

**Stakeholders Consultation Group
Questions/suggestions arising from the March 17, 2011 meeting**

Please note: The items written in italics below are questions submitted by stakeholders at the close of the March 17 meeting. The LAPP Board response, which follows each comment/question was developed and approved by the Board at a subsequent meeting. The questions are phrased as they were written, but where there are multiple questions on the same issue, they are combined for efficiency.

Stakeholder Questions: *Where do sponsors go to address service concerns?*

Board response: If you have a service issue to address, please contact the Client Service Advocate at Alberta Pensions Services (APS) who is there specifically to deal with your concerns.

Client Service Advocate

Phone: 1-888-643-1337

E-mail: clientadvocate@apsc.ca

Mail:

Alberta Pensions Services Corporation
5103 Windermere Boulevard SW
Edmonton, AB T6W 0S9

Stakeholder Questions: *Where do stakeholders fit in? Why do the stakeholders (the employers and employees who write the cheques) not have more control? Why does LAPP not have more control? We need a dialogue on how employee and employer groups can make informed recommendations to the Board.*

Board response: LAPP's Board is very supportive of input on the part of its stakeholders and has created the Stakeholder Consultation Group (SCG) for that purpose. Our March presentation on the future of the SCG was held to get input on whether we can change the structure of the SCG so there is even more opportunity for informed input to the Board from both employee and employer representatives. We look forward to your feedback on the SCG Options paper distributed at the end of the meeting (a copy of which is attached).

In answer to questions about why stakeholders do not have more control and why LAPP doesn't have more control, the governance of the Local Authorities Pension Plan is determined by legislation which divides responsibilities for

different aspects of plan governance between the Board and the Plan's Trustee, Alberta's Minister of Finance and Enterprise. The establishing legislation, the *Public Sector Pension Plans Act (PSPPA)* sets out the responsibilities of the Board and the Minister. Further, the Minister has delegated the following responsibilities: strategic guidance of the Plan to LAPP Corp.; administration services to APS; and investment management to Alberta Investment Management Corporation (AIMCo). One of LAPP Corp's responsibilities is to consult with stakeholders and assess stakeholders' current and future needs in relation to the Plan.

Stakeholder Questions: *When a public service is turned over to the private sector, members are unceremoniously thrown out of the plan. Is there any way to create an exemption/grandparenting to allow those members to continue in the plan? Understanding there may be legislative hurdles, what would be required - process wise? There are provisions for partial employer withdrawal, but the question is, how can we keep people, members in the plan? Privatization has drastic and long term pension implications for members.*

Board response: The Board is working with Alberta Finance and Enterprise (AFE) on regulatory changes to address these types of situations, and this will be brought back to a future SCG meeting.

Stakeholder Questions: *Employer participation is quite low - is it possible to target a dozen or so employers to specifically ask if they could commit to attending the meetings? Is it possible to offer opportunities for all employers to put issues forward?*

Board response: These are excellent suggestions. Employer participation does vary and it has been difficult throughout the past several years to get full attendance at the meetings. The Board has invited an expanded number of union and employer representatives to join the SCG in the past few years, based on the number of members represented by the organization. As for asking all employers to put issues forward, the Board does develop consultation plans from time to time and for some issues does seek input from a bigger group of stakeholders than the SCG. All employers are always welcome to bring issues forward to the Board at any time.

Stakeholder Questions: *I was disappointed that HOOP's funded ratio of 102% was not part of the SCG presentation slide #30 "2009 Actuarial Funding Ratios". Perhaps missing this was an oversight or in the alternative embarrassing to LAPP as it shows the results of a well managed investment program. HOOP's contribution rates for 2009 were reported on slides #35 and #36. Transparency and credibility are critical for stakeholders and plan members to have faith in LAPP. Omitting an unflattering statistic from a relevant peer group is problematic.*

Board response: There was no intent on the part of LAPP to omit reporting HOOP's funded ratio as part of the presentation on LAPP's funded status. The organizations named in the funded ratio slide are the same organizations we have been using for comparison purposes for the past several years. HOOP contribution rates were included in the contribution slides in response to a recent request for that addition. Transparency and credibility are important to the board, so much so that we report on our funded status at every meeting of our stakeholders whether or not the results are favourable to LAPP.

Stakeholder Questions: What is the LAPP Fund exposure to the following:

1. *The Chilean toll road*
2. *Life settlement funds*

Board response: AIMCo recently announced that it will be purchasing a 50% interest in Autopista Central, a toll road in Santiago Chile. This will be held in an infrastructure pool in which the LAPP is invested. The deal has not yet closed and is subject to closing adjustments. It is expected that LAPP's prorated exposure will be between \$140 million to \$150 million. This would translate into about 0.85% of the current market value of the fund.

There has been some press regarding AIMCo investing in life settlement funds. These investments have been made by external hedge fund managers in two separate pools. In total, the investment is less than \$50 million (or less than 0.3% of total fund market value at the end of 2010).