

Joint Pension Board Meeting

November 2, 2012

9:00 AM

SSB4220

Present: Prof. Stephen Foerster, Ms. Louise Koza, Mr. Ab Birch, Ms. Krys Chelchowski, Ms. Jane O'Brien, Mr. Jim Loupos, Prof. Craig Dunbar, Ms. Michelle Loveland

Management and Consultants: Mr. Martin Bélanger, Mr. Jeffrey Symons, Mr. James Stockford, Mr. Bruce Curwood, Ms. Cara Bourdeau, Ms. Bekki Ollson

Regrets: Ms. Shannon Butler, Ms. Lynn Logan, Ms. Cindy Servos

1. Completion and adoption of the Agenda

2. Approval of the October 5 minutes

Motion: Mr. Ab Birch

Seconded: Mr. Jim Loupos

All in Favour

3. 2012-2013 Final Work Plan – Exhibit 1

Mr. Martin Bélanger reviewed the work plan for the Joint Pension Board. No suggested changes had been received since the last meeting. One concern that was raised around the plan was timing of reports from BNY Mellon Performance. It was noted that the last quarterly report was not received at the date of this meeting, and was not expected until November 16th, 2012. A question was raised on whether BNY Mellon could be pushed to deliver the reports in a more timely fashion. Mr. Bélanger responded by saying if it could be determined that the delivery lag was affecting the duties of the Joint Pension Board then BNY Mellon may be persuaded to deliver more quickly.

4. Update on Joint Pension Board Priority “Governance”

Mr. Martin Bélanger reported that the UWOFA had not yet dropped their grievance around governance. While all documents were provided to UWOFA according to the agreed upon timeframe, the legal counsel for UWOFA may not have had time to review everything. As a result, UWOFA may want to

proceed to the arbitration on November 20th, 2012. There was further discussion between Mr. Bélanger and the Joint Pension Board on the process. The timetable for a resolution is still unknown, however by incorporating appropriate parts of the UWOFA requests into the annual work plan the Joint Pension Board has taken action. Mr. Bélanger reported that the Human Resources department had already begun to work on some of the initiatives, including the improved member reporting through the existing performance measurement provider. The Joint Pension Board asked whether the arbitrator was able to impose a settlement of the issue if it became necessary, and Mr. Bélanger confirmed that they could.

5. Statement of Investment Beliefs – Exhibit 2

Mr. Martin Bélanger presented the proposed changes to the Statement of Investment Beliefs. Mr. Jeffrey Symons explained that some of the language had been changed to better fit options that the Joint Pension Board was considering that required more flexibility. Mr. Bélanger explained that the definitions of passive management had been updated to reflect changes in portfolio management theory and to include other measures of passive management beyond market capitalization. There was discussion among the Joint Pension Board that while the Statement of Investment Beliefs supports passive management, a majority of the pension is invested with active managers. The Joint Pension Board discussed the concept that while most money is with active managers, the starting point of any manager search is a passive manager compared to any active managers. Concerns were raised with some of the changes suggested, and that while it was important to look at new options the Joint Pension Board should have more time to review the Statement of Investment Beliefs. Mr. Martin Bélanger agreed that the Joint Pension Board could approve this at a later date and any suggestions could be forwarded to Human Resources prior to the next meeting.

6. Update on Joint Pension Board Priority “Reviewing the Diversified Equity Fund” – Exhibits 3 to 5

Mr. Martin Bélanger reviewed back tested versions of the Diversified Equity Fund, including portions of the three remaining investments being considered. Low Volatility, Global Small Caps, and Emerging Markets are still being considered. The Joint Pension Board asked about timing of implementation on any of the strategies, and while market timing is not belief system of the plans Mr. Bélanger commented that a transition plan would need to be put in place including considerations for cash flow. Mr. Bruce Curwood commented that any manager retained could be given a mandate to transition from the existing portfolio at their discretion. The Joint Pension Board discussed various combinations within the fund and how different combinations affected risk and return in the back test. The Board also discussed how the changes proposed would impact fees, on the Diversified Equity Fund and the Non North American Fund. Mr. Martin Bélanger responded by saying the fees would be reasonable and any impact on the other funds was minimal. Mr. Bélanger also commented that there are a variety of managers in each space that will allow for a comprehensive search. The Joint Pension Board determined further consideration was needed and moved a decision forward to the next meeting regarding the final asset mix but that manager searches for U.S. low volatility equity, emerging markets equitiy and global small cap equity could be started right away. Mr. Bélanger will also provide the impact on fees of the proposed asset mixes.

