

JOINT PENSION BOARD MEETING

April 27, 2011

1:00pm

SSB 4220

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

Guests: Bruce Curwood, Russell Investments

Regrets: Jane O'Brien

1. Completion and adoption of the Agenda

2. Approval of the March 23 minutes

Motion: Cindy Servos

Seconded: S. Hicock

All in Favour

3. Business Arising from the Minutes

Martin Bélanger addressed the issues regarding the performance of AllianceBernstein and the relative benefits to be expected from active management that were raised in the March 23 meeting. He provided an overview from the minutes of the September 20th manager review of AllianceBernstein that was provided to the board previously. He noted that at the time the main reason for the board keeping AllianceBernstein was the positioning of the portfolio. The valuations for good quality stocks were very low and therefore it was not a good time to make a manager change. The next review date for Alliance Bernstein is May 24, 2011. Martin Bélanger also noted that the returns that had been provided in the Quarterly Performance Review were the returns of AllianceBernstein in the Diversified Equity fund but mandate for AllianceBernstein in that fund was modified in 2010 and therefore he provided for the board's information, the actual returns from the AllianceBernstein International Value strategy which is where the pension funds are currently invested. He noted that though there have been significant periods of underperformance up to -30% of the cumulative return, since inception the return is positive at 17.01%, and therefore value has been added.

Martin Bélanger then presented various slides that would be included in his annual presentation to retirement plan members. These slides try to demonstrate that selecting investment managers based on historical performance can lead to poor results.

He also presented simulated results of the Canadian Equity Fund if the changes proposed at the July 2009 Joint Pension Board meeting had been accepted. Adding a small cap component and

terminating one of the four large cap managers would have added approximately 4.4% to the return of the fund.

Bruce Curwood presented the information on the Active versus Passive investment management in detail to the board. He referred to the board's Statement of Investment Beliefs and in particular that though passive management is the default choice the board believes that in some markets such as Canadian equities and global equities there is an opportunity for active management to add value. In reviewing the active managers the analysis presented demonstrated that there is the opportunity for active managers to add value in Canadian and EAFE equity but that recently it has been harder for Canadian managers to add value. The pattern for active managers is periods of underperformance then followed by strong performance often linked to market correction. There was a discussion about the benchmark for value added targets. Though these are set by managers it was noted that the expected value added may not be realistic and benchmark targets are too high. However, given that managers set these targets they should be held to those targets even though there is evidence that these targets may be too high. Despite challenging times for active managers Bruce Curwood noted that our three current Canadian managers are good disciplined managers ranked well by Russell but for whom the board should expect we will have periods of underperformance.

Bruce Curwood concluded that in the right markets active management can add value but we should expect periods of underperformance. The board should ensure that we follow up with continued monitoring of our EAFE managers to make sure we are getting value added or understand why value added is not being realized.

The board indicated that they did not need any further information on this issue for the time being.

4. CC & L Manager review

The results of the recent CC& L investment manager review on April 4, 2011 were presented to the board. CC& L has outperformed their benchmark in 2010 by 3.4%. They are ranked Hire by Russell Investments. Martin Bélanger noted that though there were no personnel changes for individuals involved in the Q-core strategy that the pension funds are invested in, Martin Gerber, the team leader on our strategy has been promoted to managing partner while maintaining his duties as team leader. We will need to monitor if this change has any affect on our mandate. There are no compliance issues or client service issues with CC & L.

A question was posed about the criteria used for the Canadian Equity mandate and the methodology used by CC & L to determine if the stocks are equity securities of Canadian companies as the Canadian Equity Fund is described in the Western Retirement Plans Annual Report 2010. In this report, members will see under the country allocation details for the Canadian equity fund that we show minor amounts invested in Columbia and Australia. These companies trade on the TSX. Bruce Curwood commented that there is no clear industry standard of what makes the stock Canadian equity. Martin Bélanger outlined that for CC & L the assessment is whether the company trades primarily on a Canadian exchange, whether it has a Canadian head office and the jurisdiction of where the company is incorporated.

5. Pension Staff Updates

Martin Bélanger updated the Board in regard to the implementation for the HST. HST will be paid on all investment manager fees. There is also a deemed supply requirement that internal resources used to provide services to the pension plans have a deemed value for which HST will be paid by the University.

He reminded the Board about the annual member meetings taking place April 27th, 28th and May 6th.

Andrea Magahey advised that the Supplemental Pension Arrangement Statements would be out next week. In regard to the April distribution of Annual Pension statements there had been about 30 inquiries from members mostly regarding wanting to update information for record purposes. She advised the board that phone surveys to pension plan members had begun and to date the people contacted had been cooperative. If there was any theme coming from the responses to date it would be that members expressed that they received a lot of information but that they felt that they needed to be more involved with their retirement planning.

8. Other Business

Andrea Magahey, in responding to query on the UWOFA grievance, indicated that future hearing dates in 2011 had been adjourned.

Motion to adjourn

Motion: Michelle Loveland

Seconded: Stephen Hicock

All in Favour

Meeting adjourned at 2:40pm

