

2013 Management Employees Pension Plan Annual Report



2013 MEPP Annual Report

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Governance Statement

This is the Governance Statement of the
Management Employees Pension Board

The Management Employees Pension Plan (MEPP) was originally established in 1972 as the Public Service Management Pension Plan for management employees of the Alberta government and approved agencies, boards and commissions. In 1993, new legislation was passed that split the plan into two separate plans: MEPP and the Public Service Management (Closed Membership) Pension Plan ("Closed Plan"). The latter plan holds the entitlements of former managers not in active service as of January 1, 1992.

The Board has legislated responsibilities for the Management Employees Pension Plan and some legislated responsibilities for the Public Service Management (Closed Membership) Pension Plan. The mandate of the Board, as established under the *Public Sector Pension Plans Act* ("PSPPA"), Schedule 5, section 3, and Schedule 6 is to:

- 1.1 advise the Minister on any pension matter that is of interest to persons receiving, or entitled in the future to receive, benefits under the MEPP;
- 1.2 consult with the Minister with respect to:
 - 1.2.1 amending or repealing and replacing the *Management Employees Pension Plan Regulation* (the "Plan Rules"); including Plan Rules adjusting contribution rates to ensure that the MEPP is funded;
 - 1.2.2 conducting an actuarial valuation with respect to the MEPP;
 - 1.2.3 conducting an actuarial valuation with respect to the Closed Plan;
 - 1.2.4 changes proposed to the *Public Sector Pension Plans (Legislative Provisions) Regulation*;
 - 1.2.5 the cost to be charged for the administration of the MEPP; and
 - 1.2.6 the cost to be charged for the administration of the Closed Plan.
- 1.3 review administrative decisions for the MEPP and the Closed Plan in accordance with the delegation from the Minister;
- 1.4 set general policy guidelines, such as the Investment Policy, on the investment and management of the MEPP fund that it considers should be followed; and
- 1.5 set general policy guidelines on the administration of the MEPP that it considers should be followed.



Administration Report

The Management Employee Pension Plan
Administration Report is prepared by
Alberta Pensions Services Corporation, MEPP's administrator

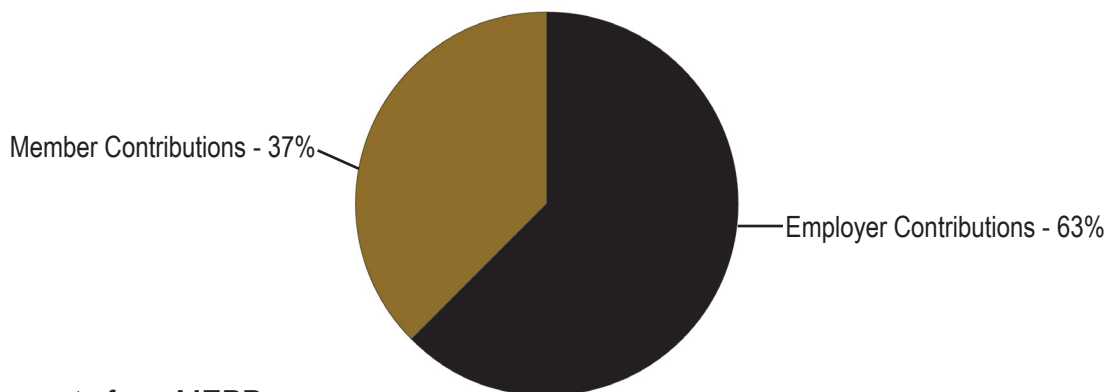
MEPP Administration Report 2013

Alberta Pensions Services Corporation (APS) provides valued pensions services (as directed under a Pension Services Agreement with the President of Treasury Board and Minister of Finance) on behalf of Management Employees Pension Plan members, pensioners, employers and plan governors. Services include:

- Contributions management
- Member, pensioner and employer information management
- Member, pensioner and employer communications
- Benefit calculations
- Benefit disbursements
- Policy development and implementation
- Compliance, regulatory and plan financial reporting

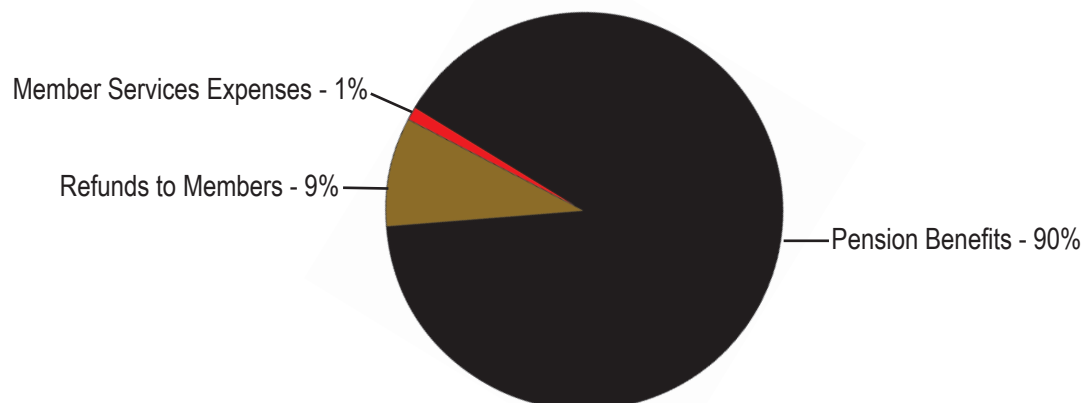
Contributions to MEPP

In 2013, total contributions to MEPP were \$174 million.



Payments from MEPP

In 2013, total payments from MEPP were \$173 million.



MEPP Members, Pensioners and Employers

Based on year-end totals, MEPP has 21 employers and a total of 10,524 active and deferred members and pensioners. In 2013, 472 members joined the Plan, 47 re-joined the Plan, 320 members retired, 219 members deferred funds, and 188 members terminated and left the Plan.

MEPP Member Services Expenses

MEPP's share of APS operating and plan-specific costs are based on cost allocation policies approved by the President of Treasury Board and Minister of Finance. MEPP's share of APS costs were almost \$2.4 million in 2013. Based on average membership, MEPP's per member service expense is \$231 which includes APS operating costs, Board costs, actuarial fees, audit fees and other professional fees.

Cost-of-Living Adjustment (COLA) to Pensions in Pay

After a member begins to receive a pension, a cost-of-living adjustment is applied every year there is an increase in the Alberta Consumer Price Index (ACPI). COLA is equal to 60 per cent of the yearly increase of the ACPI.

As of January 1, 2013 the COLA granted to pensioners was 0.96 per cent. For those who retired during 2012, this COLA was prorated depending on the month of retirement.

Activities in 2013

APS focused on the following initiatives in 2013 to further enhance services to our valued MEPP clients:

- Streamlined some operational processes and took steps to ensure continued risk-managed, efficient and effective pension services to all of our clients and stakeholders.
- Launched a series of educational webinars for clients with plans to continue in 2014.
- Completed an external review of our records management program to ensure member information continues to be stored and handled in an effective way.
- Completed more than 131,000 member transactions for all the plans we serve -- three per cent more than in 2012 and an average of more than 500 transactions per day.
- Ongoing promotion of mypensionplan, a secure website for members to access their pension information:
 - As of December 31, 2013 MEPP had 522 new members registered on mypensionplan and 3,595 members registered in total.
- Continued to prepare for the 2014 implementation of the first phase of Next Generation, a multi-year, multi-system business transformation project that will efficiently and effectively help us meet changes in service demand by:
 - Simplifying processes – streamlining to add value and clarity for the Corporation and our valued clients, improving the quality and consistency of the pension experience.
 - Simplifying policies – reducing complexity and looking for opportunities to improve understanding for members, employers and staff.
 - Simplifying systems – upgrading and unifying the application systems needed to successfully deliver on our mandate to plan boards, members, pensioners and employers.
- Met all of our Next Gen milestones on time and on budget.

The Year Ahead

In 2014, APS plans to:

- Implement the first of three phases of the Next Generation business transformation system. The new pension payroll system will provide even better client service to the growing number of pensioners.
- Introduce mypensionplan.ca for pensioners, a new, convenient online service for pensioners giving them the ability to update their personal information, change beneficiaries, view the specifics of their pension plan, and provide documents through secure email.
- Update the online pension estimators to give MEPP members an estimate of what their pension payments might be under Plan changes announced by government.



Plan Performance and Investment Report

The MEPP Plan Performance and Investment Report is prepared by the Ministry of Treasury Board and Finance

Plan Performance

Net Assets Versus Pension Obligation

Net Assets: \$3.464 Billion

Obligation: \$3.413 Billion

Surplus: \$51 Million

Income and Contributions: \$670 Million

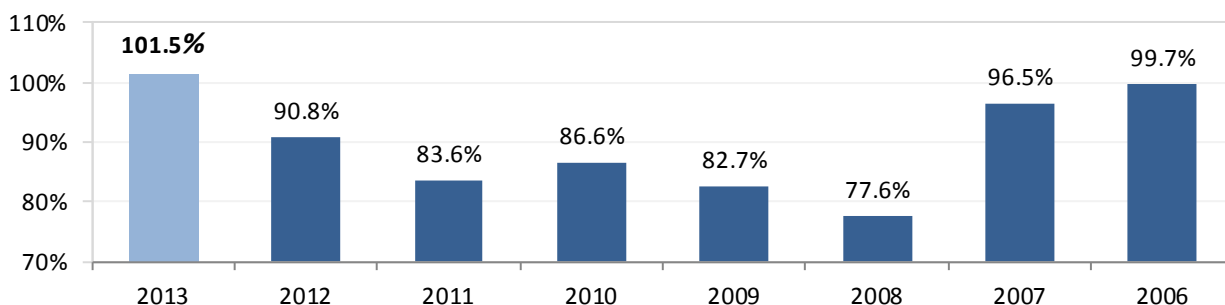
Benefits and Expenses: \$193 Million

A significant improvement in MEPP's financial position continued in 2013. By December 31, 2013, the fair value of the Plan's net assets increased by 16.0 per cent (or \$477 million) to \$3.464 billion. The increase in net assets was more than four times the increase in the pension obligation which grew by 3.7 per cent (or \$123 million) to \$3.413 billion. As a result, the Plan's assets exceed the estimated pension obligation by \$51 million, according to the 2013 audited financial statements.

