JOINT PENSION BOARD MEETING

December 17, 2008

9:00 p.m.

SLB 330

PRESENT: Pat Loria, Ab Birch, Michelle Loveland, Stephen Hicock, Stu Finlayson, Stephen Foerster, Martin Bélanger, Louise Koza, Ann Jones, Andrea Magahey, Cara Dakin, Deirdre Chymyck,

By Conference Call: Bruce Curwood

Regrets: Jane O'Brien, Lonnie Wickman

Northwater Guests: Heather Broughton, Mohamed Khaki

The Northwater Capital Management Annual Review (Item 2) was moved to the beginning of the meeting. M. Khaki and H. Broughton of Northwater presented the annual review to the Board. There are currently 65 employees, which is fewer than at the last meeting between Northwater and the Joint Pension Board. The assets under management have also decreased since that time. The assets under management peaked in 2005 prior to the lifting of foreign property restrictions. It is expected that hedge fund assets will reduce dramatically over the next 12 months, possibly by 50%, although M. Khaki does not believe there will be a complete exit from hedged funds. Northwater is 100% company/employee owned. Benita Warmbold left Northwater to join the CPP Board and has been replaced by David Finch as Chief Operating Officer. D. Finch is also the Head of the Credit Committee. Jim Sinclair left Northwater to become legal advisor to the Ontario Ministry of Finance and the Treasury Board.

S. Finlayson asked for clarification of the ownership of the company. It was confirmed that David Patterson previously owned 80% of the company but has since been bought out by Northwater employees. He now owns about 20% of the company.

Mandate Review: The board was informed that prior to the ABCP issue the portfolio was tracking very closely to the benchmark. 2008 has been more volatile and as a result the tracking error has been much wider. Similar to what was done last year, Northwater will use a factor-based model to determine the fair value of ABCP as of December 31, 2008, because of the absence of a market for ABCP. Additional write downs of 25% to 30% should be expected. M. Khaki stated that the underlying assets of the ABCP are performing well. As a result Northwater will not adjust further the Transactional Value used for overlay and subscriptions/ redemptions purposes from the December 31, 2007 write downs. David Patterson (Chair and CEO) and Jonathan Piurko (Chief Legal Officer) are members of the Investor Committee addressing the ABCP issue. A credit rating will be awarded to the restructured notes; it should be investment grade, but M. Khaki is not aware of the grading at this time.

L. Koza asked about the tracking error in US Equity B funds. What is the market volatility doing to the strategy? M. Khaki stated that the portfolio is so small that fixed dollar costs for trade transactions have a large impact on returns.

Northwater will work with M. Bélanger to customize a segregated portfolio in order to maintain market exposure on the ABCP. The target date for the new structure is the end of January 2009. It will hold $20M cash and $20M ABCP with a proposed flat fee of 10 bps.

M. Khaki reviewed compliance issues. Northwater is considering litigation against one of its hedge fund managers. M. Khaki was asked what has changed internally at Northwater regarding lessons learned by the ABCP issue. He confirmed that there have been no personnel changes, but more disclosure is required for underlying assets, including greater scrutiny and more transparency.   L. Koza asked have they considered what was different with their processes which led to them purchasing non-bank ABCP when other investment management firms managed to avoid them? M. Khaki replied that they believed that these assets were safe, based on their credit rating and the liquidity provisions.

S. Foerster asked about other Northwater clients who had ABCP in their portfolios. M. Khaki stated that Northwater has lost 7 clients, but could not confirm the amount of their assets, but he will forward this information to the board. These clients have left the ABCP with Northwater.

Northwater Review completed at 11:12 a.m.

Joint Pension Board follow-up
S. Finlayson confirmed that the Endowment Fund is terminating all relationships with Northwater; notice has been given to Northwater.

L. Koza stated that she was not impressed with the presentation and thinks the board should seriously consider using another investment manager to provide the stock index futures overlay; she is uncomfortable with being associated with Northwater. M. Bélanger replied that other managers were considered but that Northwater was by far the cheapest option. S. Foerster stated his concern that there have been no policy or personnel changes as a result of the ABCP issue. He would favour taking as little risk as possible with the money market component that will be left with Northwater.

B. Curwood suggested that using Bankers Acceptances of the 5 major Canadian Charter Banks, in addition to Government T-Bills for a portion (perhaps 30%) of the Money Market Fund, should not unduly increase the risk of the portfolio and would probably add some value. These banks are strong, but even in the event of a possible default, it is highly unlikely that the Federal Government would allow any of them to fail.

M. Bélanger will draft investment guidelines and circulate to JPB members.

1. Agenda changed to move items 5 and 6 to the end of the meeting

3. Approval of October 20, 2008 Minutes
Motion: L. Koza   Seconded by M. Loveland

4. Approval of November 28, 2008 Minutes
Motion to approve with changes: M. Loveland, Seconded by S. Hicock

7. Annual Report Update
M. Bélanger reviewed the formatting changes being suggested for the Annual Report. Board members suggested that only one fund be placed on a page and fund composition be included to give dept and breadth to the information being presented (e.g. providing the top 10 holdings, sector and country allocation, etc.). B. Curwood suggested using September 30th stock profiles for each composite. Other suggestions included defining the acronyms used and expanding on the terminology (e.g. Value, GARP, REITs, etc.).

5. Academic Plan General Account Investment Review
L. Koza described the process for considering ad hoc pension improvements for former Defined Benefit plan members. Based on a significantly depleted surplus, ad hoc increases are not affordable based on the analysis presented. This is the first time that the 20% of liabilities buffer is not available. The last time an increase was made was in 2003.

6. Immunized Bond Fund
The board was informed that the fund backing the defined benefit obligations in the Administrative Staff plan is in good shape to meet members' requirements.

L. Koza stated that we could experience an increase in the number of members retiring with Special Member status where the Minimum Pension Benefit option being better than the Defined Contribution option. We had one case this fall – the first case in 10 years. This is a consequence of the poor market returns recently experienced and a slight rise in annuity rates. The additional benefits paid to the special members are funded by the Immunized Bond Fund.

8. Other Business
The board was informed that none of the Pension Managers do business with Madoff Securities, but they have holdings in affected institutions such as HSBC and RBS. Madoff was a recent hedge fund blow up based on fraudulent promises.

A. Birch thanked M. Bélanger for the presentations to members, stating they had been well received.

Motion to Adjourn: M. Loveland
Seconded: S. Foerster