JOINT PENSION BOARD MEETING

February 9, 2011

1:00pm

SSB 4220

PRESENT: Stephen Foerster, Krys Chelchowski, Ab Birch, Martin Bélanger, Stephen Hicock, Craig Dunbar, Louise Koza, Jim Loupos, Michelle Loveland, Andrea Magahey, Cindy Servos, Bekki Ollson, Deirdre Chymyck

Guests: Bruce Curwood, Russell Investments, Ann Hutchison, David Arnold, KPMG

Regrets: Jane O'Brien, Lynn Logan

1. Completion and adoption of the Agenda

2. KPMG Audit Planning Report

David Arnold reviewed the KPMG Audit report outlining the proposed audit plan for the retirement plans. There are no significant accounting standard changes. There are a few auditing changes and these are reflected in the engagement letter. The date of the auditors' report will be the date that it is issued and therefore KMPG will need to be advised of any material issues or significant changes between the period that they complete their audit and when the statements are approved by the Joint Pension Board and the Audit Committee

David Arnold left the meeting.

Approve the appointment of KPMG as auditors
Motion: Louise Koza
Seconded: Ab Birch
All in Favour

3. Approval of the January 21st minutes

The minutes of the January 21, 2011 meeting were approved with one revision on the wording of the motion for the Fidelity Emerging markets exposure, the correct benchmark in the motion is " that the benchmark for the Pyramis Mandate include reporting by Pyramis on both the MSCI EAFE Index and the MSCI Emerging Markets Index". The revised minutes will be posted on the Joint Pension Board site.

Motion: C. Servos
Seconded: K. Chelchowski
All in Favour

4. Business Arising from the Minutes – PanAgora review

Martin Bélanger asked if there was any further action needed subsequent to the PanAgora manager review meeting held at the University on January 21, 2011 in light of the recent

"Review" rating provided by Russell Investments for PanAgora. The Board advised that the only other additional action that should be taken is ensure that PanAgora advises us immediately in the event that Jane Zhao were to leave or change roles. Based on her presentation at the manager review meeting it was identified that she is a key individual for this mandate. In responding to an inquiry on PanAgora's recent work on developing and modifying its short term model Bruce Curwood commented that many quant managers are trying pick up on more short term changes and developing short term models including PanAgora.

5. Update on the Joint Pension Board Priority "Enhancing our Education Programs"

The final version of the Communication Plan was presented to the Board. The plan was amended to reflect comments and feedback received from the Board on or subsequent to the last pension board meeting. There was discussion about having individuals who have made the decision to retire share their stories. Ann Hutchison commented that telling stories by plan members was something being considered and that this type of storytelling is an effective way of engaging members. K. Chelchowski offered to be a point of contact when the time came to reach out to the individual who had approached her and who might share a story about deciding to retire.

6. Academic Plan General Account Investment Review Risk

Martin Bélanger provided an exhibit that outlined the experience loss because of mortality risk in the Academic Plan general account. The deficit is $264,346 as of December 31, 2010. The deficit attributed to the two members who selected an excess earnings annuity is $373,393 as of December 31, 2010 and this means that these two members would not be receiving an increase to their annuity payments. This is consistent with the plan terms in regard to the conditions under which increases are and are not to be awarded and is based on a detailed analysis of mortality losses done by Mercer. In regards to immunization of the portfolio, the expected pension plan payments out of the Academic Pension plan for special members or their surviving beneficiaries are well matched. As of December 31, 2010 expected future payments were $5,366,000 and the expected maturity value of the immunized portfolio was $5,713,673.

7. Administrative Staff Plan Update on Immunizes Bond Fund

Martin Bélanger advised that we annually review the payments required to project cash flows for the Immunized Bond fund maintained for the Pension Plan for Members of the Administrative Staff. This is a review done annually and it is distinct from the formal actuarial valuation which is done every three years as prescribed. The review showed that payments and cash flows were well matched. The payments are expected to be $2,167,500 and the Immunized portfolio is expected to mature at $2,246,380.

8. Pension Statement Commentary & Assumptions

Martin Bélanger reviewed the wording to be included at the front of the annual member pension statements. The rate of return and annuity rates to be used will be finalized shortly**.**

S. Foerster suggested to remind members that the projected rate of return is based on a balanced portfolio.

9. Kilgour Advisory Group Report

Martin Bélanger asked if there were any questions on the Kilgour report. He reported that two trades considered risky in the MAV 2 portfolio were closer to maturity and this should help with market and price for the notes. The Board was reminded that the value of non bank ABCP in the pension fund is based on bid and asked prices in the secondary market.

10. Other Business

Motion to adjourn
Motion: Michelle Loveland
Seconded: Ab Birch
All in Favour

Meeting adjourned at 2:00pm

T. Rowe Price- Manager Review Meeting February 9, 2011 -11:00am – Room 4220

Steve Foerster, Ab Birch, Krys Chelchowski, Louise Koza, Jim Loupos, Andrea Magahey, Deirdre Chymyck, Martin Bélanger and Bruce Curwood met with Marlon Brown (Institutional Client Service Executive) and Kurt Umbarger (Portfolio Specialist) of T. Rowe Price Global Investment Services.

Organization

Marlon Brown gave an overview of the organization. The firm has US$482 billion in assets under management. T. Rowe Price is a publicly traded company and it has a solid balance sheet with about $1.5 billion in cash and no debt. The firm has seven investment offices throughout the world and employs 123 analysts.

The global equity strategy has approximately US$18 billion in assets and there's currently a soft close.

