JOINT PENSION BOARD MEETING

May 17, 2010

9:00 a.m.

SSB 4220

PRESENT: Michelle Loveland, Craig Dunbar, Jim Loupos, Cindy Servos, Krys Chelchowski, Ab Birch, Martin Bélanger, Louise Koza, Lynn Logan, Jane O'Brien Ann Jones, Andrea Magahey, James Stockford, Bruce Curwood.

Guest: David Arnold, Jim Cassidy

Regrets: Stephen Hicock, Stephen Foerster

1. Changes to Agenda:
Motion to Approve the Agenda: L. Logan
Seconded: L. Koza

2. Approval of April 12, 2010 Minutes:
Motion: J. Loupos
Seconded: C. Servos
Minutes approved with minor changes.

3. Presentation of Master Trust Financial Statements
D. Chymyck presented the 2009 Master Trust Financial Statements to the Board. The 2009 numbers improved greatly over 2008, with most of 2008 losses being recouped. As of December 31, 2009 assets of the combined Academic, Administrative and RIF plans totalled $1.03 billion dollars; prior to the crisis the asset total of the plans was $1.2 billion.
The total investment income is a result of a $183 million change in unrealized gains and a $44 million realized loss on investments sold. The realized loss was a result of the movement of assets from Northwater to SSGA and to a smaller degree the move from Alliance Bernstein to Beutel. There was also $6.7 million in investment income, which was a $5 million or a 44% decrease from 2008. Interest income, with the exception of securities lending, was well below 2008 due to the very low interest rates last year. There was an increase in net assets of almost $3 million. This increase was made up of a $1.3 million or 3% increase in contributions, and transfers into the plan more than doubled, going from $1.2 million 2008 to $2.6 million in 2009.

The total manager fees paid in 2009 was actually $2.3 million, compared to $2.6 million last year, but many of these fees were from funds that get eliminated for the purposes of financial statement reporting as they are held in other funds e.g. Alliance, PanAgora, and Fidelity. Administrative costs that are recovered include fees to terminated members ($200 per year), fees charged to members for making voluntary withdrawals ($100 per withdrawal), the fees charged to other participating employers (Brescia and Huron, $200 per year per member) and RIF fees charged to RIF members.

New to the Report this year is Note 12 (a). In 2009 Section 3862 of the CICA handbook was amended. It now requires us to further expand on our financial instruments disclosure and

include a Hierarchy of the inputs used to establish the fair market value. The majority of UWO's inputs are level 2. The levels of hierarchy are:
Level 1 –unadjusted quoted prices
Level 2 – inputs other than quoted prices that are observable
Level 3 – inputs that are not based on observable market data

Our funds are considered level 2 because they are designed as pooled funds and we set the unit value of these funds, but that value is based on observable data. The Liquidating Trust is made up of the ABCP restructured notes and at the end of 2009 there was no active market for these notes so it was priced based on a valuation model developed by the Kilgour Advisory Group specifically for valuing these securities and as a result it is considered level 3.

Note 8 of the Academic Staff Financial Statements highlights the general account for the Academic Plan. The discount rate, which is based on high quality corporate bonds, went from 6.8% in 2008 to 5.0% in 2009. Had the discount rate not changed, the liability at year end would have been only 4.7 million. The surplus in this account increased over last year partly due to the high returns of approximately 17.4% earned by investment in the Diversified Equity Fund and the Diversified Bond fund. It will be recommended at a subsequent meeting of the Academic Board that in mid 2010 the Academic Plan assets covering the defined benefit entitlements for Special Members be invested in an Immunized Bond Fund similar to how the Administrative Plan general account is invested. Implementing this change will require an investment of approx. $5.5 million to immunize the account, and with total assets available being $5.8 million it would possible to implement the strategy for the Academic Plan.

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4. Presentation of Audit Findings
J. Cassidy of KPMG reported that the audit went very smoothly and the statements only require signatures to be complete. KPMG met with Kilgour Advisory Group and reviewed the valuation model being applied to the ABCP funds and KPMG are comfortable with the determined valuation model and values. The risk disclosure requirements were reviewed and KPMG confirmed that they received the required quantitative analysis to determine the values as required by the disclosure. There were no audit differences greater than $775 individually for the Master Trust and there was an adjustment to correct the unrealized/realized gain on investments.

5. In Camera Session with KPMG
D. Chymyck, M. Bélanger, A. Magahey, J. Stockford left the room.

KPMG left the meeting at 9:50 a.m.

