

Joint Pension Board Meeting

March 12, 2012

9:00 AM

SSB2390

Present: Prof. Stephen Foerster, Ms. Krys Chelchowski, Mr. Jim Loupos, Mr. Martin Bélanger, Mr. Jeffrey Symons, Ms. Bekki Ollson, Mr. James Stockford, Ms. Louise Koza, Mr. Ab Birch, Prof. Craig Dunbar, Ms. Michelle Loveland, Ms. Jane O'Brien, Ms. Cara Bourdeau.

Guests: Mr. Bruce Curwood, Russell Investments, Sarah Donahue, MFS Investment Management (by phone), Brett Fleishman, MFS Investment Management (by phone).

Regrets: Ms. Lynn Logan, Ms. Cindy Servos

1. Completion and adoption of the Agenda

2. Approval of the March 12 minutes

One change was requested on the March 12 minutes to amend wording on the Fidelity discussion.

Motion: Michelle Loveland

Seconded: Jim Loupos

All in Favour

3. Update on the Joint Pension Board Priority – Reviewing the Diversified Bond Fund

Martin Bélanger reviewed the proposal to transition assets from the two existing managers to Romspen. The group reviewed various weightings that could be assigned to the new manager and discussed the due diligence process that had been completed on the endowment prior to investment. The target allocation being proposed was confirmed as Alliance Bernstein at 60% down from 67%, SSgA at 25% down from 33% and Romspen allocated 15%. Mr. Bélanger gave the reasons for recommending that allocation as maintaining the target allocation to non-Canadian bonds, while allowing Romspen to

provide meaningful value added. Martin Bélanger also commented on the structure of the fund including loan to value, pricing, fees, and property-borrower selection. Following questions from Joint Pension Board members, there were discussions regarding liquidity, the role of key players in the firm, and communication with members on adding this strategy. The members of the Board requested that a communication plan be put in place prior to investment and that members be given time to become informed about the strategy. Based on the academic calendar, it was suggested a July 1 date for investment would provide enough time for transition.

The Board voted on retaining Romspen for a commercial mortgage mandate.

Motion: Louise Koza

Second: Craig Dunbar

All in favour

Martin Bélanger and Jeffrey Symons are requested to provide a communication and transition plan for members.

Craig Dunbar left the meeting at this point.

Cara Bourdeau left the meeting at this point.

4. Update on Joint Pension Board Priority -Reviewing the Diversified Equity Fund

Mr Bruce Curwood reviewed the Private Equity exhibit with the group and highlighted some of the key points from the last meeting. The Board members held a discussion on the issues around education and engagement with plan members, and whether the Private Equity strategy suggested was a good fit with the program. Mr. Bélanger reviewed a projection of the Operating & Endowment Fund program from 2012 through 2031, including cash flows and returns, to explain to the Board the nature and timing of the cash flows for a private equity program. The group discussed risks, fees and returns versus standard equity funds. J. O'Brien asked what the impact of any proposed changes to Ontario University pension plans would be on an investment of this time frame. The Board also raised questions about the long time horizon versus shifting priorities and leadership within the plan.

The Board deferred a decision on this strategy until the other listed options have been reviewed.

6. MFS Investment Management

Martin Bélanger reviewed the exhibit in support of retaining MFS Investment Management for the mandate currently assigned to Pyramis. The Board was shown material supporting performance including downside risk, the relative Sharpe ratios, and capture ratios. Operational issues such as turnover and cash flows were discussed. Mr. Bélanger also commented on why Pyramis would be replaced instead of Alliance Bernstein.

MFS joined the meeting via conference call and completed a presentation on the firm. Afterwards, S. Foerster asked what would have been the relative performance of the fund if it had been compared to a benchmark that included an exposure to emerging markets. Brett Fleishman of MFS responded that the fund would have also outperformed if it had been benchmarked against the MSCI All-Country World Index ex- U.S.

MFS and the Board then disconnected.

A motion was raised to retain MFS for the current Pyramis mandate.

Motion: Jim Loupos

Seconded: Louise Koza

All in Favour

10. Other Business

Motion to adjourn

Motion: Michelle Loveland

Seconded: Ab Birch

All in Favour

Meeting adjourned