

JOINT PENSION BOARD MEETING

October 26, 2009

9:00 a.m.

SSB 4220

PRESENT: Ab Birch, Michelle Loveland, Stephen Hicoock, Stephen Foerster, Craig. Dunbar Krys Chelchowski, Jim Loupos, Cindy Servos, Martin Bélanger, Louise Koza, Lynn Logan, Ann Jones, Andrea Magahey.

Guests: Bruce Curwood

Harris Associates L.P.

Edward S. Loeb – Partner & Portfolio Manager

Vineeta D. Raketich – Director, International Operations and Client Relations

Regrets: Jane O'Brien

1. Harris Associates Review

E. Loeb and V. Raketich presented the Harris Associates Manager review to the board. They provided an overview of the organization. It currently has \$48 billion in assets under management; they have been as low as \$30 billion under management and as high as \$70 billion under management. They have one office – in Chicago – with 175 employees. They have not had any change in philosophy or process. Chad Clark, a partner and co-portfolio manager on international equity mandates, resigned, but he did sign a non-compete agreement. The firm is currently searching for a replacement analyst. It was explained that the Global Strategy is a combination of the best ideas of the International and US strategies. The International Strategies are non-U.S.

Harris was founded in 1976 and in 1990 became a subsidiary of Natixis Global Asset Management. Their Business Continuity Plan includes 19 different plans with offsite resources in Lyle, Illinois and in Wisconsin. Employees have the resources to work from home. E. Loeb reviewed Harris's investment approach, philosophy, implementation, process, and currency hedging strategy.

The University of Western Ontario's portfolio was reviewed in both Canadian and U.S. dollars. The portfolio has significantly outperformed the benchmark since inception (October 1, 2008) which Harris attributes to disciplined stock picking. M. Bélanger asked if there were changes due to the volatility; E. Loeb stated that there were slight changes in the time frame being used to project earnings due to the recession. They are looking out to 2011-2012 with the expectation that volatility will continue through 2010.

The portfolio was reviewed based on position changes, trading activities, geographic allocations, sector allocations, and contribution analysis. C. Dunbar asked if the higher valuations were due to the recession not being as bad as first believed. E. Loeb noted that stock prices dropped to implied bankruptcy/meltdown levels but it appears that there was more panic than meltdown and people are starting to spend again with the expectation that there will be a full recovery in 2011.

L. Koza asked if there was a company that suffered badly and rightfully so that Harris did not invest in or take advantage of lower prices. E. Loeb stated that they avoided further investments in Merrill Lynch, Fannie Mae, Freddie Mac and Lehman Brothers, although they did not sell off all of their existing investments in these companies.

C. Servos asked why the Emerging Market portion of the Global Large Cap included Latin America, but not China. E. Loeb stated that they are concerned with the risk involved investing directly in China and Russia. There is a higher level of Emerging Market investment in the International Portfolio.

M. Bélanger asked how Harris incorporates social, environmental, and governance factors. E. Loeb noted that these factors have an increasing influence in the day-to-day business activities of the firm and have become intrinsic to the way they do business and how companies can sustain their earnings.

M. Bélanger also asked about securities lending in the portfolio. Harris does dividend arbitrage in the portfolio to lower the taxes withheld on their foreign investments.

E. Loeb confirmed their compliance expectations with no regulatory issues except for a class action suit (Jones vs. Harris) to be heard by the U.S. Supreme Court and pertaining to a mutual fund fees complaint. They are expecting a decision in their favour in the spring.

E. Loeb and V. Raketich exited the meeting at 10:05 a.m.

M. Loveland asked if there were any questions or comments. L. Koza noted that Harris stressed their bottom up philosophy but it appeared that they also used the top-down approach. B. Curwood noted that the top down approach was used for discretionary purposes but was heavily bottom up.

The board discussed 3 options of holding the manager review meetings. 1) beginning of JPB meetings, 2) end of JPB meetings, and 3) separate meeting with board members being invited to attend. The board agreed that option 2 was the preferred choice and that manager meetings will be held at the end of the regular JPB meetings and board members who could not stay would be able to leave and a separate meeting with the manager would be held.

M. Loveland presented B. Curwood a plaque as the winner of the debate held at the Annual Retreat.

2. Changes to Agenda:

No changes

3. Approval of September 28, 2009 Minutes:

Motion: L. Koza

Seconded: C. Servos

Minutes approved with changes received J. O'Brien via email as she could not be in attendance. The revised minutes will be posted on the JPB website and will be identified as revised.

4. Statement of Investment Policies and Procedures (SIPP)

The revised SIPP will be posted on the JPB website, both the clean and marked up version.

A. Magahey will review it with the board for approval by the end of the year.

5. Update on Joint Pension Board Priority “Development of a Statement of Investment Beliefs”

M. Bélanger presented an updated Statement of Investment Beliefs for review purposes. Once the statement is complete it will be posted on the pension website in the Governance section.

C. Servos noted that Passive Management should be included in belief #6. L. Koza asked how this document will be used; B. Curwood suggested it would be helpful when meeting with new members, reviewing governance and for best practices purposes. S. Foerster suggested that M. Bélanger circulate the document as it is updated for input from board members. L. Koza noted that one belief that is not apparent is the home country bias.

It was agreed that the document will be discussed and reviewed at future meetings. The more contentious issues will be debated while the less controversial beliefs will be approved. M. Bélanger will distribute two articles taken from the Rotman International Journal of Pension Management. These articles were used to develop the Statement of Investment Beliefs.

6. Joint Pension Board Elections

A. Jones informed the board that the mass email to actively participating plan members calling for nominations to the Academic and Administrative Pension Boards will be circulated on October 26 following the JPB meeting. The positions that are to be filled are those currently held by M. Loveland and A. Birch. If an election is necessary it will be held November 18 – 20.

7. Non-Bank ABCP Restructuring Plan Update

A. Magahey provided an update on the non-bank ABCP Restructuring plan. FSCO (Financial Services Commission of Ontario) has been informed of our process for addressing non-bank ABCP. FSCO has stated that our approach is reasonable and recommended that the University continue to communicate with members regarding the restructured notes. The plan amendments have been registered by FSCO effective September 30, 2009. Each member affected by the ABCP is being mailed an Inter-Fund Transfer statement with a cover letter/information sheet. The second mailing outlining the merging of the B Funds with the original companion funds will be processed at the end of November. The website will continue to be updated and workshops will be made available to educate members on the notes and their options. A. Magahey advised that the UWOFA grievance has been reactivated and a response is required by November 30, 2009. The response is being prepared by the University.

Northwater informed us on September 30, 2009 that its hedge fund business was sold to a Texas-based company. Their decision to sell their hedge fund business has little impact to the UWO plans, but they're also getting out of the management of synthetic index funds. As a result, they will not be acting as the registered investment advisor for the Liquidating Trust past November 30, 2009.

L. Koza noted that there are tax implications for members turning age 71 and for RIF members who only have Liquidating Trust in their accounts.

8. Pension Newsletter Content

The board was informed of the articles that will be in the third quarter (2009) newsletter. Krys Chelchowski suggested asking members to comment about our education programs.

9. AllianceBernstein Review

Krys Chelchowski and Ab Birch were in attendance at this meeting; the document will be amended to reflect this change

Motion to adjourn: S. Hicock

Seconded: C. Servos

Meeting adjourned