2014 Management Employees Pension Plan Annual Report

MEPP
management employees pension plan

2014 MEPP Annual Report

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Governance Statement

This is the Governance Statement of the
Management Employees Pension Board

MEPP Governance Statement

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 2014

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 (MEPP) members, pensioners, employers and plan governors. Services include:

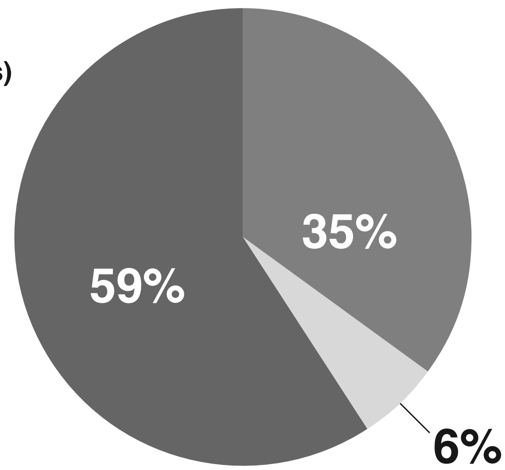
- Contributions management
- Member, pensioner and employer information management
- Member, pensioner and employer communications
- Benefit calculations
- Benefit disbursements
- Policy development and implementation
- Compliance, regulatory and plan financial reporting

Contributions to MEPP
In 2014, total contributions to MEPP were **$215,259 (thousands)**

Employer Contributions

Member Contributions

Transfer from Other Plans



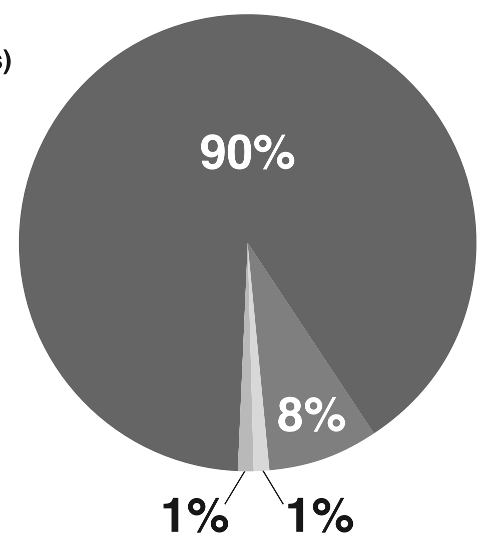
Payments from MEPP
In 2014, total payments from MEPP were **$186,420 (thousands)**

Pension Benefits

Refunds to Members

Member Service Expenses

Transfer to Other Plans



MEPP Members, Pensioners and Employers

Based on year-end totals, MEPP has 21 employers and a total of 10,938 active and deferred members and pensioners. In 2014, 573 members joined the Plan, 43 re-joined the Plan, 269 members retired, 252 members deferred funds, and 143 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 $2,494,000 in 2014. Based on average membership, MEPP's per member service expense is $228 which includes APS' operating costs, Board costs and other professional fees.

Member Service Expenses

	($ thousands)	
	2014	**2013**
General administration costs	2,136	1,874
Board costs	92	98
Board Actuarial fees	97	164
Other professional fees	169	262
Total	2,494	2,398
Member service expenses per member	**$228**	**$231**

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, 2014 the COLA granted to pensioners was 0.72 per cent. For those who retired during 2014, this increase was prorated depending on the month of retirement.

Activities in 2014

APS focused on the following initiatives in 2014 to further enhance services to our valued MEPP clients:

- Updated the online pension estimators to give MEPP members estimates of what their pension payments might be under new plan rules.
- Completed 3,339 MEPP member transactions, 3 per cent less than in 2013.
- Ongoing promotion of *mypensionplan.ca*, a secure website for members to access their pension information:
  - As of December 31, MEPP had 371 new members registered on *mypensionplan.ca* and 3,806 members registered in total.
- Completed the successful implementation of the first phase of our Next Generation business transformation project and migrated more than 4,000 pensioners to the new COMPASS system.
- Successfully paid more than 4,000 pensioners every month, for the last four months of 2014 through the new pension payroll system.
- Provided more proactive communication between APS and members with incoming member calls dropping by 7 per cent, going from 3,227 calls in 2013 to 2,998 in 2014.
- Achieved a client satisfaction rate of 86 per cent for the second year in a row – once again surpassing our goal of 82 per cent.
- Provided member educational webinars and seminars to more than 170 clients on topics such as retirement options and how to increase benefits.
- Provided 170 member-counselling sessions, including 135 in-house, and 35 one-on-one counselling sessions.

