

# JOINT PENSION BOARD MEETING

November 30, 2011

9:00 am

SSB 4220

PRESENT: Stephen Foerster, Michelle Loveland, Krys Chelchowski, Cindy Servos, Shannon Butler, Ab Birch, Martin Bélanger, Louise Koza, Ann Jones, Deirdre Chymyck, Cara Bourdeau, James Stockford

Guests: Bruce Curwood, Russell Investments

Regrets: Lynn Logan, Jim Loupos, Jane O'Brien, Craig Dunbar

## 1. Completion and adoption of the Agenda

### 2. Approval of the October 13, 2011 minutes

Motion to approve with minor changes: Michelle Loveland

Seconded: Ab Birch

All approved with minor changes

### 3. Governance Self Assessment Questionnaire

M. Bélanger presented the updates to the Self-Assessment Questionnaire. This document is a guideline of best practices from The Canadian Association of Pension Supervisory Authorities (CAPSA). Changes are minor in nature and include a service provider review of the Financial Education Institute of Canada, FSCO compliance schedule and members meeting for the review of the Diversified Equity Fund.

Academic Pension Board

Motion to Approve: L. Koza

Seconded: M. Loveland

All in favour

Administrative Staff Pension Board

Motion to Approve: L. Koza

Seconded: C. Servos

All in favour

### 4. Statement of Investment Policies and Procedures

D. Chymyck reviewed the changes made to Statement of Investment Policies and Procedures (SIPP) for both the Academic and Administrative Staff Pension Plans. The changes were minor in nature; board members were provided copies of both the document highlighting the changes made (track changes) and the clean copy to review. S. Foerster provided additional suggestions to improve the accuracy of the documents and everyone was in agreement.

Legislative changes will require the SIPP to be filed with FSCO. The board discussed posting the document to make it available on the Pension website. It was agreed that the document will be posted excluding the appendices.

Academic Pension Board  
Motion to Approve: L. Koza  
Seconded: S. Butler  
All in favour

Administrative Staff Pension Board  
Motion to Approve: A. Birch  
Seconded: K. Chelchowski  
All in favour

## **5. Pension Plan Documents**

J. Stockford presented the changes to the Pension Plan Documents, both Academic and Administrative Staff. The last full review of the pension plan documents was in 2007; this update will capture the changes made in the last 4 years. Once the documents have been approved by the Joint Pension Board L. Koza will take them to Campus Council and Hicks Morley will file with both FSCO and CRA.

Changes to the Academic Plan include the addition of Librarians and Archivists to the Faculty Pension Plan effective July 1, 2012, the addition of Clinical Faculty Employees, changes to the definition of status for Part-time Faculty plan members.

Changes to the Administrative Staff Pension include the change of plan membership for the Librarians and Archivists effective July 1, 2012, changes resulting from collective agreements negotiations, and the removal of the eligibility of the Post Doc Scholars effective October 2011. Future amendments will be made in November 2012 following the negotiations with the PMA.

Changes that affect both plans include changes to the Terms of Reference regarding the election of the Board Chairs, provisions relating to transfer of funds (death benefits), legislative changes resulting from bill 133 in January 2012 (marriage breakdown) and mandatory retirement.

The plan documents will be filed with FSCO and under Bill 236, members need to be notified of the changes.

Academic Pension Board  
Motion to Approve: L. Koza  
Seconded: M. Loveland  
All in favour

Administrative Staff Pension Board  
Motion to Approve: C. Servos  
Seconded: A. Birch  
All in favour

## **6. Pension Board Terms of Reference**

Changes to the Terms of Reference included the election of the Pension Boards' Chair. Discussion included the definition of eligibility of membership to the Administrative Staff Pension Board and whether members of the plan from the affiliated colleges and other associations are by definition eligible for nomination to the board. The board agreed changes were not required, but if the Board of Governors felt further clarification was required the Terms of Reference would be amended at that time.