Motions to Approve:

The Financial Statements for the Master Trust:
Motion to Approve: J. O'Brien
Seconded – L. Logan
All in favour

Academic Staff Pension Plan Financial Statements:

Motion to Approve: C. Dunbar
Seconded: M. Loveland
All in favour

Administrative Staff Pension Plan Financial Statements
Motion to Approve: L. Logan
Seconded; K. Chelchowski
All in favour subject to amendments to notes

6. Update on ABCP

M. Bélanger presented Kilgour Advisory Group's (KAG) quarterly report for the period ending March 31, 2010. In the first quarter of 2010 the corporate bond yield spreads and Credit Default Swap (CDS) spreads tightened. There was some volatility resulting in an increase in the market risk during the quarter. The volatility was largely due to the concern that the credit troubles in Europe, primarily Greece would affect broader credit markets; the concerns abated in March.

Regarding the Liquidating Trust portfolio, the weighted average price for the Restructured Notes held in the Liquidating Trust portfolio was $57.36 as of March 31, 2010.

Currently about 40 redemption requests for the Liquidating Trust have been received for processing at the end of May. This is expected to increase over the next few months in particular when the terminated members who only have Liquidating Trust holdings remaining in their accounts start to return their completed election packages . Unit prices for the Liquidating Trust are posted on the pension website.

7. Review of Liquidating Trust Mandate

M. Bélanger talked about the need to review the Liquidating Trust mandate to ensure it reflects the long term objectives of the Board, including the ability to sell the notes and reinvest the proceeds. The Board has the power to set the investment mandate and delegate the management of the funds to an investment manager. The current Liquidating Trust mandate is to maximize the proceeds from disposition of MAVII notes and the value of the fund.

The current mandate of the Liquidating Trust is dated September 30, 2009. Schedule A was presented as the revised mandate for the Liquidating Trust Fund, outlining the responsibilities of the replacement Manager (Greystone) and its sub-advisor KAG.

The board discussed 2 issues pertaining to the management of the mandate for Liquidating Trust to de-risk the portfolio and address cash flow needs. Firstly when and what portion of the existing portfolio should be sold to reinvest and secondly, where to reinvest to the proceeds from such as sale. There are 3 potential options: i) Hold the Restructured Notes to maturity; ii) Sell everything and re-invest in cash or longer-term securities; and iii) Sell the Restructured Notes gradually and reinvest in cash and longer-term securities.

At this time, KAG does not foresee a high risk if the notes are held and is recommending to its clients to hold on to the notes. The board does not want to be in a position to have to re-impose redemption restrictions in the future and, is also concerned with maximizing the opportunity for the holders of the Liquidating Trust units to maximize their returns.

In light of these goals, it was agreed that it would be appropriate to provide management with the flexibility to sell up to 20% of the portfolio, before needing to obtain further direction from the board. The question was then asked where the proceeds should be invested. M. Bélanger stated that the proceeds would be re-invested in our existing fixed income funds.

2 Motions Required: 1) revise the Liquidating Trust Mandate and 2) giving management discretion to sell up to 20% of the portfolio without seeking consent of the board.
1) Motion: to amend the mandate of the UWO Liquidating Trust to include the wording as

The Trustee shall from time to time, on the direction of the Manager, invest the assets of the Trust in a portfolio of fixed income securities, including but not limited to MAV II Notes, and assets distributed by, exchanged for, comprising or otherwise related to the MAV II Notes held in the Trust. The Manager shall be responsible for the sale, reinvestment, liquidation or other disposition of the MAV II Notes and other property held in the Trust, either at the maturity date of the securities or earlier in the Manager's discretion, and for the reinvestment of interest payments or other distributions received by the Trust, with a view to maximizing value of the Trust, while preserving capital.

Motion to Approve: L. Logan
Seconded: J. O'Brien
All in favour

2) The Joint Pension Board to give management the discretion to sell a maximum of 20% of the Liquidating Trust notes at any given time, in consultation with Kilgour Advisory Group, without seeking approval or further direction from the Joint Pension Board.

Motion to Approve: J. O'Brien
Seconded: L. Koza
All in favour

8. Pension Staff Updates
- James Stockford was introduced to the board
- 1st set of redemption requests (approx. 40) had been received for May 31, 2010
- Individual packages to approximately 530 terminated members holding only Liquidating Trust had been mailed
- the web based workshop on the Liquidating Trust is ready for release to members.

9. Update on JPB Priority: Review the plans investment options
M. Bélanger brought forth the question of whether 4 managers were required for the Canadian Equity Fund. B. Curwood provided research indicating that if a decision was necessary to choose between Highstreet and Connor, Clark & Lunn (CCL) as the Canadian Equity manager for the UWO portfolio the recommended option would be CCL. CCL is performing better, is the best quant manager in Canada, has superior research and the departures at Highstreet are more cause for concern. CCL has performed better in the current challenging environment. This recommendation has not changed from the discussion approximately one year ago.

There is no motion required at this time.

10. Other Business

No other business at this time.

Motion to Adjourn: J. Loupos
Seconded: L. Logan

Meeting adjourned at 11:00