

JOINT PENSION BOARD MEETING

March 8, 2010

9:00 a.m.

SSB 4220

PRESENT: Michelle Loveland, Stephen Hicock, Stephen Foerster, Jim Loupos, Cindy Servos, Krys Chelchowski, Craig Dunbar, Martin Bélanger, Louise Koza, Lynn Logan, Jane O'Brien, Ann Jones, Andrea Magahey, Cara Dakin, Holly Scanlon

Guests: Bruce Curwood,
Regrets: Ab Birch

1. Changes to Agenda:

Motion to Approve the Agenda: K. Chelchowski
Seconded: J. Loupos

2. Approval of February 8, 2010 Minutes:

Motion: S. Hicock
Seconded: J. O'Brien

Minutes approved with minor changes.

3. Fourth Quarter Performance Review

B. Curwood presented the Fourth Quarter Performance Review. Changes were circulated to board members; the changes were for reporting purposes only and did not affect members' accounts. However, an adjustment had to be made to the January 2010 rate of return of the U.S. Equity Hedged Fund. The issue is related to the carve-out that was done in October 2009. The value attributed to the Liquidating Trust was overstated in October 2009 and it caused the return of the U.S. Equity Hedged Fund to be overstated too. An adjustment was made in January and an explanatory note was added to the rate of return sheet. Without the B Funds there should be fewer issues going forward.

B. Curwood reported that the returns for the 2009 fourth quarter were strong, reflecting the rebounding markets, with bonds being flat. US stocks did better if they were hedged, the EAFE index did well, and value managers underperformed growth managers in Canada in the fourth quarter. For the year 2009 the Canadian Equity Fund underperformed its benchmark, the Diversified Equity Fund added 223 bps over its benchmark, the Non-North American Equity Fund underperformed by 83 bps, the two global equity managers, Harris and T. Rowe Price, significantly outperformed their benchmark, the SRI Global Equity Fund managed by Mackenzie outperformed its benchmark by 664 bps and we're still waiting for a turnaround for PanAgora. On the fixed income side, the Diversified Bond Fund added 632 bps over its benchmark in 2009, but has underperformed by 0.4% over the past 4 years. The Canadian Bond Fund, the Long-Term Bond Fund and the Target-Date Funds have tracked their benchmark reasonably well. The Money Market Fund has added value in the fourth quarter and 0.2% annualized since inception.

4. Highstreet Review

M. Bélanger reported on the annual Highstreet Review which took place in London at the Highstreet offices on February 2, 2010. With the market rebound Highstreet has terminated its hiring freeze. There are no changes to report regarding the UWO mandate and there are no compliance issues. M. Bélanger does not recommend making changes to the relationship with Highstreet at this point.

M. Bélanger noted that although Highstreet had positive returns for the year, it was underperforming the benchmark. B. Curwood noted that Active managers should add value this year and the board should use this year to evaluate the managers' performance. It was suggested that the board be careful not to focus on a point in time but to take a long term view for evaluations.

5. T. Rowe Price Review

T. Rowe Price continues to be a very good manager and they have added significant value over the benchmark in 2009 although they have underperformed the benchmark since inception. Their strategy has not changed; there are not major compliance issues and M. Bélanger recommends retaining them as a manager.

6. Challenge the Process

A. Magahey led the Challenge the Process discussion. The board discussed a number of possible challenges that had been identified for further discussion at the last retreat; the Board reviewed the input these issues received from the pension administration team.

The first challenge identified is whether or not ex-spouses should be allowed to remain in the plans after the member spouse has retired or terminated. It was noted that ex-spouses do not pay fees though the member does, while the administration and interpretation of court orders and separation agreements is cumbersome and complex. It was agreed that a review to work towards removing ex-spousal non member accounts from the pension plan pursuant to what the legislation permits should be undertaken and that the issue of ex-spousal pension accounts should continue to be brought to the attention of pension regulators. A motion in support of this should be brought forward at the next meeting.

The second challenge identified is voluntary contributions and whether regular and voluntary investment directions should be different, whether past and future contributions should be different, and should voluntary contributions be allowed at all. It was agreed that a review of the number of members who use the flexibility was required before addressing this concern. The board discussed not wanting to take away options members use but agreed that it is important to encourage a higher level member of contribution, for example defaulting to the higher contribution rate for the academic pension plan and to consider ways to minimize administrative complexity.

The third and fourth challenges identified are whether transfers in and out of the plan should be allowed and should terminated members be allowed to stay in the plan. Regarding transfers out of the plan, this is a required option for members who are terminated. Allowing members to transfer money in when they join the plan is used as a recruiting incentive, however it must be limited to jurisdictions where there are no legal restrictions. Regarding terminated members, it was recommended to review the \$200 fee charged and the length of time terminated members remain in the plan. There is also a legal issue with making

investment changes when the member lives out of the country. It was recommended that the fees associated with terminated members and transfers out be reviewed. More information and data on this issue is to be provided to the board at a later meeting.

Overall, it was agreed that priority of resources should be placed on active members rather than on those terminated members or non member ex-spouses where there is no legal obligation to have them remain in the plans.

7. Management Updates

The board was informed of a surviving spouse who was not set up on the Northern Trust system to receive the survivor pension. This was identified when the 2009 valuation data report was run. As a result 20 monthly payments were not made. The March 2010 payment has been made and the arrears will be paid as soon as instructions from the affected individual are received. Process changes in the operations pension group and with Northern Trust Company, Canada have been made to address this type of issue from arising in the future.

8. Other Business

Board members were informed of upcoming conferences including PIAC, Canada Cup of Investments, ACPM and IMI.

Motion to Adjourn: L. Logan

Seconded: C. Servos

Meeting adjourned at 11:00