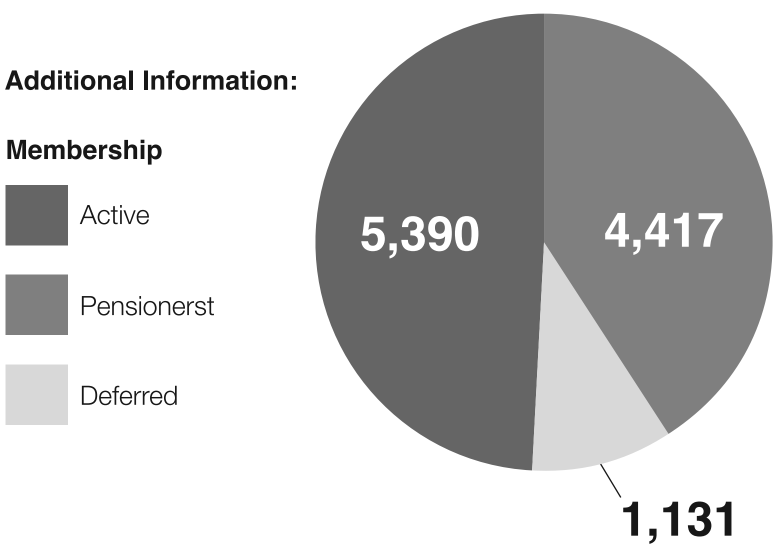
The Year Ahead

In 2016, APS plans to:

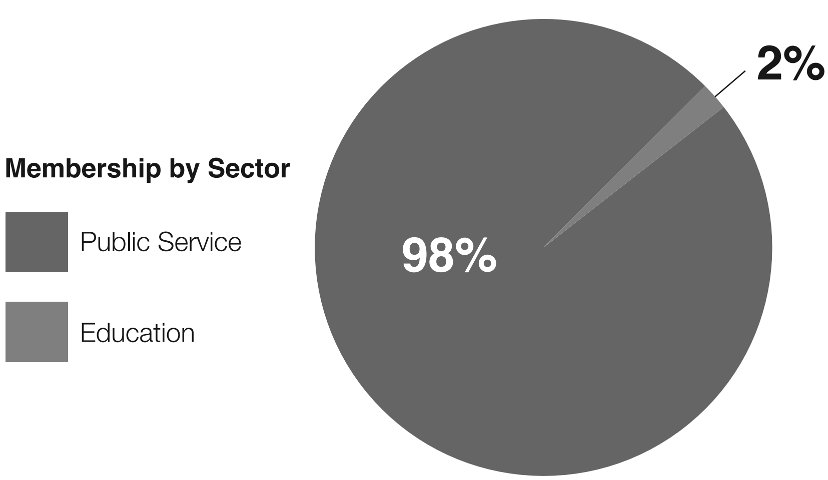
- Introduce an on-line portal for pensioners, providing MEPP retirees the convenience of an online service. Retirees can view their monthly pension payments and deductions, see when their next payment is, change their personal information (address, banking, beneficiaries) and access and print their T4A slips. Pensioners can also provide documents through a new secure email service, eliminating the need to post, fax or deliver information in person.
- Introduce a refreshed mypensionplan.ca for MEPP members.
- Provide all MEPP members a new member identifier number that they can use from membership through to retirement to access their member and pensioner information online, over the phone, and in person.
- Provide employers with a new portal that give them greater control of their information and increased flexibility and choice of data submission formats.
- Complete the implementation of the full new financial processes.
- Progress toward the 2016 completion of the Next Generation business transformation system.
- Enrich remote employer information sessions.

Additional Information:

Membership



Membership by Sector



Additional Information Continued:

Average age of MEPP active members	48.3
Average age of all retirees in 2014	69.0
Average monthly pension paid out (Dec. 2014)	3179.9
Average retirement age in 2014	61.7
Percentage increase in membership over 2013	4%

Summary of Financial Position
(2014) based on Management Employees Pension Plan Financial Statements. (As at Dec. 31, 2014)

(Thousands)	2014	2013
Net assets available For Benefits	3,883,598	3,463,625
Pension Obligation	3,807,793	3,413,168
Surplus	75,805	50,457

Plan Performance and Investment Report

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

Plan Performance

Fair Value of Net Assets versus Pension Obligation

Fair Value of Net Assets: $3.884 Billion

Pension Obligation: $3.808 Billion

Surplus: $76 Million

Income and Contributions: $631 Million

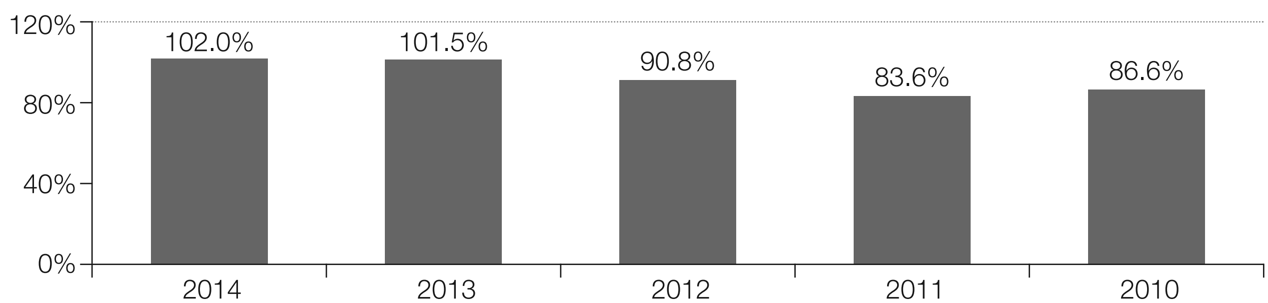
Benefits and Expenses: $211 Million

In 2014, the MEPP posted the highest surplus in the past 14 years and 3rd highest surplus in its history. By December 31, 2014, the fair value of the Plan's net assets increased by 12.1 per cent (or $420 million) to $3.884 billion. The increase in net assets was greater than the increase in the pension obligation which grew by 11.6 per cent (or $395 million) to $3.808 billion. As a result, the Plan posted a surplus of $76 million, according to the 2014 audited financial statements.