The Plan closed out 2013 with 101.5 per cent of the total pension obligation supported by assets according to the most recent audited financial statements.

Per cent of Pension Obligation Supported by Net Assets

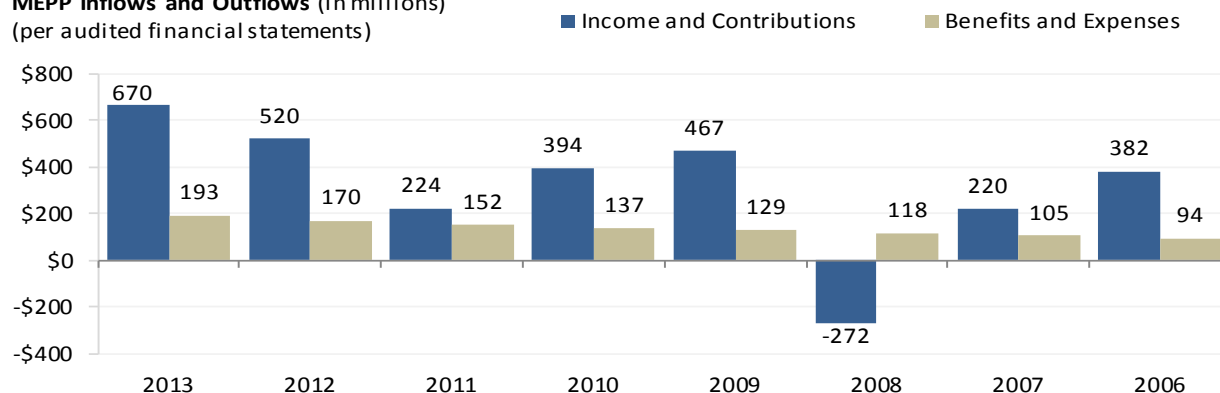
(per audited financial statements)



In 2013, investment income and contributions from employees and employers totaled \$670 million while benefit payments and expenses totaled \$193 million. Over twenty years, accumulated income and contributions totaled \$4.5 billion while accumulated benefits and expenses totaled \$1.7 billion.

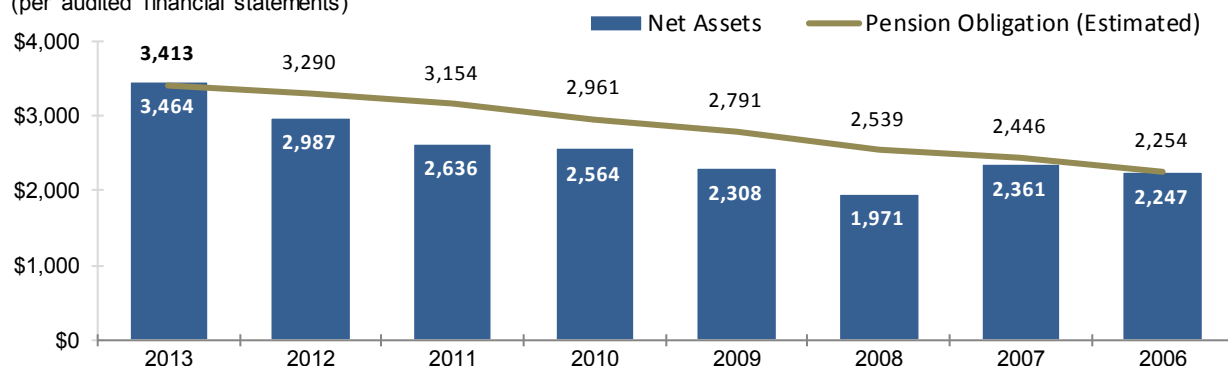
MEPP Inflows and Outflows (in millions)

(per audited financial statements)



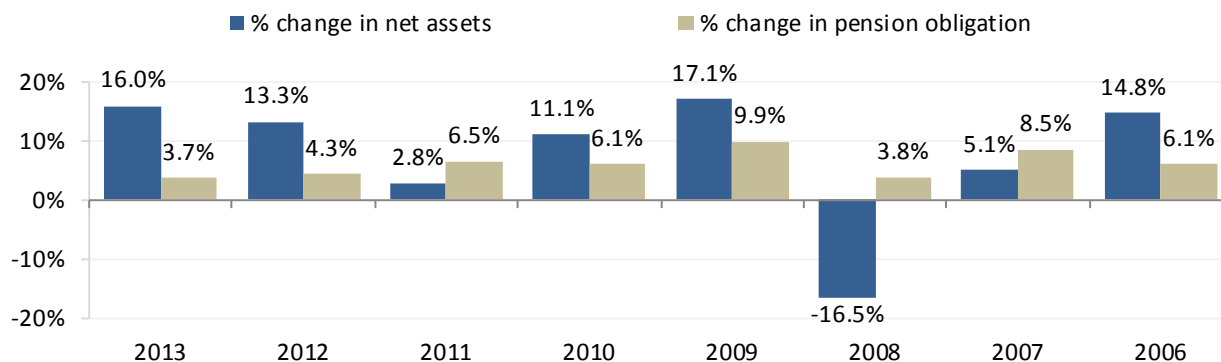
The total pension obligation is based on the estimated net present value of future pension benefits paid to employees when they retire. Retirement benefits earned by employees provide a lifetime pension for each year of pensionable service based on a specified percentage applied to the average salary for the five highest consecutive years, subject to the maximum benefit limit allowed under the *Canadian Income Tax Act*. The estimated pension obligation increases annually for each additional year of pensionable service earned by employees. The pension obligation is an estimate because it is based on various assumptions used by the Plan's actuary. For example, an estimated discount rate is used to determine the present value of future retirement payments. A lower estimated discount rate will increase the total pension obligation. Similarly, a higher estimated life expectancy will increase the pension obligation. Net assets increase when there is positive overall investment returns and when employee and employer contributions exceed pension benefits paid. Net assets decrease when there are investment losses.

Net Assets Compared to Total Pension Obligation (in millions)
(per audited financial statements)



As shown in the chart below, net assets increased by 16.0 per cent in 2013 compared to an increase in the estimated pension obligation of 3.7 per cent.

Per Cent Change in Net Assets and Pension Obligation
(per audited financial statements)



Investment Performance

At December 31, 2013, the fair value of the Plan's net assets totalled \$3.464 billion, up 16.0 per cent or \$477 million from \$2.987 billion at the beginning of the year. The growth in net assets is comprised of a return on investments of 14.9 per cent, or \$459 million after investment expenses and 1.1 per cent or \$18 million from contributions in excess of pension benefits. Investment expenses totalled \$19.8 million in 2013, up 41.4 per cent or \$5.8 million from \$14.0 million in 2012.

2013 Year in Review MEPP's Investment Returns

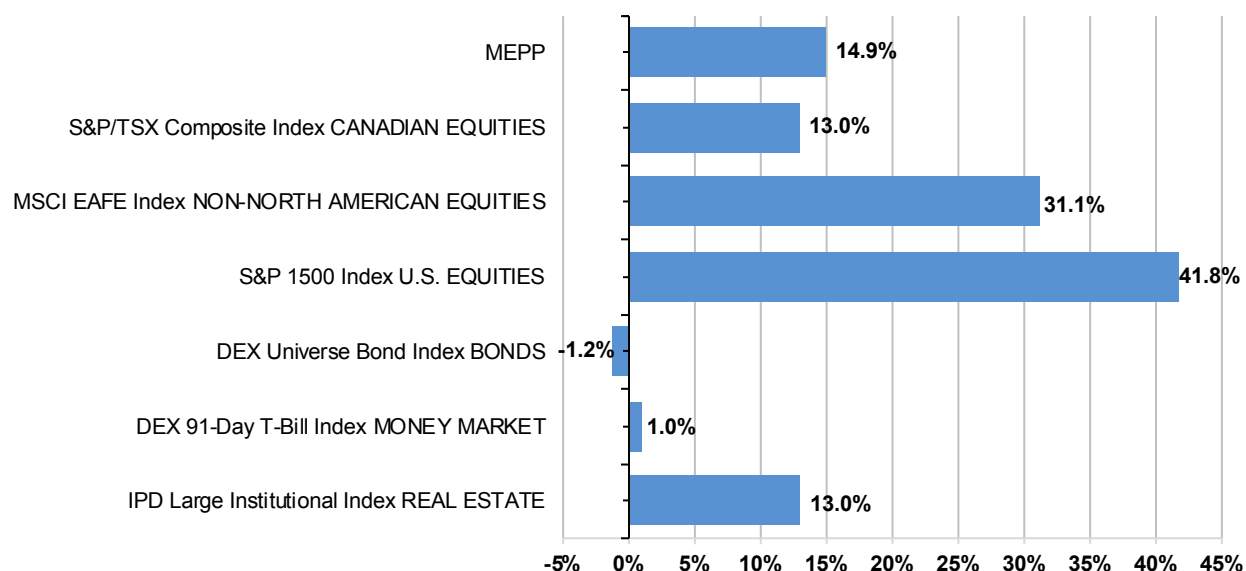
1st Quarter	4.8%
2nd Quarter	-0.5%
3rd Quarter	3.3%
4th Quarter	6.7%

Annual 2013 14.9%

The year started out strong with MEPP earning 4.8 per cent on its investments in the first quarter. The second quarter saw markets contract and MEPP's investments lost 0.5 per cent. In the third quarter, markets improved with MEPP earning 3.3 per cent on its investments. MEPP's investments earned 6.7 per cent in the fourth quarter. Overall MEPP finished out the 2013 year earning 14.9 per cent on its investments, net of investment expenses.