There have been no changes to the personnel in charge of our portfolio. Rob Gensler is still the lead portfolio manager. He's assisted by Josh Nelson who is an associate portfolio manager on the strategy. He's a dedicated resource (he spends about 80%-85% of his time on the strategy) but he has no direct buy or sell authority.

The portfolio manager also has access to an investment advisory committee, which provides regional and sector research.

Investment Process

The investment process hasn't changed, they use a bottom-up approach to select stocks and a top-down approach for risk controls. There's currently about 25.5% of the portfolio invested in emerging markets. The portfolio has been overweight in emerging markets since Rob Gensler took over. They are allowed to go up to 15% above benchmark in emerging markets. The benchmark is the MSCI World All-Country Index, which has approximately a 13% allocation to emerging markets. They look for stocks with a market capitalization of $1-2 billion and above. The portfolio typically holds 65-75 names. They look for stocks that can generate returns greater than 20%. They don't hedge currencies but the currency is taken into consideration in the stock selection process; they perform sensitivity analysis at the stock and at the portfolio level.

Regarding environmental, social and governance (ESG) factors, analysts are asked to pay attention to those and to assess how they impact risk. There's one ESG professional at T. Rowe Price; she provides support to analysts and she suggests how proxies should be voted. They consider themselves active but not activists. They have signed the United Nations Principles for Responsible Investment.

There's no security lending in the portfolio and they don't use derivatives beside warrants or rights.

They feel comfortable about the liquidity of the portfolio, although they wouldn't be able to liquidate the entire portfolio within 24-48 hours they indicated that they would be able to do so shortly thereafter.

Regarding trading, they feel that consolidation in trading venues makes sense but legislation is a concern. There are new regulations for commodities and futures.

Performance and Portfolio Positioning

The portfolio has underperformed by 179 bps in 2010 and by 348 bps annualized, since inception. Stock selection in Information Technology and Health Care have added value, while sector allocation and stock selection have detracted value in Energy, Materials and Financials. Positions in the Information Technology sector that have added value include Apple and Juniper Networks. There has been a shift towards mobile computers. In the Health Care sector Edwards Lifesciences has added value. In the Financials sector, a position in Banco Santander (Spanish bank) has hurt due to the debt crisis in Europe. In Materials, a position in Monsanto has hurt. The position has been eliminated from the portfolio. In Oil and Gas, a position in Petrobras has detracted value.

From a regional point of view, an overweight in the U.S. has added value and underweights in Japan and Canada have detracted value. They only hold Barrick Gold in Canada. The portfolio has given back some value in the last 6 weeks of 2010.

They were asked to explain why they didn't invest in Canadian banks, given their superior financial strength compared to other banks. Canadian banks don't have the same discount as banks from other countries and Rob Gensler doesn't buy banks at more than one time tangible book value.

A question was asked regarding their underperformance given that growth has outperformed value in 2010. They said that they don't look at style benchmarks because they are heavily impacted by history.

Portfolio turnover was 78% in 2010, which was lower than usual; it's normally between 80% and 100%. Half the turnover was due to the addition of new names and half was due to trimming the portfolio.

We had a discussion on the portfolio performance since inception and Kurt Umbarger took some time to review the performance in the last 3 months of 2008, which had a major impact on performance since inception. In the summer of 2008 they positioned the portfolio with the expectation that the global economy would recover. They took some positions in Materials and consumer discretionary that did extremely poorly relative to the market. The lesson learned is that a single factor may impact the portfolio and tail risk does matter.

They are currently selective about valuation. Regarding the recent political events around the world, they ask themselves if the changes are permanent. They also have access to the portfolio managers based in those regions. They are currently underweight in Southern Europe.

Regarding portfolio positioning, they expect strong economic growth, especially in emerging markets. The growth profile of the portfolio has edged up. They like the opportunities available and they feel that equities are appealing. The corporate sector is in great shape with strong balance sheets and high levels of cash and profitability. Europe is presently the cheapest market in the world. Currently the largest risk is sovereign debt. The U.S. has about US$14 trillion in debt, which is a concern but Congress seems to be serious about cutting. In the U.S. housing and employment are still major concerns. Regarding inflation, they believe that Japan should turn inflationary soon. They don't expect the U.S. Federal Reserve to raise rates before the end of 2011. Information Technology is their largest overweight, it is a play on mobile computers. They're also overweight in Consumer Discretionary as a way to benefit from emerging markets growth. They have a neutral weight in the Telecommunication sector, with positions in America Movil and Telefonica. They're also neutral in Energy; they own Petrobras in the oil sector and they focus on companies with low production costs in the coal and natural gas sector. They are underweight in Consumer Staples, Industrials, Health Care, Materials and Financials. They don't own any companies in utilities. In the Health Care sector they focus on medical devices. In Materials they have exposure to gold and platinum but little exposure to other metals. They own Praxair, a gas supplier. In Financials, they own emerging markets banks, Credit Suisse, Goldman Sachs, JP Morgan Chase and some stock exchanges.

Compliance

T. Rowe Price doesn't have any compliance issues to disclose. The portfolio is in compliance with the purchase agreement. The firm or its personnel are not facing any material litigation. Representatives of the U.S. Securities and Exchange Commission did a review of T. Rowe Price and there are no material issues to disclose. The firm has an adequate code of ethics. The firm has no conflict of interest to report.

The meeting ended with Marlon Brown inviting members of the Joint Pension Board to attend T. Rowe Price annual Symposium next November 16 to 18 in Baltimore.