The audited financial statements measure net assets on a fair value basis, and the pension obligation based on a discount rate of 6.4 per cent (2013: 6.9 per cent). The discount rate is based on the expected rate of return for the Plan over the long term. The decrease in the discount rate by 0.5 per cent increased the estimated pension obligation and decreased the surplus by $220 million.

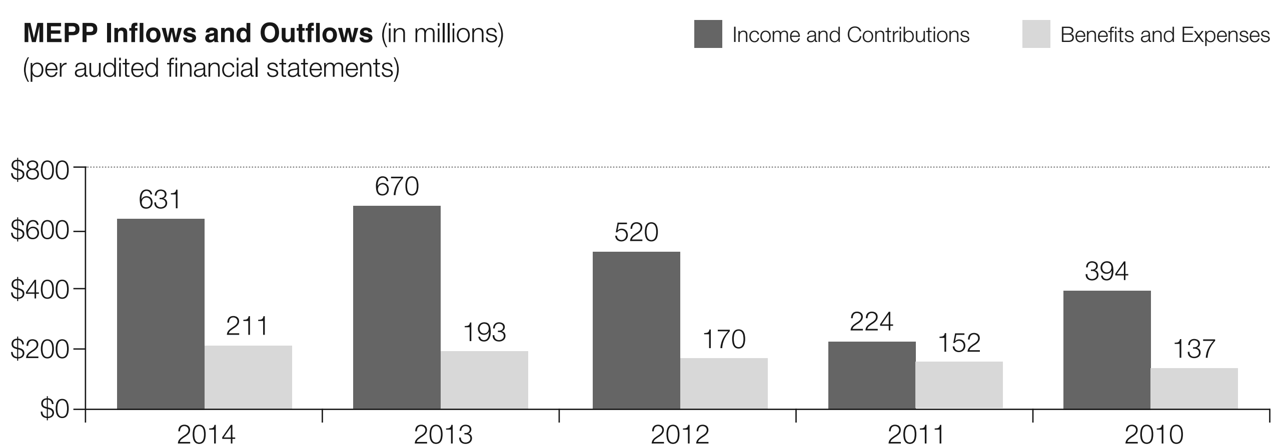
According to the most recent audited financial statements, the Plan closed out 2014 with 102.0 per cent of the total pension obligation supported by assets.

Per cent of Pension Obligation Supported by Net Assets
(per audited financial statements)



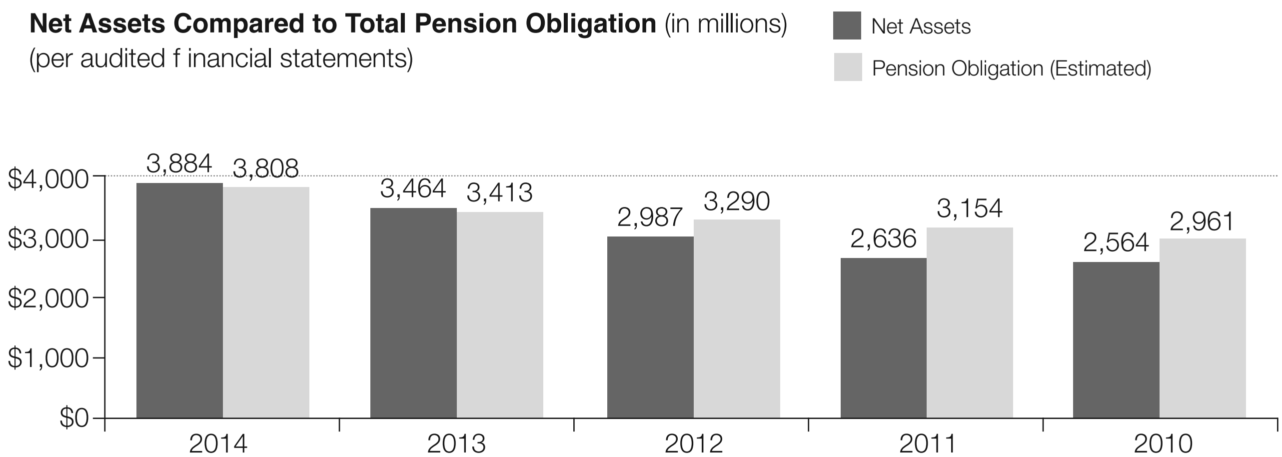
In 2014, the investment income and contributions from employees and employers totaling $631 million was three times the outflows for benefit payments, and expenses of $211 million.

