

JOINT PENSION BOARD MEETING

February 8, 2010

9:00 a.m.

SSB 4220

PRESENT: Ab Birch, Michelle Loveland, Stephen Hicock, Stephen Foerster, Jim Loupos, Cindy Servos, Martin Bélanger, Louise Koza, Lynn Logan, Jane O'Brien, Ann Jones, Andrea Magahey, Deirdre Chymyck

Guests: Bruce Curwood, David Paribello

KPMG Guests: David Arnold, Jim Cassidy

Regrets: Craig Dunbar, Krys Chelchowski

1. Changes to Agenda:

One item was added under Other Business - an oral report regarding the upcoming public report due out shortly from the Ontario Council of Universities

Motion to Approve the Agenda: S. Hicock

Seconded: C. Servos

2. KPMG Audit Planning Report

J. Cassidy and D. Arnold presented the highlights of the upcoming Pension Plan Audit. It was noted that changes to accounting standards are effective on or after January 1, 2011 therefore there will be 2 years of status quo. There will be no changes to the Audit process this year and Diana Lowe will work with the Kilgour Advisory Group regarding the ABCP valuation.

A new Engagement Letter is required next year as this is the third year that the current letter is being utilized and it can only be used for a maximum of 3 years.

It was confirmed that there is no issue with the timing of the report although it is a full actuarial review year.

KPMG left the room at 9:20

Moved to approve the report and to appoint KPMG as the Auditors of the Pension Plan for the year ending December 31, 2009 at the fees stipulated in the Letter of Engagement:

L. Koza Seconded: S. Foerster

3. Approval of January 18, 2010 Minutes:

Motion: L. Koza

Seconded: L. Logan

Minutes approved with minor changes.

4. Update on JBP Priority: Development of a Statement of Investment Beliefs

Attendees of the meeting broke into groups of 3 to review the Statement of Beliefs. It was noted that the title of the document should be the Joint Pension Board Statement of Investment Beliefs, not the Western Retirement Plans Statement of Investment Beliefs.

The groups were asked to review the changes, identify any gaps in the beliefs and make suggestions to complete the document.

Suggestions were made by each group. Suggestions were made for beliefs #1 (Governance) # 4 (Alternative Investments), #7 (Liquidity) and #9 (Investment Costs).

For the Governance belief, it was suggested to review compliance to the CAPSA guidelines every year. For the belief on Alternative Investments, it was agreed that alternative investments should exhibit the following characteristics in order to be considered for the Western Retirement Plans: being fully liquid, having a consistent valuation method and being fully transparent. It was requested to add some research paper to Belief # 7 on Liquidity. Some re-wording of the section on how to monitor investment costs was discussed.

M. Bélanger will update the document based on the suggestions provided.

Motion to accept the Joint Pension Board Statement of Investment Beliefs (with changes)

J. O'Brien Seconded: C. Servos

All in favour

The document with changes will be posted on the JPB website.

B. Curwood presented some research on Domestic Canadian fixed income investing to confirm the committee's beliefs on active and passive management for the fixed income asset class. The research showed that only top quartile managers have been able to generate value added above investment management fees, which is consistent with the Board's belief that passive management should be used for Canadian fixed income. B. Curwood also reviewed the corporate spreads and noted that Canadian corporate bonds now offer less value than last year. Finally, B. Curwood presented an overview of Russell Fixed Income Fund. The Russell Fixed Income Fund has a strategy that is similar to that of the UWO Diversified Bond Fund, i.e. it has a core Canadian fixed income component and a global fixed income component. The Russell Fixed Income Fund has generated some strong value added since inception, which suggests that a core-plus strategy, such as the one used by the Diversified Bond Fund, can generate some value added as long as you select the right managers. This is consistent with the Joint Pension Board's view that active management should be used to manage global fixed income.

5. Pension Statement and Commentary

The Pension Statement commentary and the assumptions that will be used for the members' statements were reviewed by the Joint Pension Board.

6. Kilgour Advisory Group Quarterly Report

D. Paribello left the room for this discussion

The board reviewed the Kilgour Advisory Group Portfolio Manager Report for the UWO Liquidating Trust for the quarter ending December 31, 2009.

It was agreed that greater clarification was required to address the quality of the notes. The board asked for an explanation of the spread loss trigger levels and what they could do to the MAVII notes. It was suggested that this explanation will need to be simplified for members. It was asked what the board should be monitoring and it was suggested that a column should be included on the Portfolio Valuation table to present Kilgour's assumptions regarding discount rates.

7. Other Business

The board was informed of a potentially public report regarding Ontario university pension plans. The report focuses primarily on DB plans and addresses the level of solvency requirements for pension plans. The Council of Ontario Universities had made a submission to the Expert Commission on Pension in 2008 asking for the solvency relief. The [Louise Koza] commission responded with the questions of why each university has its own plan, why they have different structures and why not one big umbrella plan for all universities. This newly released report attempts to address those questions. The report does not include defined contribution plans such as Western's. It was agreed that there will be a follow up with both pension and labour lawyers regarding the impact of this report, and how it should be addressed by the Joint Pension Board.

Prompted by the discussion regarding this upcoming report, it was noted that some other University pension plans have higher required contribution rates for members as compared to the University of Western Ontario Pension Plan for Members of the Academic staff. This plan has two possible member contribution rates and the lower rate 1.5% seems to be the default. Pension staff was asked to review the feasibility of defaulting to the higher contribution rate and to report back on this at a later meeting.

Motion to Adjourn: A. Birch

Seconded: S. Hicock

Meeting adjourned at 11:40