

JOINT PENSION BOARD MEETING

April 24, 2009

9:00 a.m.

SSB 4220

PRESENT: Pat Loria, Ab Birch, Michelle Loveland, Stephen Hicoock, Stephen Foerster, Lonnie Wickman, Stu Finlayson, Martin Bélanger, Louise Koza, Jane O'Brien, Ann Jones, Andrea Magahey, Deirdre Chymyck.

Guests: Krys Chelchowski

By Conference Call: Bruce Curwood

1. Changes to Agenda:

No changes required

2. Executive Summary Restructuring Proposal

The board was presented with an overview of the proposal for the management of non-bank ABCP. The Executive Summary included 9 goals for the management of non-ABCP which have been converted to Restructured Notes (RN). The goals include fairness and equitable treatment between members, management of RNs in a consolidated pool to assist in a search for buyers and consistency with the Joint Pension Board's principles. The rationale for introducing a revision to the proposal initially considered in November was reviewed with the board. The reasons include there is no liquid market for the RNs and operational concerns raised by Northern Trust with implementing the equitization proposal. In addition, it was identified that it was preferable to move the funds out of Northwater sooner rather than later due to a larger tracking error inherent in synthetic strategies and concerns relating to Northwater's ability to manage funds due to recent developments including loss of clients, investment personnel and funds under management.

The revised approach includes 4 major steps: carve out the RNs from the five restricted funds and transfer them to the Liquidating Trust, remove the redemption restrictions on the affected funds, with the exception of the Liquidating Trust, merge the B funds with the old funds, and search for a buyer for all or some of the RNs. Implementing the revised approach will include a number of steps including: receiving an expert opinion on the liquidity and valuation of the RNs, a plan amendment is drafted to transfer the RNs into Liquidating Trust without member consent, a detailed valuation approach for the write down of the RNs, a review of the Liquidating Trust, and communicating with plan members, allowing them the opportunity to provide feedback and giving advance notice of the proposed amendments.

A. Magahey informed the board that an amendment would be required for all 3 plans, and would not likely be considered an adverse amendment; however a significant communication effort regarding the amendments would be done due to the complexity of the RNs and the proposal itself. The amendments to the Academic and Staff plans will be brought to the board for approval; the RIF amendment requires approval by the Board of Governors.

4. Opinion on Liquidity

M. Bélanger presented a proposal submitted by PIMCO, who was referred to by BlackRock, the administrator of the RNs. PIMCO is the largest fixed income manager in the world and has experience in dealing with distressed portfolios. PIMCO has a good understanding of the RN market – aware of what offers and purchases are being made. The proposal includes the evaluation of the restructured notes, assisting UWO to develop education sessions for members, and facilitating a partial liquidation of the portfolio. The cost of the proposal, for the evaluation report and the member education sessions, is estimated between \$50,000 and \$80,000. The cost of liquidating the portfolio is not included in this estimate. This is a fixed cost and will be paid out of the Human Resources corporate budget. B. Curwood was asked if he had any concerns regarding due diligence in recommending PIMCO. B. Curwood replied that PIMCO is a strong fixed income manager and is currently used by Russell in some of its fixed income portfolios. It was suggested that Martin Belanger contact BlackRock to determine whether there were any other firms knowledgeable on the value and market challenges of the RNs that should be considered.

S. Foerster noted it was crucial to get a valuation/opinion in order to move forward and provide the best advice and guidance to members. S. Foerster also asked if we could contact additional providers to confirm the selection of PIMCO.

3. Employee Group Communication

Andrea Magahey presented a draft preliminary version of the announcement about the proposal and the plan amendments for plan members. The draft was provided to give the board information about how the amendment could be explained to members. It was agreed in the discussion that followed that the implementation of this proposal would require significant communication and information for members including tools such as questions and answers documents.

The board was asked to consider three motions:

1) Given that there is currently no liquid market for the Restructured Notes such that equityization would not meet the goals for the management of the Restructured Notes, the Joint Pension Board moves not to proceed with the November 28th, 2008 decision to equityize the Restructured Notes with Northwater Capital Management Inc.

Motion to Approve: S. Finlayson

Seconded: L. Koza

All in favour

2) A motion that the Joint Pension Board has endorsed a recommended approach for the management of the Restructured Notes, being:

- i) carving out the Restructured Notes from the Diversified Equity, Balance Growth Fund, Balanced Income Fund, US Equity Hedged Fund and US Equity Unhedged Fund.
- ii) transferring the Restructured Notes to the Liquidating Trust, thereby giving plan members direct holdings in the Liquidating Trust,
- iii) merging the "B" funds with the original affected UWO funds; and
- iv) removing the redemptions restrictions on the UWO affected funds, with the exception of the Liquidating Trust

This "Recommended Approach" is conditional on a final decision from the Joint Pension Board as to whether to implement this approach after the implementation issues have been reviewed and assessed.

Motion to Approve: S. Foerster

Seconded: S. Finlayson

All in favour

3) A motion that the pension administration staff obtains a third party expert report on the liquidity and valuation of the RNs and drafts of the proposed amendments for the retirement plans.

Motion to Approve: M. Loveland

Seconded: J. O'Brien

All in favour

5. Audit of UWO Restructuring Plan

Concerns regarding using KPMG as the auditors of the Restructured Notes were discussed. M. Bélanger expressed his support of using KPMG as they know our plan which is very complex; D. Chymyck concurred stating that KPMG knows the plan and how the ABCP issue was addressed. It was agreed to confirm with KPMG the costs involved with such an audit and that the Joint Pension Board would approve recommended additional work

6. Other Business

Jane O'Brien advised that she would review the proposal with the University as plan Sponsor by briefing the President and Vice-Presidents next week and would be inquiring as to whether the University Operating & Endowment Fund would be interested in purchasing the RNs. Andrea Magahey advised that there are related party restrictions under pension legislation that would need to be considered before any option to purchase was considered. Andrea Magahey advised that any valuation and solicitation of a purchaser including the University should be done through a third party with outside expertise on valuation to ensure that members would have the best price available for RNs at time of sale and that the solicitation of bids and the sale process was conducted with due process in the best interest of plan members.

The next step in proceeding with the plan amendment is to have it reviewed by the Plan Sponsors (UWO); the President and Vice-presidents group will review it next week, and then it will be taken to the employee groups, the Board of Governors and the Audit Committee.

Feedback from the first of the three Annual Presentations to Members was positive with 55 members attending.

Motion to Adjourn: S. Hicock

Seconded: M. Loveland

Meeting adjourned at 10:25