MEPP Inflows and Outflows (in millions)
(per audited financial statements)



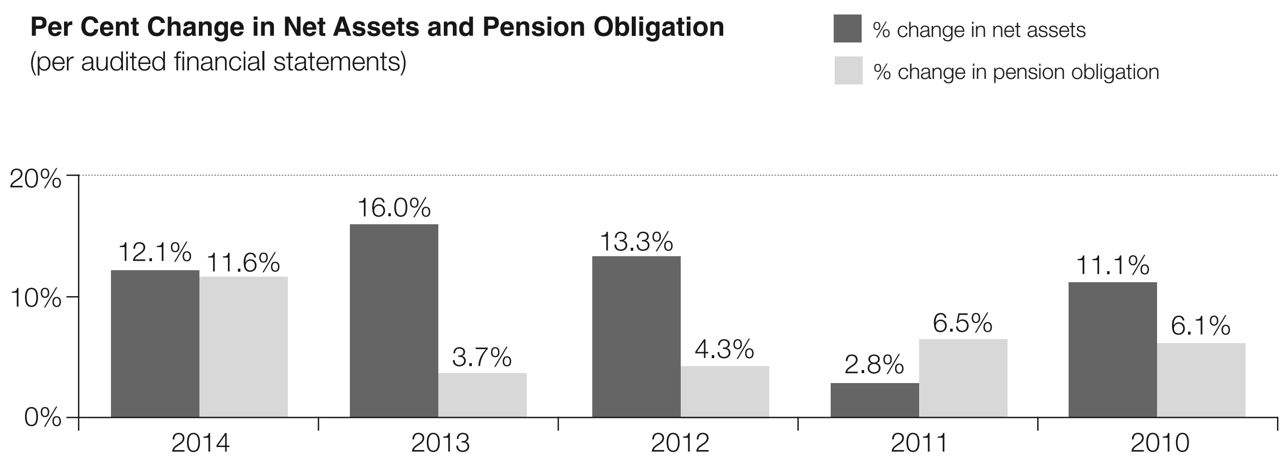
The total pension obligation is based on the estimated net present value of future pension benefits paid to employees when they retire. Retirement benefits earned by employees provide a lifetime pension for each year of pensionable service based on a specified percentage applied to the average salary 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 f inancial statements)



As shown in the chart below, net assets increased by 12.1 per cent in 2014 compared to an increase in the estimated pension obligation of 11.6 per cent.

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



Plan Performance and Investment Report

Investment Performance

At December 31, 2014, the fair value of the Plan's net assets totalled $3.884 billion, up 12.1 per cent or $420 million from $3.464 billion at the beginning of the year. The growth in net assets is comprised of a return on investments of 11.3 per cent, or $391 million after investment expenses, and 0.8 per cent or $29 million from contributions in excess of pension benefits. Investment expenses totaled $26.5 million in 2014 compared to $19.8 million in 2013.

2014 Year In Review

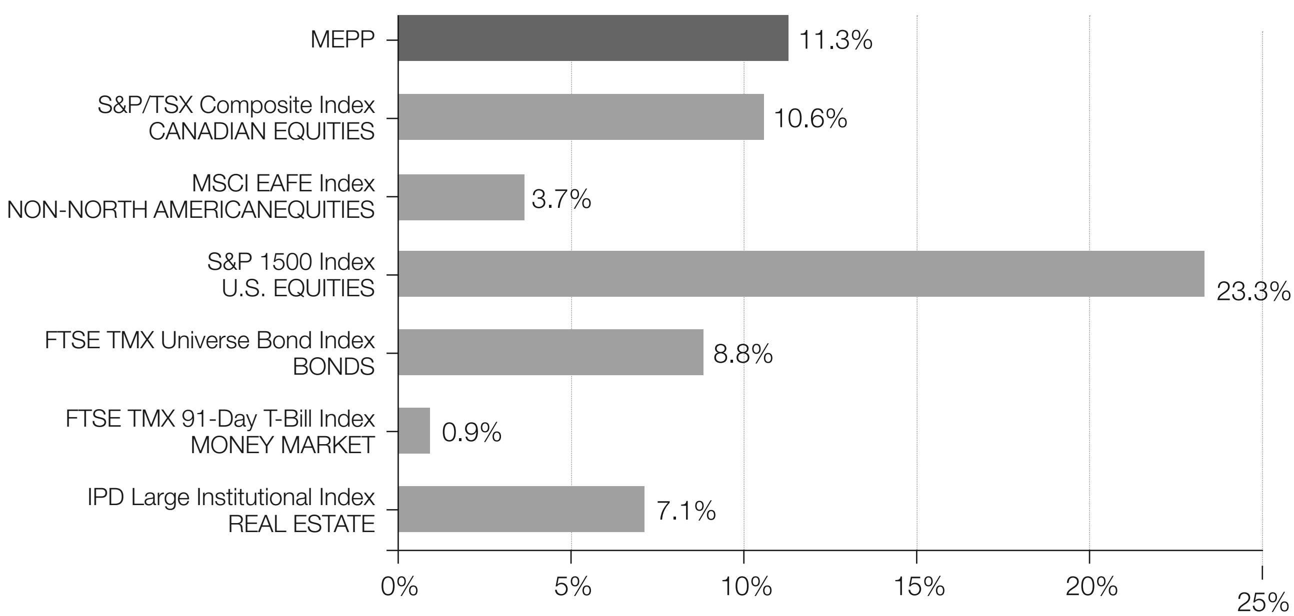
MEPP's Investment Returns

1st quarter	4.7%
2nd quarter	2.5%
3rd quarter	2.3%
4th quarter	1.3%
Annual 2014	**11.3%**

The year started out strong with MEPP earning 4.7 per cent on its investments in the first quarter. The second quarter saw markets gain 2.5 per cent. In the third quarter, MEPP earned 2.3 per cent on its investments. MEPP's investments earned 1.3 per cent in the fourth quarter. Overall MEPP finished out the 2014 year earning 11.3 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 2014.

Returns for MEPP and Major Markets (in Canadian dollars)



In 2014, the Canadian stock market represented by the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index increased by 10.6 per cent compared to a gain of 13.0 per cent in 2013.

