. Pusch
L. Thompson
R. West

Absent:

H. Rogers

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

, President and CEO
, Vice-President, Stakeholder Relations and Communications
, Vice-President, Investment Policy and Risk Management
, Vice-President, Pension Policy and Funding
, Board Secretary

The Chair, T. Agoto, declared the meeting to be regularly called and properly constituted for the transaction of business at 10:25 am with 13 Board of Trustees members present.

1. APPROVAL OF AGENDA

MOTION L18:07:01 That the agenda be approved.

Carried 13-0

2. APPROVAL OF MINUTES

MOTION L18:07:02 That the minutes of the May 25, 2018, June 18, 2018 and July 4, 2018 meetings be approved.

Carried 13-0



3. BUSINESS

3.1 2017 Actuarial Valuation

The Board of Trustees reviewed the recommendations from the Board of Directors regarding the 2017 Actuarial Valuation results.

MOTION L18:07:03 That the Board of Trustees:

1. Direct the actuary to finalize the valuation results based on the following:
 - A. Adopting the actuary's best estimate demographic assumptions, which are unchanged from the preceding 2015 and 2016 actuarial valuations;
 - B. Adopting the actuary's updated best estimate economic assumptions, which are the same economic assumptions used in the 2016 actuarial valuation with the exception of:
 - a. An increase in the net investment return assumption from 6.30% to 6.40%, and
 - b. A decrease in the expected base salary increase over the short term, whereby the prior assumption was 2.00% for the first two years covering 2018 and 2019, and 3.00% thereafter, to an updated assumption of 0.00% for 2018 and 2019, with the same ultimate rate of 3.00% per annum applying thereafter, both with additional and unchanged age-based merit and promotional increases layered on top of the base;
 - C. Maintaining the Plan's margin level at the Optimal Margin target of 100 basis points (**bps**), which, in combination with the change in the net investment return assumption, results in an increase in the net discount rate assumption from 5.30% to 5.40%;
 - D. Maintaining the cost methodology used in the 2016 actuarial valuation;
 - E. Maintaining the asset smoothing methodology used in the 2016 actuarial valuation;
 - F. Reducing both employer and employee contribution rates by 1.00% effective for all payroll period pay dates occurring on or after January 1, 2019, with the reduced contribution rates being applicable for both the 2019 and, at this time, 2020 calendar years, recognizing that 2020 contribution rates may be adjusted based on results of the 2018 actuarial valuation scheduled to be completed next year;
2. Direct the actuary to file the 2017 valuation with the Canada Revenue Agency (**CRA**), meaning that the next valuation required will be as at December 31, 2020;
3. Direct the actuary to apply to CRA for an extension of the 9.0% employee contribution rate limit exemption from December 31, 2019 to December 31, 2021;
4. Direct ALAPP Corp. management to initiate the process pursuant to section 5(2) of Schedule 1 (**Act Schedule**) to the *Public Sector Pension Plans Act (Alberta)* (**Act**) for the preparation and filing of a Regulation, to be signed by the Chair of the Board of Trustees, with the Registrar of Regulations, to effect the contribution rate change for 2019 approved in item 1.F and to work with Alberta Pensions Services Corporation to effect implementation of the contribution rate prior to the commencement of the 2019 Plan year;

5. Based on previous written rejection of the applicability of the filing of the Regulation in reliance on section 5(2) of the Act Schedule from government, in the event that the filing of the Regulation referred to in item 4 is not accepted by the Registrar of Regulations prior to the date determined by the Chair and Vice Chair to be necessary for the contribution rate change to be implemented prior to the commencement of the 2019 Plan year:
 - A. Make a recommendation to the Minister to amend the LAPP Regulation pursuant to section 4 of the Act Schedule, to effect the contribution rate change for 2019 approved in item 1.F, on the basis that such amendment is recommended if and only if the amendment to the LAPP Regulation shall be approved by Order in Council effective, and capable of being implemented, as of January 1, 2019; and
 - B. Make such recommendation in item 5.A only on a without prejudice basis expressly reserving to the Board of Trustees the right to assert an interpretation of section 5(2) of the Act Schedule which does not require the Board to make a recommendation under section 4 of the Act Schedule to effect a change to contribution rates for the Plan, including, without limitation, utilizing the budgetary and staff support of ALAPP Corp; and
6. Direct ALAPP Corp. management to advise stakeholders of items 1 through 4 above without delay, and if necessary, of item 5 in accordance with the Board's Communication of Proposed Plan Amendments policy.

Carried 13-0

3.2 Board Code of Conduct

The Board of Trustees reviewed the recommendation from the Board of Directors.

MOTION L18:07:04

- 1.1 That the Board of Trustees approve the Board Members' Code of Conduct.
- 1.2 That, upon the Board Members' Code of Conduct coming in to effect, the Board rescinds each of the Board Members' Ethics and Conduct Policy and the Board Conflict of Interest Policy.
- 1.3 That the Board directs ALAPP Corp. management to update references in all applicable Board policies to reflect the foregoing.

Carried 13-0

3.3 Board Support – Re-appointments – D. Sander and P. Marsden

The Board reviewed the appointment terms expiring at the end of 2018.

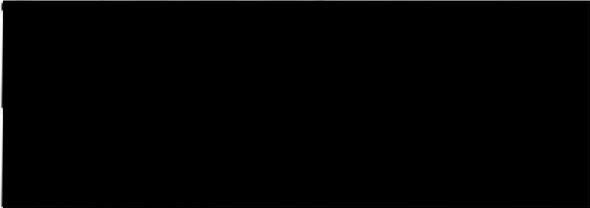
P. Marsden and D. Sander left the meeting at 10:30am.

There was discussion about *Alberta Public Agencies Governance Act (APAGA)* time limits and the willingness of both Board members to be re-appointed.

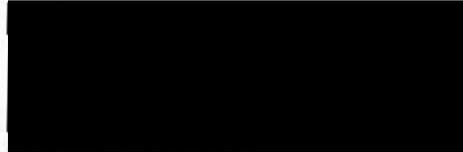
P. Marsden and D. Sander joined the meeting at 10:33am.

MOTION L18:07:05 That the Board write to the Minister to express its support for the reappointment of those Board members whose terms expire on December 31, 2018 and who wish to be reappointed.

The Board Chair declared the meeting adjourned at 10:35 am. (13 members present)



July 20, 2018



Board Secretary