Academic Pension Board  
Motion to Approve: L. Koza  
Seconded: S. Butler  
All in favour

Administrative Staff Pension Board  
Motion to Approve: K. Chelchowski  
Seconded: C. Servos  
All in favour

## **7. Joint Pension Board Priorities: Reviewing the Diversified Equity Fund and the Diversified Bond Fund**

M. Bélanger informed the board that two meetings were scheduled to provide information and receive input from members regarding the Diversified Equity Fund. The format of the meeting has not yet been finalized but it will include information as to why changes are being considered. Some of the information that was suggested to be presented includes data on other universities and other pension plans, an analysis between active and passive management, a discussion about the current market environment, the Retirement Plans Statement of Investment Beliefs and the impact on a typical member of the proposed changes to the Diversified Equity Fund. The meetings are scheduled for January 16, 2012 at noon and January 18, 2012 at 5:00 p.m. in SSB 4210.

B. Curwood provided an overview of the value added by active managers in various asset classes. It showed that the median manager has added value in numerous asset classes, including Canadian bonds, Canadian large cap equities, Canadian small cap equities, U.S. large cap equities, U.S. small cap equities, EAFE equities, global equities and emerging markets equities. The median value added ranged from 38 to 852 bps. It should be noted that although that the median value added is positive, there's a significant proportion of managers who didn't add any value.

M. Bélanger gave a summary of his discussions with UBS Asset Management regarding adding private equity to a defined contribution platform. UBS manages a commingled fund that includes private equity as one of the components. The clients in the fund are UBS DC plan members (10% of assets) and external DB plans. The current allocation to private equity (Adams Street Partners is their only manager) is 10% to 15%, which is above the target weight. They have stopped making new commitments. The overall portfolio is valued on a daily basis. The private equity component is carried at the last declared value of the partnership (quarterly). There are no adjustments made to account for equity market fluctuations. In a worst case scenario regarding clients' redemptions, they would give the clients a pro-rata share of the private equity holdings. As of now UBS has \$100,000,000 invested with Adams Street Partners and \$80,000,000 committed. They

have integrated members' future contributions with schedule of capital calls to model their future commitments.

It was suggested that a manager search would not be required to select a manager if private equity was chosen as a new asset class for the Diversified Equity Fund as extensive research was done by the Endowment Fund less than two years ago. The Board requested more information on Adams Street Partners. M. Bélanger will prepare an introduction for the next meeting.

M. Bélanger gave a quick overview of the research that was presented to Board members regarding potential new asset classes. He then presented the results of the modeling that he did. Various portfolios were built using historical data and prospective returns over various investment horizons. The results tend to indicate that adding some alternative investments to the portfolio would increase the return and reduce the volatility in many instances.

#### **8. Kilgour Advisory Group Quarterly Report**

M. Bélanger reported that prices for the notes of the Liquidating Trust were under attack due to the current market volatility. In November \$1,250,000 of face value of restructured notes were sold, based on the advice of The Kilgour Advisory Group. Only four firms bid on the notes due to the small size of the block. Therefore, more notes will be required to be sold next time in order to attract more bidders. A vote will be required by the Joint Pension Board as holder of the notes to be able to redeem their notes in exchange for the underlying assets. Noteholders will be able to submit their notes for redemption on quarterly basis for a reserve price. A 2/3 majority vote will be required at the end of 2011 or early in 2012 for this new process to be approved. M. Bélanger recommended a vote in favour.

#### **9. Pension Staff Updates**

M. Bélanger reminded Board members about the upcoming Pension Board elections. He also mentioned that there are no candidates running for the Academic Staff Pension Board. S. Foerster mentioned that he may run again despite being on a sabbatical next year. He would have to request permission to do so. The situation will be re-assessed in 2012 and a new call for candidates may be made.

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

None to Report

**Motion to adjourn:** M. Loveland

**Seconded:** C. Servos

**Meeting adjourned:** 11:20 a.m.