The following chart summarizes the market returns from various indices around the world and the overall return of MEPP for 2013.

Returns for MEPP and Major Markets (in Canadian dollars)



In 2013, the Canadian stock market represented by the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index increased by 13.0 per cent compared to a gain of 7.2 per cent in 2012.

Equity markets outside of North America, represented by the Morgan Stanley Capital International Index for Europe, Australasia and the Far East (MSCI EAFE) Index, gained 31.1 per cent in Canadian dollars in 2013 compared to 14.8 per cent in 2012.

The S&P 1500 Index, which tracks the performance of the top 1500 American companies, increased by 41.8 per cent in Canadian dollars (32.8 per cent in U.S. dollars) in 2013, down from last year's gain of 13.6 per cent in Canadian dollars (16.2 per cent in U.S. dollars).

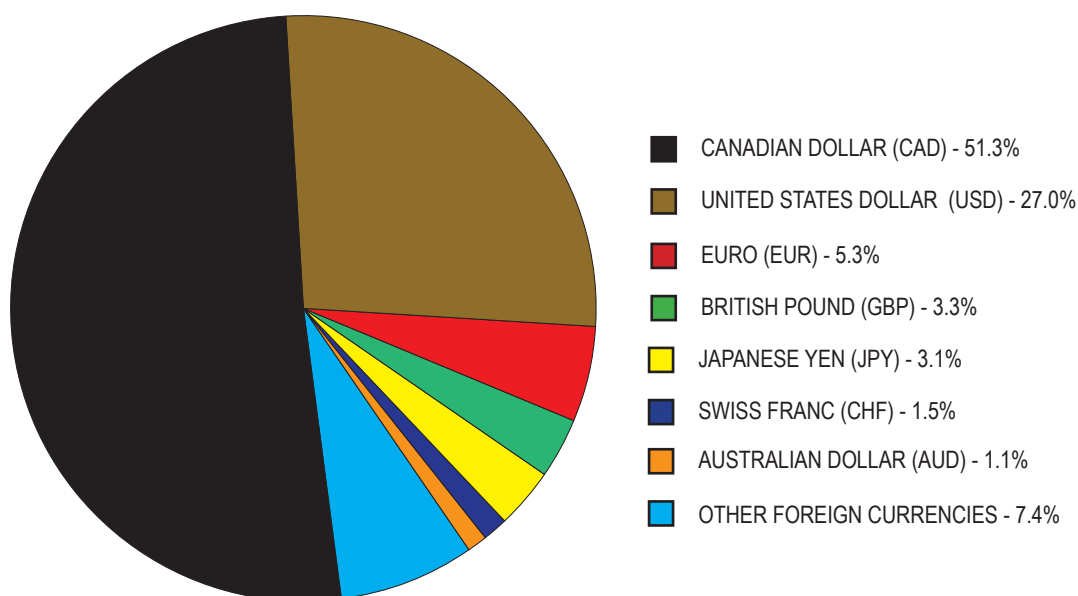
The bond market represented by the DEX Universe Bond Index posted a loss of 1.2 per cent in 2013 down from a positive return of 3.6 per cent in 2012.

The Canadian real estate market, represented by the IPD Large Institutional Index, gained 13.0 per cent this year, compared to last year's gain of 13.8 per cent.

Investments by Currency

At December 31, 2013, 51 per cent of the Plan's investments were denominated in Canadian currency (2012: 55 per cent), followed by 27 per cent in U.S. currency (2012: 24 per cent) and 22 per cent in currencies outside North America (2012: 21 per cent). The value of the Plan's foreign investment portfolio is exposed to foreign currency risk (i.e. loss) when the value of the Canadian currency strengthens against other currencies. By year-end, the Canadian dollar was weaker against the U.S. dollar, meaning U.S. dollar investments were worth more when translated into Canadian dollars. At December 31, 2013, one U.S. dollar investment was worth \$1.06 Canadian compared to \$1.00 Canadian at the beginning of the year. One Euro was worth \$1.47 Canadian compared to \$1.31 Canadian at the beginning of the year.

MEPP Investments by Currency



Investment Management Services

Alberta Investment Management Corporation, AIMCo, is a provincial corporation in the Alberta Ministry of Treasury Board and Finance. AIMCo was created on January 1, 2008. AIMCo invests MEPP's assets subject to legislation and the investment policies established and approved by the Board. The Plan invests in units issued by pooled investment funds. Pooled investment funds are created and managed by AIMCo. There are thousands of securities held in many pooled investment funds. These securities are bought, sold and managed by AIMCo on a daily basis. For various reasons, such as to achieve greater diversification, access external expertise and specialized knowledge and reduce operational complexity, some investments are managed by third party investment managers selected and monitored by AIMCo.

The Board monitors AIMCo's investment performance and associated charges. An independent investment consultant, API, Asset Performance Inc., assists the Board in its review of the investment performance of the Plan. The Board has designed the Plan's investment policies with a focus on assessing the risk tolerance of the Plan members and ways to manage the inherent volatility of the long-term asset mix.

Investment Expenses

The overall investment expense charged by AIMCo increased by 41.2 per cent in 2013 compared to an increase of 72.2 per cent last year while average investments under management increased by 14.7 per cent compared to 8.1 per cent last year. In 2013, investment expenses include external performance fees of \$4.6 million. In 2012 and prior years, external performance fees were netted against investment income. External performance fees for 2012 totalled \$3.2 million.

(\$ millions)	2013	2012
Investment expense charged by AIMCo	\$ 19.8	\$ 14.0
Per cent increase in investment expense	41.2%	72.2%
Per cent increase in average investments under management	14.7%	8.1%
Increase in value of investments attributed to AIMCo	-0.2%	2.5%
Investment expense as per cent of each dollar earned	4.1%	4.1%
Investment expense as per cent of each dollar invested	0.61%	0.50%

MEPP Investment Policy (MEPP IP)

The MEPP IP sets out the governing investment principles and procedures, considering the Plan's provisions, characteristics, and financial obligations. It also defines the management structure and monitoring procedures. The Board reviews the MEPP IP annually and recommends changes if necessary. The MEPP IP can be viewed on the MEPP website at www.mepp.ca.

Asset Mix

A new asset mix established in the MEPP IP effective September 2013 was placed on hold following the Minister's announcement that the MEPP was potentially closing to new entrants after 2015. In the interim, the Board and AIMCo reverted to the asset mix established for 2012. If the Plan closes to new entrants, the Plan's investment needs will change; therefore, the asset mix will change. In 2014, the Board will complete another actuarial valuation and asset/liability study using cash flow without new plan entrants. When this is complete, there will be a reassessment of the September 2013 MEPP IP Asset Mix.

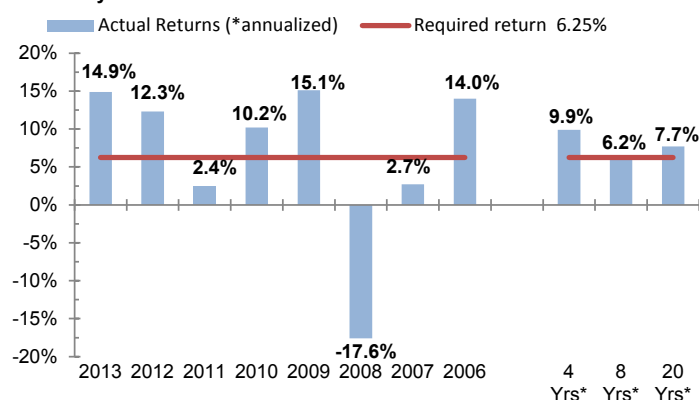
The table below shows MEPP's policy asset mix including the actual asset mix at December 31, 2013 and 2012.

	POLICY ASSET MIX		ACTUAL ASSET MIX	
	Target	Range	Actual 2013	Actual 2012
Money market and fixed income	14	10-40	13.4	13.5
Money market			0.6	0.8
Universe bonds			9.3	10.0
Long bonds			0.0	0.0
Private mortgages			3.5	2.7
Equities	59	40-70	64.1	62.2
Canadian equities			14.0	13.9
Global developed			39.9	38.1
Emerging markets			4.5	5.7
Private equity			5.7	4.5
Inflation sensitive	27	15-40	22.5	24.3
Real estate			6.7	7.1
Infrastructure			4.3	4.3
Timberlands			0.0	0.0
Real return bonds			10.4	11.6
Private debt			1.1	1.3
Total			100.0	100.0

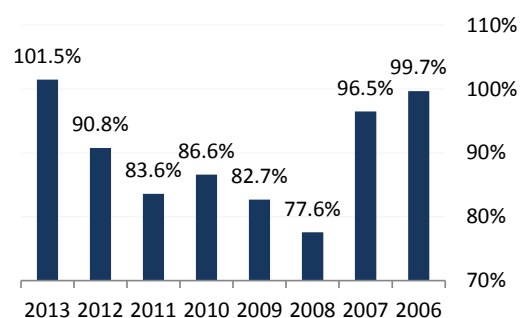
Long-Term Investment Objective for Funding Purposes

The chart below compares MEPP's overall actual returns for calendar years 2006 to 2013 and the four, eight and twenty year annualized time periods against the required long-term investment return for funding purposes of 6.25 per cent. Over the past twenty years, the actual investment return was 7.7 per cent per annum. According to the audited financial statements at December 31, 2013, the per cent of total pension obligation supported by net assets improved to 101.5 per cent as shown in the table on the right.

Summary of MEPP Investment Returns



Per cent of Pension Obligation Supported by Net Assets



Value Added Return from Active Management

In order to measure the investment performance from AIMCo's active management decisions, such as security selection, the investment return for each asset class and the overall performance of the Plan's assets are measured against clearly defined benchmarks that have been established in the MEPP IP. The policy benchmark return is determined by multiplying the benchmark return for each asset class by its percentage of the total investment portfolio.