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 3.7 per cent in Canadian dollars in 2014 compared to 31.1 per cent in 2013.

The S&P 1500 Index, which tracks the performance of the top 1500 American companies, increased by 23.3 per cent in Canadian dollars (13.1 per cent in U.S. dollars) in 2013, down from last year's gain of 41.8 per cent in Canadian dollars (32.8 per cent in U.S dollars).

The bond market represented by the FTSE TMX Universe Bond Index posted a gain of 8.8 per cent in 2014 compared to a loss of 1.2 per cent in 2013.

The Canadian real estate market, represented by the IPD Large Institutional Index, gained 7.1 per cent this year, compared to last year's gain of 10.9 per cent.

Investments by Currency

At December 31, 2014, 54 per cent of the Plan's investments were denominated in Canadian currency (2013: 51 per cent), followed by 26 per cent in U.S. currency (2013: 27 per cent) and 20 per cent in currencies outside North America (2013: 22 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, 2014, one U.S. dollar investment was worth $1.16 Canadian compared to $1.06 Canadian at the beginning of the year. One Euro was worth $1.40 Canadian compared to $1.47 Canadian at the beginning of the year.

MEPP Investments by Currency

- Canadian Dollar (CAD) - 54%
- United States Dollar (USD) - 26%
- Euro (EUR) - 4%
- Japanese Yen (JPY) - 3%
- British Pound (GBP) - 3%
- Australian Dollar (AUD) - 1%
- Swiss franc (CHF) - 1%
- Other foreign currencies - 8%

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, 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 and ways to manage the inherent volatility of the long-term asset mix.

Investment Expenses

The overall investment expense charged by AIMCo before GST, increased by 24.2 per cent in 2014 and 33.7 per cent after GST compared to an increase of 41.2 per cent last year. Average investments under management increased by 13.9 per cent compared to 14.7 per cent last year.

($ millions)	2014	2013
Amounts charged by AIMCo for:		
Investment costs (a)	$ 19.3	$ 15.2
Performance based fees (a)	5.3	4.6
GST (b)	1.9	-
Tota investment expense	**$ 26.5**	**$ 19.8**
Per cent increase in investment expense, before GST	24.2%	41.2%
Per cent increase in investment expense af ter GST	33.7%	41.2%
Per cent increase in average investments under management	13.9%	14.7%
Increase (decrease) in value of investments attributed to AIMCo	-0.7%	0.0%
Investment expense as per cent of each dollar earned	6.3%	4.1%
Investment expense as per cent of each dollar invested	0.72%	0.61%

a. Please refer to AIMCo's financial statements for a detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that a primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees related to external managers hired by AIMCo.

b. Two thirds of GST paid in 2014 and two-thirds of GST recorded as a receivable in prior years (2011-2013) has been determined to be unrecoverable and expenses in 2014.

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

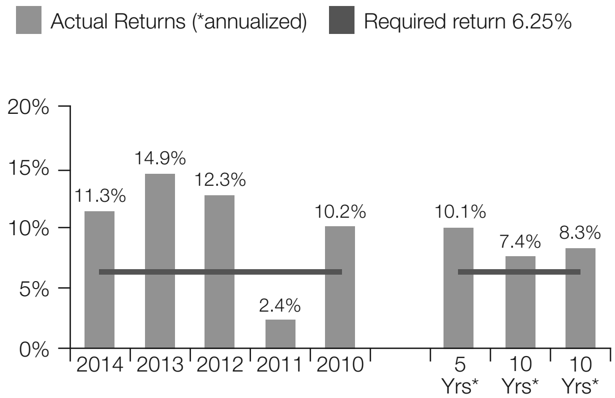
The table below shows MEPP's policy asset mix including the actual asset mix at December 31, 2014 and 2013. In 2014, the policy asset mix for private debt totaling 1.5 per cent was reclassified from inflation sensitive to money market and fixed income.

	POLICY ASSET MIX		ACTUAL ASSET MIX	
	Target %	Range %	Actual % 2014	Actual % 2013
Money market and fixed income	**15.5**	**10-40**	**15.2**	**13.4**
Money market			0.5	0.6
Universe bonds			8.5	9.3
Long bonds			0.0	0.0
Private mortgages			5.0	3.5
Private debt			1.2	-
Equities	**59.0**	**40-70**	**60.9**	**62.8**
Canadian equities			13.8	14.0
Global developed			37.1	39.0
Emerging markets			4.4	4.1
Private equity			5.6	5.7
Inflation sensitive	**25.5**	**15-40**	**22.0**	**22.5**
Real estate			6.7	6.7
Infrastructure			5.2	4.3
Timberlands			-	-
Real return bonds			10.1	10.4
Private debt			-	1.1
Strategic opportunities and tactical allocations	**-**	**-**	**1.9**	**1.3**
Total			**100.0**	**100.0**

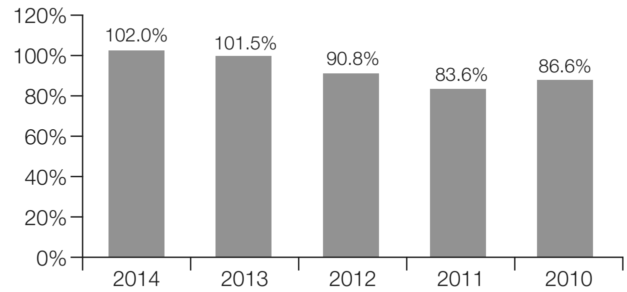
Long-term Investment Objective for Funding Purposes

The chart below compares MEPP's overall actual returns for calendar years 2010 to 2014 and the five, ten 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 8.3 per cent per annum. According to the audited financial statements at December 31, 2014, 102.0 per cent of the total pension obligation was supported by net assets.

