

# **Joint Pension Board Meeting**

**March 12, 2012**

**9:00 AM**

**SSB4220**

Present: Prof. Stephen Foerster, Ms. Lynn Logan, Ms. Krys Chelchowski, Ms. Cindy Servos, Mr. Jim Loupos, Mr. Martin Bélanger, Mr. Jeffrey Symons, Ms. Bekki Ollson, Mr. James Stockford

Guests: Mr. Bruce Curwood, Russell Investments

Regrets: Ms. Louise Koza, Ms. Shannon Butler, Mr. Ab Birch, Ms. Jane O'Brien, Prof. Craig Dunbar, Ms. Michelle Loveland

## **1. Completion and adoption of the Agenda**

## **2. Approval of the February 13 minutes**

Motion: Cindy Servos

Seconded: Lynn Logan

All in Favour

## **3. Business arising from minutes – Update on Alliance Bernstein**

Martin Bélanger summarized the review meeting with AllianceBernstein where a future restructuring within the firm was discussed. A few days after the meeting, AllianceBernstein announced some organizational changes. There are no changes to the fixed income team. The number of value analysts within the firm has been reduced to 51 from 58. The firm has also decided that Kevin Simms would be the sole portfolio manager for the International Value Fund and that Henry D'Auria would manage the Emerging Markets Value Fund. Both events (significant reduction in the number of analysts and departure of one of the portfolio managers) had previously been discussed by the board as a possible trigger for action to review or terminate the firm. The recent performance however has been good during 2012, at approximately 2 percent above the benchmark. M. Bélanger reviewed all the triggers that have been established to terminate AllianceBernstein and, considering the entire picture with the firm, he does not recommend terminating them.

#### **4. Update on Joint Pension Board Priority “Reviewing the Diversified Equity Fund”**

The group discussed the previous voting on various alternative strategies. Martin Bélanger asked the group to expand on “unsure” votes for Infrastructure and Real Estate. The group also discussed liquidity of the assets versus the size of the plan. It was suggested that the board set aside the unpopular choices and concentrate on the top five with the option of revisiting the middle of the range later. The group agreed that the top five should be looked at first. The top five choices include private equity, emerging markets, commodities, small cap and low volatility strategies. Martin Bélanger mentioned his goals in looking at these options, as adding diversification and capturing additional return. The board also discussed a timeline for the reviews and compatibility with the Western pension plan principles.

An exhibit on private equity was presented to the group. There was discussion during the presentation around fees, timing and entry/exit for a Private Equity investment.

The board ended the discussion in the interests of continuing the rest of the meeting, and agreed that perhaps an extra April meeting was appropriate to cover more of the material and discuss the other options.

#### **5. Update on Joint Pension Board Priority “Reviewing the Diversified Bond Fund”**

Ron Lloyd of Romspen joined the meeting at around 10:20 a.m.

Ron Lloyd presented Exhibit XIII to the group. During the presentation it was asked what fees the firm charges and Ron Lloyd confirmed it was one percent. There were also discussions around loan to value in the portfolio, property and buyer screening, and entry and exit logistics. Ron Lloyd talked about distinctions between Romspen and the major banks and how the firm provides bridge and temporary financing in ways that banks do not, giving them a niche market.

Ron Lloyd then left the meeting.

The board asked what target allocation could be appropriate for Romspen, Martin Bélanger mentioned that the allocation should be large enough to have a meaningful impact and that 10 to 15 percent would be a good starting point.

#### **6. Fidelity/Pyramis Manager Review**

Martin Bélanger stated that the manager has had some recent issues, but did not recommend immediate action by the Joint Pension Board. It was asked why they were under review by Russell in light of having good performance recently. The portfolio lost its European equity manager in 2008; however that person was not involved in the Western assets. The firm is still adding value to our fund. Martin Bélanger mentioned that although there were no major concerns about the firm, there’s been an accumulation of small issues and the retirement plans have access to better opportunities through managers on the operating & endowment fund. The issues include the review rating by Russell, which is poor from a governance point of view and causes Russell’s monitoring to be diminished; a decline in the

number of analysts; some portfolio manager turnover and a large number of holdings that is not optimal given the weight of the portfolio in the Diversified Equity Fund.

M. Bélanger suggested that the Joint Pension Board should take a look at MFS Investments, which manages money for the Operating & Endowment Fund. MFS has a style similar to Fidelity, a more concentrated portfolio, a significant exposure to emerging markets, a stable organization, strong research team, and strong value added since inception (459 bps annualized). In addition, moving assets from Fidelity to MFS would reduce manager fees by about 15 bps per year.

It was agreed that M. Bélanger would provide more information on MFS for the next meeting, including the latest Russell research report on the firm.

#### **7. State Street Global Advisors Review Update**

Martin Bélanger reviewed details from a meeting in Montreal with the manager. There is currently a 4-5 bps tracking error on the fund every month due to operational issues with the currency hedging. This will be remedied by moving administration of the fund from Boston to Montreal. As this is simply a procedural change, no board approval is required.

#### **8. Mackenzie Aberdeen Research Report**

M. Bélanger quickly mentioned that the SRI Fund was upgraded to B+ by Mercer, which is a positive development.

#### **9. Fourth Quarter Performance Review**

Bruce Curwood briefly discussed the executive summary, and in the interests of time the board was asked to review the report individually. Any comments or questions can be brought to the next meeting.

#### **10. Other Business**

Motion to adjourn

Motion: Jim Loupos

Seconded: Lynn Logan

All in Favour

Meeting adjourned at 11:10 am