Over the past four years, the value added return from AIMCo is 0.7 per cent per annum including a valued added return of -0.2 per cent in 2013. On an eight-year basis, the value added return from the investment manager is 0.0 per cent per annum. Over the longer term of twenty years, the value added return is 0.0 per cent.

The table below shows the value added returns by AIMCo in comparison to the various components of the policy benchmark.

Value Added / (Lost) by Manager in Comparison to Benchmarks			
	1 Year %	4 Years %	8 Years %
Overall value added return	(0.2)	0.7	0.0
Fixed income securities			
Bonds and Mortgages	1.8	1.8	(0.2)
Equity			
Canadian Equity	2.4	2.3	1.4
Foreign Equity	0.7	1.0	0.2
Private Equity	(25.9)	(5.0)	(0.7)
Inflation Sensitive			
Real Estate	(0.8)	1.7	0.9
Real Return Bonds	0.6	0.2	0.0
Infrastructure and Private Debt	(3.0)	(2.4)	1.5

The table below shows MEPP's overall actual investment return and returns for each asset class, net of investment expenses, compared to the policy benchmark return in Canadian dollars.

Table of Investment Returns ¹	December 31, 2013						Annualized Return	
	Investment (in millions)	Asset Mix (%)	Annual Return (%) (\$ Canadian)				Annualized Return (%)	
			2013	2012	2011	2010	4yr	8yr
OVERALL ACTUAL RETURN	\$3,461	100.0	14.9	12.3	2.4	10.2	9.9	6.2
Policy Benchmark Return			15.1	9.8	1.5	10.7	9.2	6.2
Consumer Price Index (CPI)			0.9	0.8	2.9	2.0	1.7	1.7
FIXED INCOME SECURITIES								
Short-Term Fixed Income	22	0.6	1.2	1.2	1.2	1.0	1.1	2.7
Bonds and Mortgages (1)	443	12.8	0.6	6.6	9.2	9.5	6.4	4.6
DEX Universe Bond Index			(1.2)	3.6	9.7	6.7	4.6	4.8
EQUITIES								
Canadian Equities	483	14.0	15.4	12.2	(7.9)	18.8	9.1	6.7
S&P/TSX Composite Index			13.0	7.2	(8.7)	17.6	6.8	5.3
Foreign Equities	1,537	44.4	31.8	16.8	(4.4)	6.7	11.9	4.4
MSCI All Country World Index (ACWI)			31.1	13.6	(5.3)	7.0	10.9	4.2
Private equities (1) (2)	197	5.7	5.2	11.0	7.6	9.6	8.3	9.5
MSCI ACWI			31.1	13.6	(5.3)	16.9	13.3	10.2
INFLATION SENSITIVE								
Real estate (1)	232	6.7	12.2	15.3	20.9	12.2	15.1	12.2
IPD Large Institutional Index			13.0	13.8	15.9	11.2	13.4	11.3
Real Return Bonds	360	10.4	(12.5)	3.1	18.1	11.0	4.3	3.7
DEX Real Return Bond Index (RRBI)			(13.1)	2.9	18.3	11.1	4.1	3.7
Infrastructure and Private Debt (1) (2)	187	5.4	4.1	7.9	6.7	7.2	6.5	9.8
50% MSCI ACWI and 50% DEX RRBI			7.1	8.4	6.5	13.6	8.9	8.3

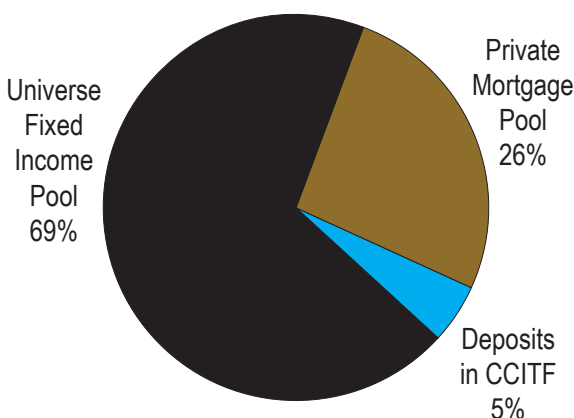
(1) Investment returns are provided by AIMCo. Investment returns for assets classified as Level 3 in the financial statements are based on estimates of fair value. Level 3 includes real estate, private equities, infrastructure, hedge funds and private debt. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Plan's financial statements, will be reflected in the next reporting period.

(2) The overall actual return for 2012 has been increased by 0.3 per cent from 12.0 per cent to 12.3 per cent resulting from an increase in estimated actual returns for private equities (9.2 per cent to 11.0 per cent) and infrastructure and private debt (3.4 per cent to 7.9 per cent).

Money Market and Fixed Income Securities

At December 31, 2013, the Plan's money market and fixed income portfolio totaled \$465 million or 13.4 per cent of total investments compared to \$405 million or 13.5 per cent at December 31, 2012. The Plan's money market and fixed income portfolio includes investments in AIMCo's Universe Fixed Income Pool, Private Mortgage Pool and the Consolidated Cash Investment Trust Fund (CCITF).

Summary of Money Market and Fixed Income Securities
Total \$465 million



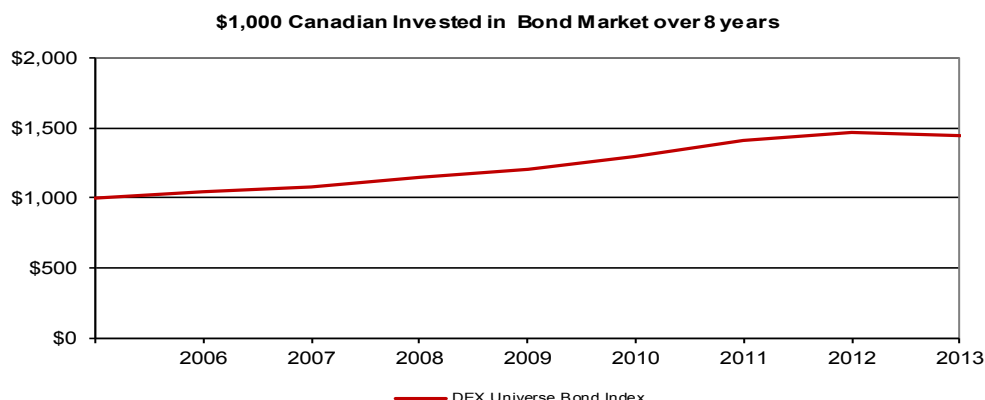
Pooled Fund Securities by Issuer Relative to Benchmark December 31, 2013	Universe	Private	Benchmark
	Fixed Income	Mortgage	DEX Universe
	Pool	Pool	Bond Index
	(%)	(%)	(%)
Federal	13	-	38
Provincial	20	1	29
Municipal	-	-	2
Corporate	55	-	31
Private debt and mortgages	4	99	-
Less than one year	8	-	-
Total percent	100	100	100

The Plan's actual gain in 2013 from bonds and mortgages was 0.6 per cent, 1.8 per cent better than benchmark loss of 1.2 per cent. The Plan's actual gain from cash and short-term investments totaled 0.7 per cent in 2013.

Bonds and Mortgages

	Actual Return	Benchmark Return
1 Year	0.6%	-1.2%
4 Years	6.4%	4.6%
8 Years	4.6%	4.8%

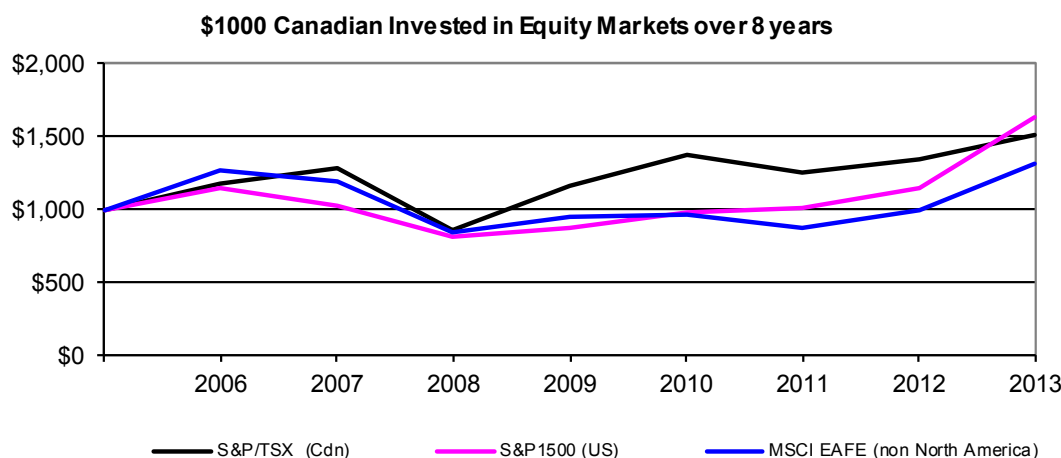
The chart below shows the growth in value over eight years of \$1,000 dollars (Canadian) invested in the bond market, represented by the DEX Universe Bond Index, for the period December 31, 2006 to December 31, 2013. After eight years, \$1,000 would grow to approximately \$1,450.



Equity Investments

Given MEPP's long-term investment horizon, its asset mix policy is structured to capture the historically higher rates of return from equities. At December 31, 2013 equities represent 64.1 per cent (2012: 62.2 per cent) of the Plan's total asset mix and consisted of Canadian public equities 14.0 per cent (2012: 13.9 per cent), foreign public equities 44.4 per cent (2012: 43.8 per cent), and private equities 5.7 per cent (2012: 4.5 per cent).

The chart below shows the growth over eight years in \$1,000 dollars (Canadian) invested in major equity markets in Canada, U.S. and non-North America for the period December 31, 2006 to December 31, 2013. For example, \$1,000 dollars invested on December 31, 2006, in the Canadian stock market represented by the S&P/TSX Composite Index would be worth approximately \$1,516 dollars at December 31, 2013. An investment of \$1,000 Canadian dollars in the U.S. equity market would be worth \$1,633 and an investment in the Europe, Australasia and Far East equity market would be worth \$1,310.



