

JOINT PENSION BOARD MEETING

July 23, 2009

1:00 p.m.

SSB 4220

PRESENT: Ab Birch, Michelle Loveland, Stephen Hicock, Stephen Foerster, Krys Chelchowski, Martin Bélanger, Louise Koza, J. O'Brien, Ann Jones, Andrea Magahey, Deirdre Chymyck, Cindy Servos, Jim Loupos, Craig Dunbar.

Guests: Bruce Curwood (Conference Call)

Regrets: S. Finlayson

Beutel Goodman: William (Bill) Ashby

Mark Thomson (Conference Call)

1. Changes to Agenda:

None

2. Beutel Goodman Presentation

W. Ashby reviewed Beutel's philosophy, corporate background, ownership structure, research and decision making, investment strategies, performance history and fee schedule with the board. Beutel Goodman is a private partnership with 51% owned by 35 partners and 49% owned by AMG Canada Corp. AMG is a passive investor who is not involved with day-to-day management decisions. Beutel Goodman's philosophy includes the preservation of capital being paramount and low valuations outperform high valuations. Securities research is provided by 21 investment professionals, 11 equity analysts, and the economic research is provided by Arthur Donner, Ph.D. The assets of the endowment fund will be combined with those of the pension plan for the purposes of lowering the fee schedule.

3. Approval of June 17, 2009 Minutes:

Motion: S. Foerster

Seconded: M. Loveland

Minutes approved with changes

New board members Craig Dunbar (Academic Pension Board), Cindy Servos (Administrative Pension Board) and Jim Loupos (Administrative Pension Board) were welcomed to the board.

4. Canadian Equity Fund Restructuring

M. Bélanger reviewed with the board the background, research and recommendation for the restructuring of the Canadian Equity Fund. The report included a review of the concerns with the current manager AllianceBernstein (personnel turnover, asset losses, and poor investment performance) and the recommendation to appoint Beutel Goodman as the replacement manager. The reasons for recommending Beutel Goodman include the ability to meet UWO's monthly cash flow requirements, the research capabilities, low volatility, excellent track record of protecting investors during market down turns and low fees. Russell Research supports this recommendation.

The report includes 3 recommendations:

1. The appointment of Beutel Goodman to replace AllianceBernstein as the value manager of the Canadian Equity Fund
2. Consolidate the Canadian Equity Fund large cap component from 4 to 3 managers with the suggestion that Highstreet be removed and Connor, Clark, Lunn be retained
3. Add a small cap component to the Canadian Equity Fund

Motion - To appoint Beutel Goodman as the new Canadian Equity Manager replacing Alliance Bernstein

Motion: L. Koza

Seconded: S. Hicock

All in favour

The next issue discussed was whether to reduce the number of the Canadian Equity Large cap managers from four managers to three managers and if the number of managers was to be reduced to three which Canadian Equity Manager should be retained. The two managers considered for removal are Highstreet or Connor, Clark, Lunn (CCL). These are two core managers with a lack of diversification between them.

It was noted that both Highstreet and Connor, Clark, Lunn (CCL) are quality managers but M. Bélanger believes that the higher ratings provided by Russell Research in key areas supports retaining CCL.

Martin Bélanger explained that consolidation of the fund to 3 managers would provide for both lower fees and more straightforward administration. He also noted that removing one of these managers would make even more sense if the board wanted to add a small cap manager to the structure.

Currently there are 4 equity managers. The Russell report compared the relative attributes of both Highstreet and CC&L and both received top ratings by Russell. Discussion followed about the benefits of consolidation. It was agreed that both CC&L and Highstreet are very good managers based on the Russell review. Steve Foerster commented there was a compelling argument to consolidate and remove one manager, however, Highstreet was an excellent manager and had outperformed CC&L.

The board reviewed whether to add a small cap manager to the Canadian Equity Portfolio as per the third recommendation in the report. Martin Bélanger explained that in his opinion a small cap component could add value, particularly, if the board decided to reduce the number of Canadian Equity managers to three then the board could add a manager for a small cap mandate. A discussion followed regarding the merits and risks of adopting a small cap market strategy. Bruce Curwood described the small cap equity market as *Micro* compared to other markets but he commented that this mandate can add value. Concerns regarding the possible liquidity issues that could be associated with a small cap equity fund were raised.

Martin Bélanger explained that with the appointment of Beutel Goodman as a new manager it would be possible to use them also as a small cap manager. At this time, the Board is not ready to proceed with voting on either proposal 2 or 3 in the Canadian Equity Fund Restructuring report. The appointment of Beutel will be done with a segregated fund structure rather than through pooled funds leaving the option to add a small cap mandate with them in the future should the board decide to do so. The segregated fund structure also allows

the Retirement Plans to restrict to 10% the maximum amount of cash held in the strategy, as per B. Curwood's recommendation. The investment guidelines of the strategy have a 15% limit on cash.

5. Other Business:

Martin Bélanger advised of the upcoming PIAC and Russell Investment conferences which interested members of the Joint Pension Board can attend. Martin Bélanger asked that members interested in attending a conference let him know by Monday July 27, 2009.

Jane O'Brien updated the board on the University's pandemic/H1N1 planning. The University has a full pandemic plan for the fall. The Middlesex health unit anticipates so many cases that they will no longer be counting cases. Only individuals with pre-existing medical conditions will have access to the health care system. For most affected by the virus the recommended response will be to stay home for 7 days.

The University has been identifying essential functions which include pension investments and RIF payments. Louise Koza advised that she is developing a plan for key operations and identification of back up three levels deep. The Joint Pension Board will need to continue meeting but in the event of a significant outbreak the Board may meet by telephone conference.

Louise Koza reported that the two motions from the June 17, 2009 Joint Pension Board meeting regarding the non - bank ABCP restructuring plan had been voted on by email and passed. These motions were:

- 1) The appointment of KPMG to perform a restructuring plan audit; and
- 2) The proposed restructuring plan, and the proposed related retirement plan amendments be provided to members for feedback,

Meeting Adjourned at 3:50pm