7. Update on Joint Pension Board Priority “Member Support”

Mr Bélanger updated the Joint Pension Board on the three existing priorities. Currently the priorities are the Investment Personality Questionnaire, Member Education, and Communication of the Goals of the Plans. Mr. Bélanger reviewed some of the initiatives currently underway in support of the priorities. The Joint Pension Board was asked how much involvement they wanted in development of these items, and the Board responded by saying if value could be added through involvement then there was support for that.

8. JPB Elections

Mr. Martin Bélanger mentioned that two Joint Pension Board seats are coming up for re-election.

9. Beutel Goodman Manager Review – Exhibits 6 and 7

Mr. Martin Bélanger updated the Joint Pension Board on his review of the manager. The Large Cap Canadian Equity Fund has been recently closed to new investors, however there is no impact to existing investors such as Western. The President of the firm Peter Clarke recently announced a planned retirement. There have been no changes in style or management of the fund, and the firm is still ranked retain.

10. Greystone Review Update – Exhibits 8 and 9

Mr. Martin Bélanger shared some background on the firm prior to the optional review to follow this meeting, by saying the firm managed \$71 million dollars under a growth mandate for Western. No personnel or compliance issues have been noted. Greystone is still ranked as retain.

11. Other Business

Motion to adjourn

Motion: Ms. Michelle Loveland

Seconded: Prof. Stephen Foerster

All in Favour

Meeting adjourned at 11:00 am

Greystone Managed Investments Manager Review to follow the general meeting.

Greystone Managed Investments
Investment Manager Review
2012-11-02

Jeffrey Symons, Stephen Foerster, Louise Koza, James Stockford, , Bruce Curwood and Martin Bélanger met with Rod Balkwill, Vice-President, Canadian Equities, Scott Linner, Vice-President, Canadian Equities and Mary Robinson, Vice-President, Client Service at Greystone.

Organization

Mary Robinson gave an overview of the organization. The firm had \$33.2 billion in assets under management at the end of September 2012. The firm manages about \$10 billion in Canadian equities, including \$8.1 billion in Western's strategy. This is down from about \$13 billion in Canadian equity assets, mostly due to client departures. Over 80% of Greystone's employees are shareholders of the firm. There haven't been no changes to the personnel involved with our account since our last review.

Greystone Canadian Equity Fund

Rod Balkwill gave an overview of the equity process , which involves the use of quantitative screens, qualitative analysis and team vetting. M. Bélanger asked about the value added of the qualitative analysis performed by the investment team. M. Robinson answered that the Chief Investment Officer runs the quantitative model every year and compares it to the actual portfolio. The qualitative overlay has added value in four of the past five years. M. Robinson also talked about Sino-Forest. She explained that Greystone met with management on several occasions but that now they are more diligent when they invest with foreign firms.

S. Linner then provided an overview of the risk management overlay that Greystone added to its investment process recently. The risk management committee, chaired by Rob Vanderhooft, meets on a bi-weekly basis. Each individual strategy holds a risk management meeting every month.

The creation of a centralized risk management function was in response of the increased market volatility experienced in recent years. It is used to support the investment decision making and will normally impact only the weights in the portfolio, not the names. The process is now more formal. For example, they didn't use to review stock betas on a daily basis. Another metric that they closely look at in the risk management process is the tracking error.

The portfolio has outperformed the benchmark by 0.90% in 2012 as of September 30. Over horizons greater than one year, the portfolio has underperformed. So far this year resources sectors have underperformed as global growth has slowed down. Greystone outperformed due to a strong performance from non-commodity holdings, such as CGI Group, Dollarama, Magna, Research in Motion and Valeant Pharmaceuticals. Stock selection in the materials sector also added value. There were mixed results in the Financials sector as TD Bank and Manulife added value, while not holding Royal Bank, Brookfield Asset Management and Sun Life Financial. Mixed results in the energy sector have been a detractor. Stock selection in the industrials sector has added value.

The current positioning of the portfolio is less cyclical, although not highly defensive. The portfolio is overweight in sectors such as insurance, information technology, capital goods, retailing, health care and banks. Greystone's high impact characteristics (earnings growth, earnings surprise and estimate revisions) are better than the benchmark when energy and materials are excluded.

R. Balkwill discussed two stocks that meet Greystone's criteria, CGI Group and Dollarama and then provided an economic outlook highlighting the slow growth environment that we're facing.

Compliance

The portfolio is in compliance with the investment guidelines. Greystone or its personnel are not facing material litigation and there are no issues resulting from regulatory reviews. Greystone has an adequate code of ethics and there are no conflict of interest to report.