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 0.6 per cent per annum including a loss in value of 0.7 per cent in 2014. On an eight-year basis, the loss in value by the investment manager is 0.2 per cent per annum. Over the longer term of twenty years, the value added return is 0.1 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	**(0.7)**	**0.6**	**(0.2)**
Fixed income securities			
Bonds and Mortgages	0.8	1.3	0.1
Equity			
Canadian Equity	1.8	2.5	1.4
Foreign Equity	0.2	1.2	0.1
Private Equitiy	(4.8)	(4.4)	(3.0)
Inflation Sensitive			
Real Estate	1.6	2.3	1.1
Real Return Bonds	0.2	0.2	0.0
Infrastructure	(6.7)	(2.5)	(1.0)

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.

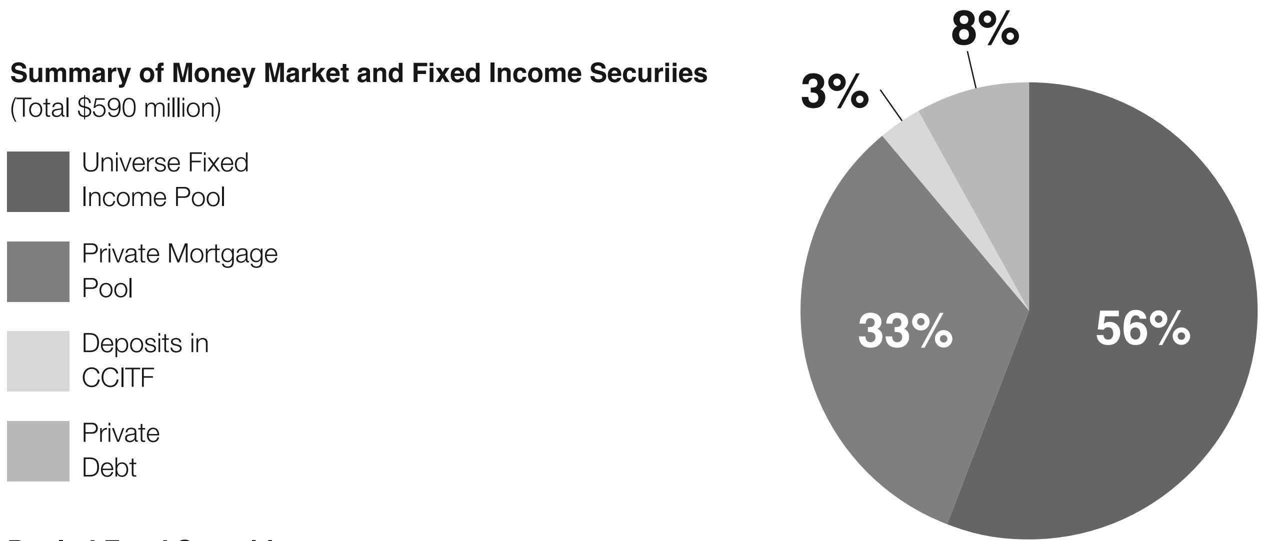
Table of Investment Returns[1]	**December 31, 2014**							
	Asset						**Annualized Return**	
	Investment (in millions)	**Mix (%)**	**Annual Return (%) ($ Canadian) 2014**	**2013**	**2012**	**2011**	**(%) 4yr**	**8yr**
				Restated[2]				
OVERALL ACTUAL RETURN	**$3,882.9**	**100.0**	**11.3**	**14.9**	**12.3**	**2.4**	**10.1**	**5.9**
Policy Benchmark Return			12.0	14.9	9.8	1.5	9.5	6.1
Consumer Price Index (CPI)			**1.8**	**0.9**	**0.8**	2.9	1.6	1.7
FIXED INCOME SECURITIES								
Short-Term Fixed Income	**20.8**	**0.5**	**1.1**	**1.2**	**1.2**	**1.2**	**1.2**	**2.4**
Bonds, Mortgages and Private Debt[1]	**569.1**	**14.7**	**9.6**	**0.6**	**6.6**	**9.2**	**6.4**	**5.4**
FTSE TMX Universe Bond Index			8.8	(1.2)	3.6	9.7	5.1	5.3
EQUITIES								
Canadian Equities	**536.4**	**13.8**	**12.4**	**15.4**	**12.2**	**(7.9)**	**7.6**	**6.0**
S&P/TSX Composite Index			10.6	13.0	7.2	(8.7)	5.1	4.6
Foreign Equities	**1,609.9**	**41.5**	**13.7**	**31.8**	**16.8**	**(4.4)**	**13.7**	**3.5**
MSCI All Country World Index (ACWI)			13.5	31.1	13.6	(5.3)	12.5	3.4
Private equities[1 2]	**219.3**	**5.6**	**8.7**	**5.2**	**11.0**	**7.6**	**8.1**	**6.5**
MSCI ACWI			13.5	31.1	13.6	(5.3)	12.5	9.5
INFLATION SENSITIVE								
Real estate[1]	**260.8**	**6.7**	**8.7**	**12.2**	**15.3**	**20.9**	**14.2**	**10.7**
IPD Large Institutional Index			7.1	10.9	13.8	15.9	11.9	9.6
Real Return Bonds	**391.3**	**10.1**	**13.4**	**(12.5)**	**3.1**	**18.1**	**4.8**	**5.7**
DEX Real Return Bond Index (RRBI)			13.2	(13.1)	2.9	18.3	4.6	5.7
Infrastructure[1 2]	**202.4**	**5.2**	**5.4**	**4.1**	**7.9**	**6.7**	**6.0**	**7.8**
50% MSCI ACWI and 50% DEX RRBI			12.1	7.1	8.4	6.5	8.5	8.8
STRATEGIC OPPORTUNITIES	**40.9**	**1.1**	**15.9**	**9.0**	**3.9**	**15.5**	**14.1**	**n/a**
GLOBAL TACTICAL ASSET ALLOCATION	**32.0**	**0.8**	(46.7)	(5.3)	(1.6)	6.4	(7.7)	n/a

