JOINT PENSION BOARD MEETING

June 14, 2010

9:00 a.m.

SSB 4220

PRESENT: Stephen Hicock, Stephen Foerster, Craig Dunbar, Cindy Servos, Ab Birch, Martin Bélanger, Louise Koza, Lynn Logan, Jane O'Brien, Ann Jones, Andrea Magahey, Bruce Curwood.

Guests: Mike Labute and Emelie Rahilly – Mercer Human Resources Consulting

Regrets: Michelle Loveland, Krys Chelchowski, Jim Loupos

1. Changes to Agenda:
No changes to the Agenda required

2. Approval of May 17, 2010 Minutes:
Motion: J. O'Brien
Seconded: L. Koza
Minutes approved with minor changes.

3. Presentation of the Academic Staff Pension Plan Actuarial Valuation:

Mike Labute and Emelie Rahilly presented the results of the tri-annual actuarial valuations for the period ending December 31, 2009. The assumptions and methods used were similar as those for the last valuation (December 31, 2006). On a going-concern basis, the most significant change was a reduction to the discount rate from 5.75% to 2.67%. The 2008/2009 market crisis resulted in lower account balances, and the reduction of funded ratios. There have been no changes to the Pension Benefit Act and its regulations which impact the pension plan funds; however changes to the Canadian Institute of Actuaries Standard of Practice for determining commuted values changed effective April 1, 2009 and these changes are reflected in this valuation. Changes to the investment policy of the Academic Pension Plan are reflected in the going-concern valuation.

In regard to the valuation report for the Academic Staff Pension plan, two valuations were presented: the going-concern basis and the wind-up basis valuations. The valuations were compared to those of the previous report as at December 31, 2006. The funding position of the pension plan on the going-concern valuation is a shortfall of $157,000. Emelie Rahilly commented that the funding ratio of defined benefit plans in Canada have been lower because of the market meltdown in 2008/2009. The funding shortfall reflected in the going-concern valuation is attributable to indexation, lower than projected investment returns, increased survival rates, and a retroactive payment.

On the wind-up basis valuation the pension plan is over funded by $171,000. The wind-up valuation also reflects lower investment returns and better than expected survival rates.

Solvency deficits must be funded over 5 years while going-concern deficits must be funded over 15 years. Monthly special payments will be made by the University to fund the small going-concern unfunded liability in the pension plan. The Pension Benefit Guarantee Fund assessment for the defined benefit members of the pension plan is $140.

For excess earnings indexing pensioners, the discount rate, based on Mercer Portfolio Return Calculator, was 5.5%, compared to 5.75% used at the previous valuation. The mortality table did not change since the last valuation.

4. Presentation of Administrative Staff Pension Plan Actuarial Valuation
There are 54 active Special Members and 57 pensioners and survivors in the Defined Benefit portion of the Administrative Staff Pension Plan. Both the going-concern and the wind-up valuation methods benefited from the implementation of the immunized bond strategy. The funding position of the pension plan on the going-concern valuation is a shortfall of $193,000, compared to a deficit of $188,000 in 2006. The increase in deficit under the going-concern valuation is due mostly to a change in discount rate from 3.80% to 2.65%, better than expected mortality rates and the decline in DC account balances, although it was partially offset by the employer special payments and greater than expected rates of return. The Wind-up valuation improved from a deficit of $199,000 in 2006 to a deficit of $63,000, mostly due to better than assumed investment returns, attributable to the bond immunization strategy, and the employer special payments.

Going Forward: The next valuation will be at December 31, 2012
- Pension Boards need to confirm acceptance of draft valuations
- Final Report from Mercer
- File reports with CRA and FSCO – filing deadline is September 30, 2010
- Certificate signed by Board Chairs

Motion to Accept the Academic Pension Plan Actuarial Valuation: L. Koza
Seconded: C. Dunbar
All in favour

Motion to Accept the Administrative Staff Pension Plan Actuarial Valuation: L. Logan
Seconded: C. Servos
All in favour

5. First Quarter Performance Review
B. Curwood presented the First Quarter Performance Review. The equity markets showed significant improvements due to the global market recovery. The Balanced Funds reflect a great recovery from the previous year and the global component of the stock indexes doing very well. The cash holdings of Harris were questioned; M. Bélanger will report back on this question.

B. Curwood noted that the second quarter has been very volatile due to concerns with some European countries' debt position and he commented that the good returns of the first quarter have been erased.

6. Update on ABCP
45 active members in May elected to transfer funds out of the Liquidating Trust; the number of redemptions for the Liquidating Trust for June will be greater with approximately 75

redemption requests already received for June. Some of these redemptions are from the members who terminated and transferred out of the pension plan since September 2007 and who can now redeem their non-bank ABCP exposure. The Board was advised that 10% of Liquidating Trust has been sold to a Toronto based hedged fund ($1.6 million). This was done to reduce the risk and increase the liquidity of the Liquidating Trust. The proceeds from the sale were re-invested into the Liquidating Trust in Greystone Money Market Fund, consistent with the mandate of the Liquidating Trust. Since the sale was completed, the average price of the notes has dropped by approximately 4%. It was asked if M. Bélanger required an increase in latitude before coming to the board to sell more restructured notes held within the Liquidating Trust; M. Bélanger has another 10% available to sell without having to come to the Board and indicated he had enough latitude for the present time.

7. Harris Associates Review

M. Bélanger met with Harris in their offices in Chicago on May 5, 2010. Harris is ranked "Hire" by Russell and manages 8.75% of the Diversified Equity Fund. There have been no changes in corporate structure, lead portfolio managers or investment process since the last review. The one litigation issue facing them at the last review was ruled in their favour in March 2010. No changes are recommended at this time.

8. Update on the Joint Pension Board Priority: Review the Plans Investment Options

It is being recommended that the Canadian Equity fund move away from 4 managers to 3 managers. There is not enough difference between the managers to warrant 4 managers, and it will reduce fees by an estimated 2 bps. Russell Research concludes that Connor Clark & Lunn Financial Group (CC&L) is superior manager in comparison to Highstreet Asset Management ("Highstreet"), has superior research and moreover, Russell Research prefers the quantitative approach of CC&L. It was recommended that both plan members and Highstreet be informed that the decision to make the change is not because of dissatisfaction with Highstreet, but because of the restructuring of the portfolio.

Motion: That Highstreet Asset Management be terminated as manager of the Canadian Equity Fund and of the Diversified Equity Fund and that the assets managed by Highstreet be allocated equally to the other three Canadian equity managers: Connor Clark & Lunn Financial Group, Beutel, Goodman & Company and Greystone Managed Investments Inc.

Motion to Approve: L. Koza
Seconded: S. Hicock
All in favour

9. Update on JPB Priority: Review Investment Costing

It was reported that we will participate in a survey on Pension Fund Expenses the results of which are expected in October 2010. The survey is in support of effective plan governance and to provide registered plans with a benchmark to evaluate the level of operating expenses in their plans.

10. ACPM May 2010 Education Initiative Report

The ACPM report stressed the need to communicate with plan members to improve financial literacy. It was suggested that there was a need to stress to members not to expect double digit growth as has been experienced in recent years. The need to develop a communication plan/policy was identified and best practices in the report include the need to integrate messages with training, targeting communications to specific member populations and requesting suggestions from members.

11. Other Business
No other business at this time.

Motion to Adjourn: S. Foerster
Seconded: S. Hicock

Meeting adjourned at 10:30 a.m.