JOINT PENSION BOARD MEETING

February 9, 2009

9:00 a.m.

SSB 4220

PRESENT: Pat Loria, Ab Birch, Michelle Loveland, Stephen Hicock, Stephen Foerster, Lonnie Wickman, Jane O'Brien, Martin Bélanger, Louise Koza, Ann Jones, Andrea Magahey, Deirdre Chymyck, Bruce Curwood, Cara Dakin, Holly Scanlon

Regrets: Stu Finlayson

Guests: Krys Chelchowski, David Paribello (Robarts)
KPMG: David Arnold, Jim Cassidy

1. Agenda approved without changes

2. Presentation of Audit Planning Report by KPMG
David Arnold presented the Audit Planning Report with the board. Changes from last year's audit were reported on page 2; these include the ABCP situation, and accounting standards – it is determined that pension plans will continue to adopt Canadian GAAP under Section 4400.

L. Koza asked if the ABCP starts trading and members decide to sell will members be hit with a write-down. It was confirmed that if the ABCP starts trading it will be after December 31, 2008 and should not affect the 2008 retirement plans financial statements.

The audit process will include confirming balances, reconciliations and testing payouts. Additional fees will include such items as the ABCP, estimated to be around $5,000, but the final fees will be based on the actual number of hours worked. It is agreed that any additional fees over $5,000 will require board approval. Few changes from last year are expected.

3. Approval of December 17, 2008 Minutes
Motion to approve with changes: M. Loveland, Seconded by S. Hicock

4. Pyramis/Fidelity Review
M. Bélanger presented the Pyramis/Fidelity Update. On January 23 P. Loria, S. Foerster, and M. Bélanger met with R. Burney of Pyramis Global Advisors at the University. M. Strong and C. de la Chaise joined the meeting by conference call. A written synopsis of the review as circulated to board members. Russell has ranked this manager as "Review". J. O'Brien asked if there were plans to monitor Pyramis/Fidelity over the next 12 months. M. Bélanger stated that they will be treated as any other manager, but expects a report from Russell in February or March.

L. Koza asked if there was any succession planning regarding M. Strong. M. Bélanger informed the board that there are two junior portfolio managers working with M. Strong for this purpose.

A. Magahey asked when the next meeting is scheduled with Pyramis; it is next year at the annual review.

5. Northwater Update

A. Magahey presented a report updating the board with additional information regarding Northwater's Annual Review at the December Joint Pension Board meeting. Northwater was asked to provide information regarding the larger than expected tracking error related to the B funds and to provide details of the changes in clients, staff turnover and the more information about the Dow Jones CDX indexes. Information relating to these concerns was sent by Northwater to M. Bélanger in a series of emails, which were then forwarded to board members. Regarding the tracking error relating to the B funds the explanation given was that it was related to the reorganization of the Diversified Equity Fund (see appendix A). Appendix B reports on the changes in clients, staff turnover and information pertaining to the Dow Jones CDX indexes. No new clients have been added, 8 clients redeemed, 3 senior people have left Northwater for other opportunities and 15 other staff members left due to restructuring.

6. Update on Board Priority "Review of Investment Options"

At the annual retreat of the Joint Pension Board the board agreed that one of the priorities for the year was to review the plans' investment options which includes investigating the addition of lifecycle funds, the addition of diversifiers (such as global REITs) to the Diversified Equity Fund and the review of the number of investment options.

Lifecycle Funds:

The board discussed whether or not to continue to pursue the research into Lifecycle Funds. L. Koza stated the need to understand the motivation behind the research; what is it that members are asking for. S. Foerster asked if we would want to build our own pre-packaged solution or to use an external provider. It was suggested that the best approach would be to use an outside consultant. B. Curwood informed the board that lifecycle funds have been in existence for approximately 5 years; not long enough to provide a best practices analysis. The major decisions that need to be addressed are does the board want to pursue this type of fund and how should it be built. A. Magahey noted that one of the emerging trends in litigation in the U.S. is the cost of DC Plans therefore it is important to consider the fees of such a plan. They need to be very transparent. B. Curwood noted that from an institutional fee perspective the fees are reasonable. T. Rowe Price, Alliance Bernstein and Pyramis all provide lifecycle funds.

P. Loria asked if the board needs to investigate putting members by default into a lifecycle fund from the first day of joining the plan. L. Koza asked if this would mean removing choice from new members. P. Loria suggested that offering 5 or 6 lifecycle plans ranging from a primarily equity stream to a primarily bond stream would give them the necessary choices. S. Foerster noted that the concept of lifecycle funds seems simple but the implementation could open a Pandora's Box. Several issues need to be considered, including the number of investment options – too many choices create confusion; where to start the project, can we build lifecycle funds with our existing investment options, can we create a glide path by investing the new contributions in bonds.

M. Bélanger stated that we need to maintain some choice and P. Loria stated that existing managers need to be maintained, but to look for something that applies to the majority of members. S. Foerster suggested using existing managers; J. O'Brien stated that there is a need to explore other options, not to limit choices in the early stages of the process. P. Loria asked how members should be put into these new options – M. Bélanger suggested making it the default option. It was confirmed H. Scanlon and C. Dakin that there is an interest from members in a lifecycle fund option. The board agreed M. Bélanger should research the possibilities and report back to the board. M. Bélanger will ask providers of lifecycle funds for an expression of interest. The information to be requested will include: 1) the manager's interest in providing lifecycle funds designed for Canadian investors to UWO; 2) fees; 3) the manager's willingness in using UWO's investment options to build the lifecycle funds; and 4) RIF eligibility. M. Bélanger stated that the ABCP issue must be resolved before we can add lifecycle funds.

Adding Diversifiers:
The board was asked if it wanted to continue to pursue investigating the option of REITs (Real Estate Investment Trust) as a diversifier in the Western plans. M. Bélanger and B. Curwood presented an investment product managed by Aurion Capital. The product consists of private real estate investments and public real estate securities (REITs). S. Foerster stated that liquidity is the number one issue to consider; B. Curwood noted that the reason for presenting this option at this time is because the markets are very attractive from a pricing point of view. L. Koza noted that real estate had been in the portfolio at one time, and many people have real estate in their portfolios, but it needs to be asked if having the real estate option gives them the diversification they are looking for. M. Bélanger and B. Curwood will continue to present potential diversifiers to the Board and the board will continue to review them.

7. Year End Reporting
M. Bélanger provided an update of the year-end reporting process. M. Labute of Mercer has suggested using a 4% as a discount rate for annuities and 6.5% for future investment returns. Expected equity returns are higher than last year because equities are down. However, the higher proportion of the pension plan invested in fixed income has caused the projected investment returns to drop from 6.75% to 6.50%.
The board will review the requirements to provide a hard copy of the annual reports to members and consider whether there are options such as providing these reports electronically to members in future years..

8. Other Business
L. Koza reviewed details of the Retirement Incentive Plan to the board. 50 people of those who are eligible for the plan are Special Members. Eligible employees will receive personalized packages, faculty members have a phased in retirement option of 1, 2, or 3 years, with more incentive if they decide to retire on or before July 1.

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