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 policy benchmark return for 2013 was decreased by 0.2 per cent from 15.1 per cent to 14.9 per cent resulting from a decrease in the real estate benchmark from 13.0 per cent to 10.9 per cent.

Money Market And Fixed Income Securities

At December 31, 2014, the Plan's money market and fixed income portfolio totaled $590 million or 15.2 per cent of total investments compared to $465 million or 13.4 per cent at December 31, 2013. The Plan's money market and fixed income portfolio includes investments in AIMCo's Universe Fixed Income Pool, Private Mortgage Pool, Private Debt Pool and the Consolidated Cash Investment Trust Fund (CCITF).

Summary of Money Market and Fixed Income Securiies
(Total $590 million)



Pooled Fund Securities by Issuer Relative to Benchmark December 31, 2014	**Universe Fixed Income Pool (%)**	**Private Mortgage Pool (%)**	**Benchmark FTSE TMX Universe Bond Index (%)**
Federal	**13**	**-**	37
Provincial	**35**	**2**	32
Municipal	**-**	**-**	2
Corporate	**48**	**-**	29
Private debt and mortgages	**3**	**98**	-
Less than one year	**1**	**-**	-
Total percent	**100**	**100**	100

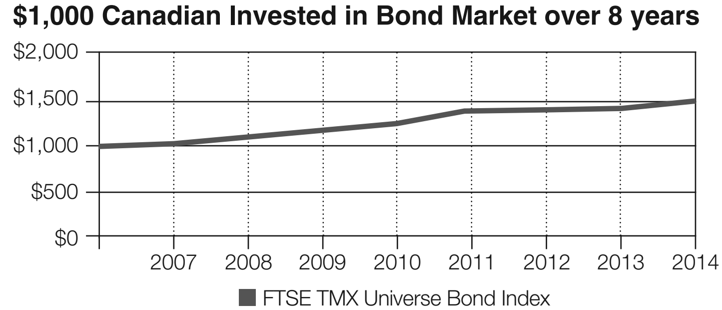
In 2014, the Plan's actual gain from bonds, mortgages and private debt was 9.6 per cent, 0.8 per cent better than benchmark gain of 8.8 per cent. The Plan's actual gain from cash and short-term investments totaled 1.1 per cent in 2014.

Bonds,Mortgages and Private Debt

	Actual Return	**Benchmark Return**
1 Year	9.6%	8.8%
4 Years	6.4%	5.1%
8 Years	5.4%	5.3%

The chart to the right shows the growth in value over eight years of $1,000 dollars (Canadian) invested in the bond market, represented by the FTSE TMX Universe Bond Index, for the period December 31, 2007 to December 31, 2014. After eight years, $1,000 would grow to approximately $1,516.

$1,000 Canadian Invested in Bond Market over 8 years

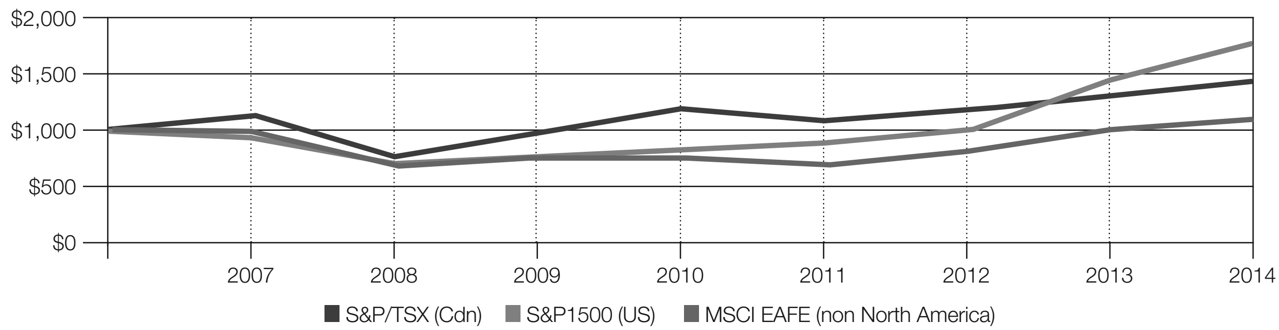


Equity Investments

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, 2014 equities represent 60.9 per cent (2013: 62.8 per cent) of the Plan's total asset mix. The equity asset class includes Canadian public equities, global and emerging market equities and private equities.