Canadian Equities

At December 31, 2013, Canadian equities represent 14.0 per cent of MEPP's total investments (or \$483 million) up from 13.9 per cent (or \$414 million) at the end of the previous year. MEPP's Canadian equity investment is held primarily in AIMCo's Canadian Equities Master Pool. The Pool includes directly held investments in Canadian public companies and structured equity products which replicate Canadian public equity investments using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX). Directly held interest bearing securities support the notional value of index swaps and futures contracts.

The actual gain from Canadian equity investments over the year was 15.4 per cent, 2.4 per cent better than the benchmark gain of 13.0 per cent based on the S&P/TSX Composite index.

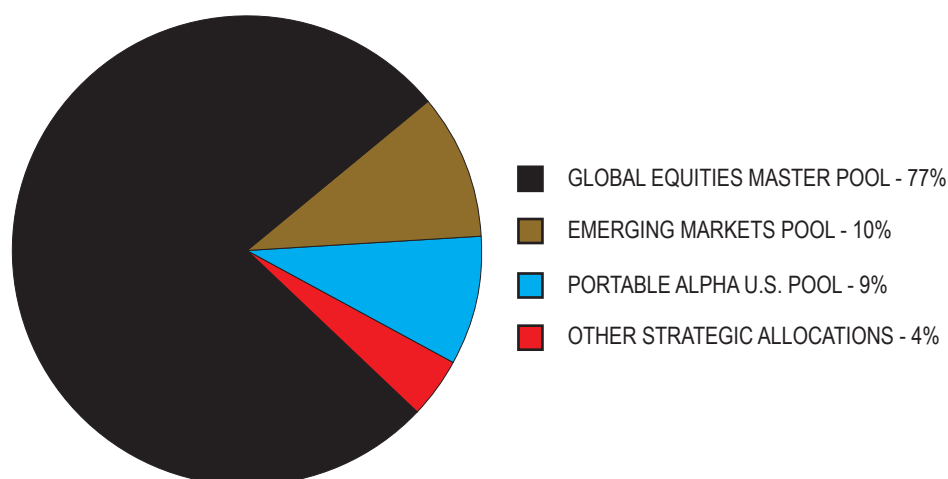
Canadian Public Equities		
	Actual Return	Benchmark Return
1 Year	15.4%	13.0%
4 Years	9.1%	6.8%
8 Years	6.7%	5.3%

Canadian Equities Master Pool		Benchmark	
Industry Exposure Relative to Benchmark		TSX Composite Index	Over (Under) Benchmark
December 31, 2013		%	%
Sector			
Consumer discretionary		5	1
Consumer staples		3	2
Energy		25	-
Financials		35	-
Health Care		3	(1)
Industrials		8	-
Information technology		2	-
Materials		12	(1)
Telecommunications		5	1
Utilities		2	1
		100	

Foreign Public Equities

At December 31, 2013, foreign equities comprised 44.4 per cent of total MEPP investments (or \$1,537 million), up from 43.8 per cent or \$1,309 million at the end of the previous year. MEPP's investment in foreign public equities includes investments in AIMCo's Global Equity Master Pool, the Portable Alpha U.S. Pool, the Emerging Markets Equity Pool and other strategic allocations.

Summary of Foreign Equities by Pool
Total \$1,537 million



In 2013, the actual gain from foreign public equities was 31.8 per cent, 0.7 per cent better than the benchmark gain of 31.1 per cent based on the MSCI All World Country Index.

Foreign Public Equities		
	Actual Return	Benchmark Return
1 Year	31.8%	31.1%
4 Years	11.9%	10.9%
8 Years	4.4%	4.2%

Global Equities

Global equities include the Global Equities Master Pool and the Portable Alpha U.S. Pool. The Global Equity Master Pool includes directly held investments in public companies in the U.S., Europe, Australasia, and the Far East (EAFE) with smaller allocations to emerging markets and Canada. The Pool replicates exposure to foreign equity markets by investing in structured equity products using index swaps and futures contracts. Directly held interest bearing securities support the notional value of index swaps and futures contracts. MEPP's investment in the Portable Alpha U.S. Pool provides value-added returns from hedge fund strategies. In 2013, the global equity portfolio gained 35.8 per cent.

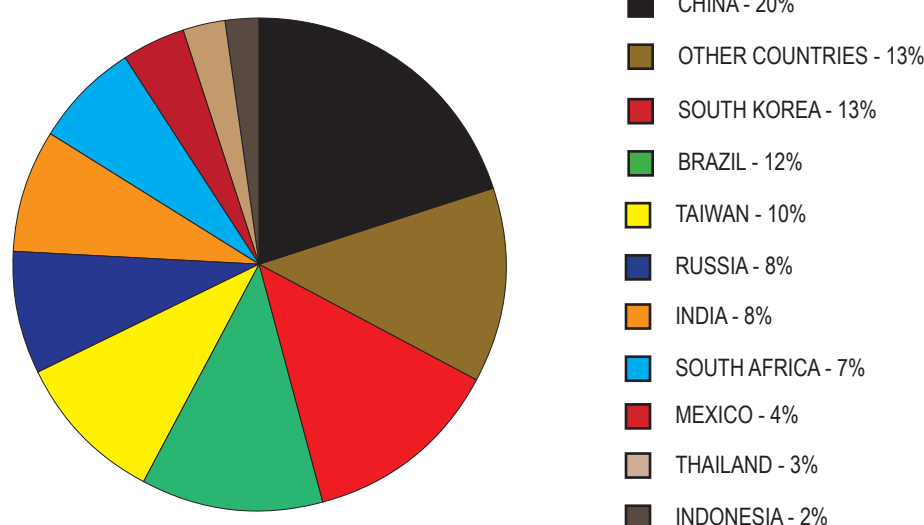
Global Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2013	Benchmark MSCI World Total Return Index	Over (Under) Benchmark
Sector	%	%
Consumer discretionary	12	1
Consumer staples	10	(1)
Energy	9	(1)
Financials	21	1
Health Care	11	1
Industrials	12	-
Information technology	12	1
Materials	6	-
Telecommunications	4	-
Utilities	3	-
	100	

Global Equities Master Pool Regional Exposure Relative to Benchmark December 31, 2013	Benchmark MSCI World Total Return Index	Over (Under) Benchmark
Sector	%	%
United States	55	1
Europe, Australasia & the Far East	41	-
Emerging markets	0	1
Canada	4	(1)
	100	

Emerging Markets

MEPP's investment in AIMCo's Emerging Markets Pool makes up approximately 10 per cent of the Plan's foreign equity investment. The Pool is actively managed and includes securities in economies which are in the early stages of development and whose market has sufficient size and liquidity and is receptive to foreign investment. The Pool includes investments in China, Brazil, South Korea, Taiwan, Russia, India and other countries. In 2013, the emerging markets portfolio gained 5.4 per cent.

Top Ten Countries in Emerging Markets Pool



Private Equities

The Plan's investment in AIMCo's private equity pools comprised 5.7 per cent (or \$197 million) of the total investment portfolio at December 31, 2013 up from 4.5 per cent (or \$133 million) the previous year. AIMCo's private equity pools include primarily merchant banking investments. Merchant banking transactions include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

In 2013, private equities gained 5.2 per cent which was 25.9 per cent lower than the market-based benchmark gain of 31.1 per cent.

Private Equities		
	Actual Return	Benchmark Return
1 Year	5.2%	31.1%
4 Years	8.3%	13.3%
8 Years	9.5%	10.2%

Inflation Sensitive

At December 31, 2013, the Plan's inflation sensitive portfolio comprised 22.5 per cent (or \$779 million) of total investments compared to 24.3 per cent (or \$724 million) at the end of the previous year. The inflation sensitive portfolio consists of real estate, infrastructure, private debt and real returns bonds.

Real Estate

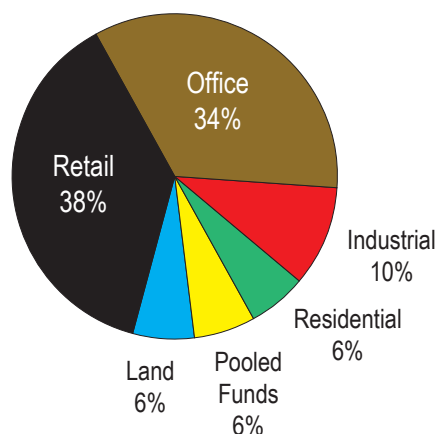
At December 31, 2013, the Plan's investment in AIMCo's private real estate pools comprised 6.7 per cent (or \$232 million) of total investments compared to 7.1 per cent (or \$211 million) the previous year. Investments are primarily in a mix of office, retail, industrial and residential properties in major Canadian urban areas including Toronto, Ottawa, Montreal, Calgary, Edmonton, and Vancouver. The focus is on quality, featuring strong locations and tenants.

The actual gain from real estate in 2013 was 12.2 per cent, 0.8 per cent lower than the benchmark gain of 13.0 per cent from the IPD Large Institutional Index.

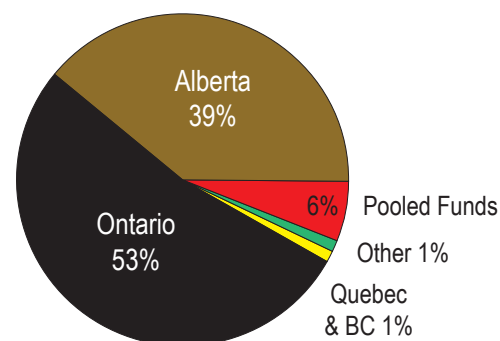
Real Estate	Actual Return	Benchmark Return
1 Year	12.2%	13.0%
4 Years	15.1%	13.4%
8 Years	12.2%	11.3%

Top Five Real Estate Holdings as at December 31, 2013		
Property	Location	Sector
Yorkdale Shopping Centre	Toronto, Ontario	Retail
Square One Shopping Centre	Mississauga, Ontario	Retail
Scarborough Town Centre	Toronto, Ontario	Retail
Eighth Avenue Place	Calgary, Alberta	Office
Bow Valley Square	Calgary, Alberta	Office

Private Real Estate Pool by Type



Private Real Estate Pool by Province



Infrastructure and Private Debt

The Plan's investment in infrastructure and private debt comprises 5.4 per cent (or \$187 million) of the total investment portfolio at December 31, 2013 compared to 5.6 per cent (or \$166 million) the previous year. AIMCo's infrastructure pools include projects that provide attractive returns plus inflation sensitivity with a long investment horizon. Infrastructure projects include transportation/logistics (e.g. toll roads, airports, ports and rail), power energy (e.g. contracted power generation and power transmission pipelines) and utilities (e.g. water, waste water and natural gas networks). AIMCo's Private Debt Pool primarily includes Canadian and foreign unrated debt.

In 2013, private income gained 4.1 per cent, 3.0 per cent less than the benchmark gain of 7.1 per cent.

Infrastructure and Private Debt		
	Actual Return	Benchmark Return
1 Year	4.1%	7.1%
4 Years	6.5%	8.9%
8 Years	9.8%	8.3%

Real Return Bonds

The Plan's investment in AIMCo's Real Return Bond Pool comprised 10.4 per cent (or \$360 million) of the total investment portfolio at December 31, 2013 compared to 11.6 per cent (or \$347 million) the previous year. The Real Return Bond Pool includes bonds which pay a rate of return adjusted for inflation. The Pool is comprised of Government of Canada bonds (87 per cent), provincial bonds (11 per cent) and corporate bonds (2 per cent).

In 2013, real return bonds lost 12.5 per cent, which was 0.6 per cent better than the benchmark loss of 13.1 per cent.

Real Return Bonds		
	Actual Return	Benchmark Return
1 Year	-12.5%	-13.1%
4 Years	4.3%	4.1%
8 Years	3.7%	3.7%

Proxy Voting

The Board considers proxy voting to be a key element of responsible investing and believes that thoughtful voting is a contributor to optimizing the long term value of investments. We entrust the proxy voting function to AIMCo. Day-to-day research and mechanical functions have been outsourced to an independent advisor who specializes in providing proxy-related services to institutional investors. While AIMCo may review and utilize the recommendations of the research provider in making proxy voting decisions, they are in no way obligated to follow such recommendations.

Risk Management System

The Board accepts that in order to meet the return objectives of the Plan, it must take on risk in the assets in which it invests. The Board invests in a diverse set of asset types to help improve the likelihood of achieving its desired results for a given level of risk.

Investment risk management is a central thesis for our investment manager, AIMCo. AIMCo seeks to measure and monitor both historic and possible future risks, allocating risk as a scarce resource to the most promising investment opportunities. AIMCo maintains a quantitative investment risk system designed to operate across all asset classes and a variety of risk types such as market risk, currency risk, and concentration risk.

The Board has established a series of limits on the risks to the Plan's funded status within its investment policy, which will be measured, monitored, and managed on this basis. As the ultimate risk to a pension plan is not being able to meet pension obligations, the Board monitors the risk of the Plan's liabilities in relation to the investment assets. AIMCo will model the risk of both assets and theoretical liabilities and report to the Board on a quarterly basis.



Appendix: Financial Statements

The MEPP Financial Statements are prepared by the
Ministry of Treasury Board and Finance

MANAGEMENT EMPLOYEES PENSION PLAN

Financial Statements

Year Ended December 31, 2013

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Independent Auditor's Report

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

I have audited the accompanying financial statements of the Management Employees Pension Plan, which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets available for benefits and changes in pension obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Management Employees Pension Plan as at December 31, 2013, and changes in its net assets available for benefits and changes in its pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

[Original signed by Merwan N. Saher, FCA]

Auditor General

April 16, 2014

Edmonton, Alberta

Statement of Financial Position

As at December 31, 2013

	(\$ thousands)	
	2013	2012
Net assets available for benefits		
Assets		
Investments (Note 3)	\$ 3,460,621	\$ 2,984,755
Contributions receivable		
Employers	560	525
Employees	327	305
Accounts receivable and accrued investment income	2,482	1,350
Total Assets	3,463,990	2,986,935
Liabilities		
Accounts payable	365	585
Total Liabilities	365	585
Net assets available for benefits	\$ 3,463,625	\$ 2,986,350
Pension obligation and surplus or deficit		
Pension obligation (Note 5)	\$ 3,413,168	\$ 3,289,773
Surplus (Deficit) (Note 6)	50,457	(303,423)
Pension obligation and surplus or deficit	\$ 3,463,625	\$ 2,986,350

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2013

	(\$ thousands)	
	2013	2012
Increase in Assets		
Contributions (Note 7)	\$ 174,493	\$ 168,082
Investment income (Note 8)	478,612	340,083
Transfers from other plans, net	16,853	12,319
	669,958	520,484
Decrease in Assets		
Benefit payments (Note 10)	170,465	153,778
Investment expenses (Note 11)	19,820	14,032
Administrative expenses (Note 12)	2,398	2,180
	192,683	169,990
Increase in net assets	477,275	350,494
Net assets available for benefits at beginning of year	2,986,350	2,635,856
Net assets available for benefits at end of year	<u>\$ 3,463,625</u>	<u>\$ 2,986,350</u>

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2013

	(\$ thousands)	
	2013	2012
Increase in pension obligation		
Interest accrued on opening pension obligation	\$ 205,529	\$ 195,418
Benefits earned	116,637	119,266
	322,166	314,684
Decrease in pension obligation		
Benefits, transfers and interest	153,612	141,459
Net decrease (increase) due to actuarial assumption changes (Note 5a)	34,802	(4,420)
Net experience gains (Note 5b)	10,357	41,454
	198,771	178,493
Net increase in pension obligation	123,395	136,191
Pension obligation at beginning of year	3,289,773	3,153,582
Pension obligation at end of year (Note 5)	<u>\$ 3,413,168</u>	<u>\$ 3,289,773</u>

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2013

(All dollar amounts in thousands, except per member data)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Revised Statutes of Alberta 2000, Chapter P-41 and the *Management Employees Pension Plan* Alberta Regulation 367/93, as amended. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the legislation, the legislation shall apply.

a) GENERAL

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887. The President of Treasury Board and Minister of Finance is the legal trustee for the Plan and Alberta Treasury Board and Finance is management of the Plan. The Plan receives advice from the Management Employees Pension Board (the Board).

b) PLAN FUNDING

Current service costs and the Plan's actuarial deficiency (see Note 14) are funded by employees and employers at contribution rates, which together with investment earnings, are expected to provide for all benefits payable under the Plan. The contribution rates in effect at December 31, 2013 are unchanged at 11.16% (2012: 11.16%) of pensionable salary up to the maximum pensionable salary limit under the *Income Tax Act* for employees and 19.14% (2012: 19.14%) for employers.

The contribution rates were reviewed in 2013 and are reviewed at least once every three years by the President of Treasury Board and Minister of Finance, in consultation with the Board, based on recommendations of the Plan's actuary. As a result of this review, the contribution rates have been set at January 1, 2014 as follows: 12.80% of pensionable salary up to the maximum pensionable salary limit under the *Income Tax Act* for employees and 21.85% for employers.

c) RETIREMENT BENEFITS

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at the maximum pensionable salary limit under the *Income Tax Act*. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60, or age 55 and the sum of their

age and years of service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

d) DISABILITY BENEFITS

Pensions may be payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions may be payable to members who become partially disabled and retire early with at least five years of service.

Individuals who became members after June 30, 2007 and had no combined pensionable service prior to July 1, 2007 are not entitled to disability benefits.

e) DEATH BENEFITS

Death benefits are payable on the death of a member. If the member has at least five years of service and a surviving pension partner, the surviving pension partner may choose to receive a survivor pension, or a lump sum payment. For a beneficiary other than a pension partner, or where service is less than five years, the benefits take the form of a lump sum payment.

f) TERMINATION BENEFITS AND REFUNDS TO MEMBERS

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest. The refunds are accounted for as refunds to members on the statement of changes in net assets available for benefits.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a lump sum payment or a deferred pension. The lump sum payment is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. The commuted value portion of the lump sum payment is subject to the Plan's lock-in provisions.

g) OPTIONAL SERVICE AND TRANSFERS

All optional service purchases are to be cost-neutral to the Plan.

The actuarial present value of pension entitlements is paid when service is transferred out of the Plan under a transfer agreement. The cost to recognize service transferred into the Plan under a transfer agreement is the actuarial present value of the benefits that will be created as a result of the transfer.

h) COST-OF-LIVING ADJUSTMENTS

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...**CONTINUED**

the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established under Part 5 of the *Financial Administration Act* of Alberta. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Province of Alberta and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. Alberta Investment Management Corporation (AIMCo) controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Alberta Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

c) INVESTMENT INCOME

Investment income includes the following:

- i) Income distributions from the pools are recorded in the Plan's accounts and included in investment income on the statement of changes in net assets (see Note 8). Income distributions are based on the Plan's pro-rata share of total units issued by the pools.
- ii) Realized gains and losses on disposal of units and unrealized gains and losses on units are recorded in the Plan's accounts and included in investment income on the

statement of changes in net assets. Realized gains and losses on disposal of units are determined on an average cost basis.

iii) Investment income is recorded on an accrual basis.

d) INVESTMENT EXPENSES

Investment expenses include all amounts, including transaction costs, charged to the Plan by AIMCo (see Note 11). Investment expenses are recorded on an accrual basis.

e) VALUATION OF PENSION OBLIGATION

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

f) MEASUREMENT UNCERTAINTY

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan's pension obligation, private investments, hedge funds and real estate investments. Uncertainty arises because:

- i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and
- ii) the estimated fair values of the Plan's private investments, hedge funds and real estate investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the valuation of the Plan's pension obligation, private investments, hedge funds and real estate investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the Plan's pension obligation are disclosed as assumptions or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized for investments are included in net investment income in the year when the ultimate realizable values are known.

g) INCOME TAXES

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the MEPP Investment Policy (IP) approved by the Plan's board. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

Asset class	(\$ thousands)				
	Fair Value Hierarchy ^(a)			2013	2012
	Level 1	Level 2	Level 3	Fair Value	Fair Value
Money market and fixed income					
Deposits and short-term securities	\$ -	\$ 21,855	\$ -	\$ 21,855	\$ 24,410
Bonds and mortgages	-	323,006	120,144	443,150	380,449
	-	344,861	120,144	465,005	404,859
Equities					
Canadian	302,334	180,792	-	483,126	413,627
Foreign	997,269	344,916	194,662	1,536,847	1,308,803
Private	-	-	196,929	196,929	133,082
	1,299,603	525,708	391,591	2,216,902	1,855,512
Inflation sensitive					
Real estate	-	-	231,810	231,810	211,335
Infrastructure	-	-	148,732	148,732	166,521
Private debt	-	-	38,597	38,597	-
Real return bonds	-	359,575	-	359,575	346,528
	-	359,575	419,139	778,714	724,384
Total investments	\$ 1,299,603	\$ 1,230,144	\$ 930,874	\$ 3,460,621	\$ 2,984,755

a) Fair Value Hierarchy: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- **Level 1** - fair value is based on quoted prices in an active market. This level includes publicly traded listed equity investments totalling \$1,299,603 (2012: \$1,169,256).
- **Level 2** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes debt securities and derivative contracts not traded on a public exchange totalling \$1,230,144 (2012: \$1,112,645). For these investments, fair value is either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.
- **Level 3** - fair value is estimated using inputs based on non-observable market data. This level includes private mortgages, hedge funds, private equities and inflation sensitive investments \$930,874 (2012: \$702,854).

* Reconciliation of Level 3 Fair Value Measurement

	(\$ thousands)	
	2013	2012
Balance, beginning of year	\$ 702,854	\$ 638,561
Investment income	96,260	80,091
Purchases of Level 3 pooled fund units	229,750	96,091
Sale of Level 3 pooled fund units	(97,990)	(111,889)
Balance, end of year	\$ 930,874	\$ 702,854

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- **Money market and fixed income:** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- **Equities:** Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- **Inflation sensitive:** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. Private debt and loans is valued similar to private mortgages. Infrastructure investments are valued similar to private equity investments. Real return bonds are valued similar to public interest bearing securities.
- **Foreign currency:** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- **Derivative contracts:** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows

NOTE 3 INVESTMENTS**CONTINUED**

using current market yields and calculated default probabilities. Forward foreign exchange contracts and futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pooled investment funds created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the IP approved by the Board. The purpose of the IP is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Board manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established the following asset mix policy ranges:

Asset Class	Target Asset Policy Mix	Actual Asset Mix			
		December 31, 2013		December 31, 2012	
		(\$ thousands)	%	(\$ thousands)	%
Money market and fixed income	10 - 40%	\$ 465,005	13.4	\$ 404,859	13.5
Equities	40 - 70%	2,216,902	64.1	1,855,512	62.2
Inflation sensitive	15 - 40%	778,714	22.5	724,384	24.3
		\$ 3,460,621	100.0	\$ 2,984,755	100.0

a) Credit Risk**i) Debt securities**

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual

obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities are with counterparties with credit ratings considered to be investment grade.

The following table summarizes the Plan's investment in debt securities by counterparty credit rating at December 31, 2013:

Credit rating	2013	2012
Investment Grade (AAA to BBB-)	87%	89%
Speculative Grade (BB+ or lower)	0%	1%
Unrated	13%	10%
	100%	100%

ii) Counterparty default risk - derivative contracts

The Plan's maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). The Plan can only transact with counterparties to derivative contracts with a credit rating of A+ or higher by at least two recognized ratings agencies. Provisions are in place to either transfer or terminate existing contracts when the counterparty has their credit rating downgraded. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2013, the Fund's share of securities loaned under this program is \$148 million and collateral held totals \$154 million. Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 49% of the Plan's investments, or \$1,687 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (27%) and the Euro (5%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.9% (2012: 4.5%).

NOTE 4 INVESTMENT RISK MANAGEMENT**CONTINUED**

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2013:

<u>Currency</u>	(\$ millions)			
	2013		2012	
	Fair Value	Sensitivity	Fair Value	Sensitivity
U.S. dollar	\$ 935	\$ (94)	\$ 711	\$ (71)
Euro	185	(18)	162	(16)
British pound	114	(11)	105	(11)
Japanese yen	107	(11)	81	(8)
Swiss franc	51	(5)	33	(3)
Australian dollar	38	(4)	45	(5)
Other foreign currencies	257	(26)	215	(21)
Total foreign currency investments	\$ 1,687	\$ (169)	\$ 1,352	\$ (135)

c) Interest Rate Risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.1% (2012: 2.2%).

d) Price Risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 6.2% (2012: 6.4%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) Liquidity Risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 4f).

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

By counterparty	Number of counterparties	Plan's Indirect Share (\$ thousands)	
		2013	2012
Contracts in favourable position (current credit exposure)	24	\$ 48,198	\$ 36,462
Contracts in unfavourable position	21	(25,942)	(16,641)
Net fair value of derivative contracts	45	\$ 22,256	\$ 19,821

- (i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling \$48,198 (2012: \$36,462) were to default at once.
- (ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.
- (iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Types of derivatives used in pools	Plan's Indirect Share (\$ thousands)	
	2013	2012
Structured equity replication derivatives	\$ 27,150	\$ 21,481
Foreign currency derivatives	(4,994)	(1,701)
Interest rate derivatives	394	688
Credit risk derivatives	(294)	(647)
Net fair value of derivative contracts	\$ 22,256	\$ 19,821

- (i) Structured equity replication derivatives: Equity index swaps are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity index swap. Rights, warrants, futures and options are also included as structured equity replication derivatives.
- (ii) Foreign currency derivatives: Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.
- (iii) Interest rate derivatives: Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.
- (iv) Credit risk derivatives: Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.
- (v) Deposits: At December 31, 2013 deposits in futures contracts margin accounts totalled \$23,058 (2012: \$7,895) and deposits as collateral for derivative contracts totalled \$6,773 (2012: \$nil).

NOTE 5 PENSION OBLIGATION**a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS**

An actuarial valuation of the Plan was carried out as at December 31, 2012 by Aon Hewitt and was then extrapolated to December 31, 2013.

The actuarial assumptions used in determining the value of the pension obligation of \$3,413,168 (2012: \$3,289,773) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate and salary escalation rate. The discount rate is based on the average from a consistent modeled investment return, net of investment expenses, and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2013	2012
	%	
Discount rate	6.90	6.30
Inflation rate	2.25	2.25
Salary escalation rate*	3.50	3.50

Mortality rate**

* In addition to age specific merit and promotion increase assumptions.

** Mortality rate used for 2013 is the 2014 Canadian Pension Mortality Table (Public Sector) and for 2012 was the Uninsured Pensioner 1994 table projected generationally.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2015. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2016.

b) NET EXPERIENCE GAINS

Net experience gains of \$10,357 (2012: \$41,454) reflect the results of the valuation as at December 31, 2012 extrapolated to December 31, 2013.

c) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan's future experience will differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2013:

	(\$ thousands)		
	Changes in Assumptions	Increase in Plan Deficiency	Increase in Current Service Cost as a % of Pensionable Earnings *
	%	\$	
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	242,900	1.4
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	27,500	0.4
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1.0)	458,400	5.2

* The current service cost of accruing benefits (including 0.4% allowance for administration expenses) as a percentage of pensionable earnings as at December 31, 2012 valuation was 19.9%.

NOTE 6 SURPLUS (DEFICIT)

	(\$ thousands)	
	2013	2012
Deficit at beginning of year	\$ (303,423)	\$ (517,726)
Increase in net assets available for benefits	477,275	350,494
Net increase in pension obligation	(123,395)	(136,191)
Surplus (Deficit) at end of year	\$ 50,457	\$ (303,423)

NOTE 7 CONTRIBUTIONS

	(\$ thousands)	
	2013	2012
Current service		
Employers	\$ 107,843	\$ 104,139
Employees	62,887	60,726
Past service		
Employers	1,258	546
Employees	2,505	2,671
	\$ 174,493	\$ 168,082

NOTE 8 INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

	(\$ thousands)	
	2013	2012
Money market and fixed income	\$ 3,320	\$ 24,361
Equities		
Canadian	65,065	44,848
Foreign	398,123	202,520
Private	14,277	17,992
	477,465	265,360
Inflation sensitive		
Real estate	26,904	29,051
Infrastructure	12,360	10,402
Private debt	3,973	-
Real return bonds	(45,410)	10,909
	(2,173)	50,362
	\$ 478,612	\$ 340,083

Investment income includes realized gains and losses from disposal of pool units, unrealized gains and losses on units and income distributions from the pools.

Income distributions from the pools is based on income earned by the pools determined on an accrual basis which includes interest, dividends, security lending income, realized gains and losses on sale of securities held by the pools, realized foreign exchange gains and losses, writedowns of securities held in the pools and income and expense earned on derivative contracts. Realized gains and losses are determined on an average cost basis. Impairment charges related to the writedown of securities held in the pools are indicative of a loss in value that is other than temporary.

NOTE 9 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	2013	2012	2011	2010	2009
	<i>in per cent</i>				
Increase in net assets attributed to:					
Investment income					
Policy benchmark return on investments	15.1	9.8	1.5	10.7	15.1
Value added return (loss) by investment manager	(0.2)	2.5	0.9	(0.5)	-
Total return on investments ^(a)	14.9	12.3	2.4	10.2	15.1
Other sources ^(b)	1.1	1.0	0.4	0.9	2.0
Per cent change in net assets ^(c)	16.0	13.3	2.8	11.1	17.1
Per cent change in pension obligation ^(c)	3.7	4.3	6.5	6.1	9.9
Per cent of pension obligation supported by net assets	101	91	84	87	83

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 10.9% (PBR: 10.3%), ten years is 7.3% (PBR: 7.2%) and twenty years is 7.7% (PBR: 7.5%). The total return reported for 2012 was revised by

AIMCo to conform to valuation changes made by AIMCo subsequent to the completion of the 2012 financial statements. The total return in 2012 increased by 0.3% from 12.0% to 12.3% attributed to an increase in the value added return by the investment manager.

- (b) Other sources includes employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.
- (c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

NOTE 10 BENEFIT PAYMENTS

	(\$ thousands)	
	2013	2012
Retirement benefits	\$ 151,775	\$ 139,803
Disability benefits	339	342
Termination benefits	15,062	8,929
Death benefits	3,289	4,704
	<u>\$ 170,465</u>	<u>\$ 153,778</u>

NOTE 11 INVESTMENT EXPENSES

	(\$ thousands)	
	2013	2012
Amount charged by:		
AIMCo ^(a)	\$ 19,768	\$ 13,980
Alberta Treasury Board and Finance ^(b)	52	52
Total investment expenses	\$ 19,820	\$ 14,032
Increase in expenses	41.2%	72.2%
Increase in average investments under management	14.7%	8.1%
Investment expenses as a percent of :		
Dollar earned	4.1%	4.1%
Dollar invested	0.61%	0.50%
Investment expenses per member	\$ 1,908	\$ 1,396

(a) For investment management services. Please refer to AIMCo's financial statements for a detailed breakdown of expenses. In 2013, investment expenses include external performance fees of \$4,553. In 2012 and prior years, external performance fees were netted against investment income. External performance fees for 2012 totalled \$3,218.

(b) For investment accounting and Plan reporting services.

NOTE 12 ADMINISTRATIVE EXPENSES

	(\$ thousands)	
	2013	2012
General administration costs	\$ 1,874	\$ 1,701
Board costs	98	95
Actuarial fees	164	105
Audit fees	-	50
Other professional fees	262	229
	<u>2,398</u>	<u>2,180</u>
Member service expenses per member	\$ 231	\$ 217

General Administration and the Board costs were paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

The Plan's share of APS's operating and plan specific costs was based on cost allocation policies approved by the President of Treasury Board and Minister of Finance.

NOTE 13 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 11 and member service expenses per Note 12 are \$22,218 (2012: \$16,212) or \$2,139 (2012: \$1,613) per member and 0.64% (2012: 0.54%) of net assets under administration.

NOTE 14 CAPITAL

The Plan defines its capital as the funded status. In accordance with the *Public Sector Pension Plans Act*, the actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, the use of derivatives and leverage are based on an asset mix and risk policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's IP approved by the Board.

The Plan's asset values are determined on the fair value basis for accounting purposes. However, for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation purposes amounted to \$3,180,568 at December 31, 2013 (2012: \$2,850,591).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiency determined by the December 31, 2012 actuarial funding valuation is being funded by special payments currently totalling 12.3% of pensionable earnings shared between employees and employers until December 31, 2014. Thereafter, the special payments will decrease successively to 10.2% until December 31, 2016; to 5.4% until December 31, 2017; to 5.0% until December 31, 2024 and to 2.9% until December 31, 2027.

The special payments have been included in the rates in effect at December 31, 2013 (see Note 1b).

NOTE 15 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2013 presentation.

NOTE 16 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Treasury Board and Finance based on information provided by APS, AIMCo and the Plan's actuary, and after consultation with the Board.

	2013	2012	2011	2010	2009	2008	2007^	2006	2005	2004
Change in net assets										
Income										
Investment income (loss)	\$478,612	\$340,083	\$ 65,849	\$ 244,018	\$ 307,231	\$ (411,196)	\$ 65,059	\$ 279,150	\$ 227,795	\$ 163,484
Contributions	174,493	168,082	155,835	144,953	144,721	131,406	114,463	104,003	86,003	66,663
Total Income	653,105	508,165	221,684	388,971	451,952	(279,790)	179,522	383,153	313,798	230,147
Expenditures										
Benefits paid	155,403	144,849	131,841	122,572	114,834	103,672	93,819	84,937	76,873	68,145
Refunds to members	15,062	8,929	10,311	5,780	6,552	8,405	5,987	4,653	1,900	2,117
Transfers to (from) other plans	(16,853)	(12,319)	(1,873)	(4,853)	(14,616)	(8,752)	(985)	(322)	(953)	186
Additional Government contribution	-	-	-	-	-	-	(40,000)	-	-	-
Investment expenses^	19,820	14,032	8,150	7,224	6,805	5,945	5,081	3,958	3,368	3,208
Member Service expenses	2,398	2,180	1,592	1,770	1,527	1,375	1,212	1,207	1,416	1,427
Total expenditures	175,830	157,671	150,021	132,493	115,102	110,645	65,114	94,433	82,604	75,083
Increase (decrease) in net assets	477,275	350,494	71,663	256,478	336,850	(390,435)	114,408	288,720	231,194	155,064
Net Assets										
Investments										
Short-term	21,855	24,410	20,358	21,085	30,625	8,706	10,780	11,844	11,941	29,865
Fixed income securities	802,725	726,977	712,947	841,567	795,087	665,179	855,975	788,921	741,675	640,618
Equities										
Canadian	483,126	413,627	355,922	367,442	504,419	410,891	551,487	494,753	473,466	449,245
Global	1,536,847	1,308,803	1,101,023	1,028,848	764,892	-	-	-	-	-
United States	-	-	-	-	-	284,038	318,886	354,435	282,183	249,229
Non-North American	-	-	-	-	-	323,824	363,542	374,427	313,927	269,192
Real Estate	231,810	211,335	178,911	144,637	124,121	175,510	173,182	157,730	126,796	83,191
Alternative Investments	384,258	299,603	265,319	160,070	97,254	92,307	78,054	55,875		
Total Investments	3,460,621	2,984,755	2,634,480	2,563,649	2,316,398	1,960,455	2,351,906	2,237,985	1,949,988	1,721,340
Contribution and other receivables	3,369	2,180	3,323	788	1,154	11,021	9,694	8,988	8,282	5,779
Liabilities	(365)	(585)	(1,947)	(244)	(9,837)	(611)	(300)	(81)	(98)	(141)
Net Assets available for benefits	3,463,625	2,986,350	2,635,856	\$2,564,193	\$2,307,715	\$1,970,865	\$2,361,300	\$2,246,892	\$1,958,172	\$1,726,978
Actuarial value of accrued benefits	3,413,168	3,289,773	3,153,582	2,961,280	2,790,914	2,539,439	2,445,641	2,253,657	2,124,067	1,995,079
Surplus (Deficiency)	50,457	(303,423)	(517,726)	(397,087)	(483,199)	(568,574)	(84,341)	(6,765)	(165,895)	(268,101)
Funded Ratio (%)	101	91	84	87	83	78	97	100	92	87
Performance (%)										
Long-term Investment return for funding goal	6.25	6.50	6.50	6.50	6.75	6.75	6.75	6.75	6.75	6.75
Rate of return-nominal^^^^	14.90	12.00	2.10	10.2	15.0	(17.6)	2.7	14.0	13.1	10.2
Benchmark^^^^	15.10	9.80	1.50	10.4	15.1	(14.4)	2.6	13.2	11.9	10.0
Consumer Price Index (Canada)	0.90	0.80	2.90	2.0	1.0	2.0	2.4	1.6	2.2	2.1
Real rate of return	14.00	11.20	(0.80)	8.1	14.0	(19.8)	0.3	12.4	10.9	8.1
Interest Rates (%)										
Bank of Canada	1.00	1.00	1.00	1.00	0.25	1.75	4.25	4.25	3.25	2.75
US Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.50	4.25	5.25	4.25	2.25
Market Indices (%)										
S&P/TSX (\$Cdn)	13.00	7.20	(8.70)	17.6	35.1	(33.0)	9.8	17.3	24.1	14.5
S&P 1500 (\$Cdn)^	41.80	13.60	4.00	10.6	8.8	(21.6)	(10.6)	15.3	1.6	3.3
MSCI EAFE (\$Cdn)	31.10	14.80	(10.20)	2.4	12.6	(29.8)	(5.7)	26.0	10.0	12.0
DEX Universe Bond Index^^	-1.20	3.60	9.70	6.7	5.4	6.4	3.7	4.1	6.5	7.1
Participants ^^^										
Active members	5,286	5,287	5,215	5,036	5,452	5,244	4,868	4,654	4,447	4,206
Inactive members	1,059	1,067	998	946	631	675	733	789	756	731
Retirees	4,179	3,900	3,636	3,384	3,112	2,905	2,684	2,446	2,211	2,016
Total	10,524	10,254	9,849	9,366	9,195	8,824	8,285	7,889	7,414	6,953
Contribution Rates (%)										
Employees	11.16	11.16	11.16	10.50	10.50	10.50	10.50	10.50	10.50	9.50
Employers	19.14	19.14	19.14	18.00	18.00	18.00	18.00	18.00	18.00	13.10
Annual COLA pension adjustment	0.96	1.20	0.60	0.06	2.16	2.94	2.16	1.20	0.78	3.42

^ Comparative figures have been restated to be consistent with 2007 presentation.

^^ S&P 500 for 2005 and prior years.

^^^ Scotia Capital Fixed Income Indices for 2006 and prior years.

^^^^ Participant counts may differ from the actuarial valuation results due to timing differences and treatment of inactive member accounts.

^^^^ The overall actual return for 2010 has been increased from 10.1 per cent to 10.2 per cent and the overall benchmark return was decreased from 10.5 per cent to 10.4 per cent resulting from an increase in estimated 2009 actual returns for private equities (-2.7 per cent to -0.2 per cent) and infrastructure (2.1 per cent to 3.0 per cent).