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, 2007 to December 31, 2014. For example, $1,000 dollars invested on December 31, 2007, in the Canadian stock market represented by the S&P/TSX Composite Index would be worth approximately $1,429 dollars at December 31, 2014. An investment of $1,000 Canadian dollars in the U.S. equity market would be worth $1,746 and an investment in the Europe, Australasia and Far East equity market would be worth $1,075.

$1000 Canadian Invested in Equity Markets over 8 years



Canadian Equities

At December 31, 2014, Canadian equities represent 13.8 per cent of MEPP's total investments (or $536 million) compared to 14.0 per cent (or $483 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). Interest bearing securities support the notional value of index swaps and futures contracts.

The actual gain from Canadian equity investments over the year was 12.4 per cent, 1.8 per cent better than the benchmark gain of 10.6 per cent based on the S&P/TSX Composite index.

Canadian Public Equities

	Actual Return
1 Year	12.4%
4 Years	7.6%
8 Years	6.0%

	Benchmark Return
1 Year	10.6%
4 Years	5.1%
8 Years	4.6%

Canadian Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2014

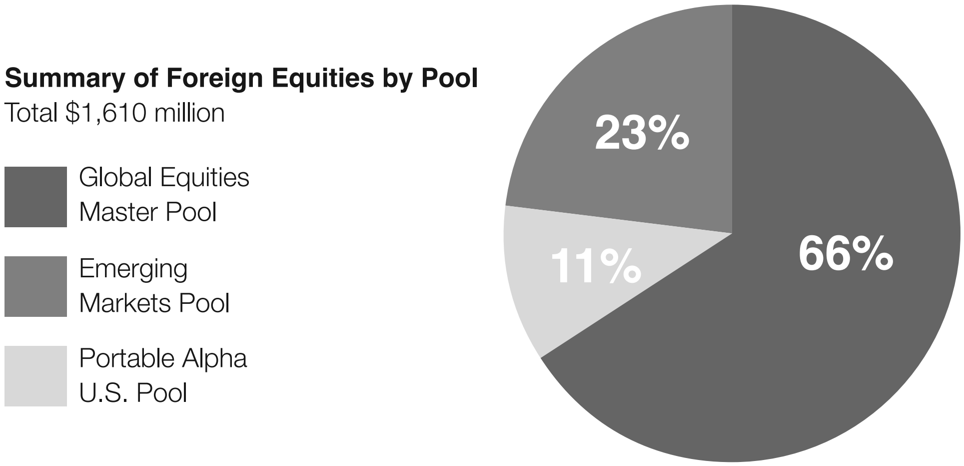
Sector	Benchmark TSX Composite Index %	Over (Under) Benchmark %
Consumer discretionary	6.4	0.1
Consumer staples	3.7	1.7
Energy	22.0	0.9
Financials	35.7	0.5
Health Care	3.5	(0.9)
Industrials	8.7	0.5
Information technology	2.3	0.6
Materials	10.6	(0.1)
Telecommunications	4.9	0.7
Utilities	2.2	0.6
	100	

Foreign Public Equities

At December 31, 2014, foreign equities comprised 41.5 per cent of total MEPP investments (or $1,610 million), compared to 43.1 per cent or $1,493 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, and the Emerging Markets Equity Pool.

Summary of Foreign Equities by Pool

Total $1,610 million



In 2014, the actual gain from foreign public equities was 13.7 per cent, 0.2 per cent better than the benchmark gain of 13.5 per cent based on the MSCI All World Country Index.

Foreign Public Equities

	Actual Return	Benchmark Return
1 Year	13.7%	13.5%
4 Years	13.7%	12.5%
8 Years	3.5%	3.4%

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. 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 2014, the global equity portfolio gained 14.2%.

Global Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2014

Sector	Benchmark MSCI World Total Return Index %	Over (Under) Benchmark %
Consumer discretionary	12.4	(0.2)
Consumer staples	9.9	(0.8)
Energy	8.0	(0.4)
Financials	20.9	2.4
Health Care	12.7	1.6
Industrials	10.9	0.7
Information technology	13.4	1.6
Materials	5.1	0.7
Telecommunications	3.3	(0.3)
Utilities	3.4	(1.0)
	100	

Global Equities Master Pool Regional Exposure Relative to Benchmark December 31, 2014

Sector	Benchmark MSCI World Total Return Index %	Over (Under) Benchmark %
United States	58.4	0.8
Europe, Australasia & the Far East	37.6	3.2
Emerging Markets	0.0	0.6
Canada	4.0	(0.4)
	100	

Emerging Markets

MEPP's investment in AIMCo's Emerging Markets Pool makes up approximately 11 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 2014, the emerging markets portfolio gained 10.4%.

Top Ten Countries in Emerging Markets Pool

- China 23%
- Brazil 9%
- South Korea 14%
- Taiwan 12%
- Russia 3%
- India 10%
- Thailand 4%
- Mexico 4%
- South Africa 7%
- Turkey 2%
- Other countries 12%

Private Equities

The Plan's investment in AIMCo's private equity pools comprised 5.6 per cent (or $219 million) of the total investment portfolio at December 31, 2014 compared to 5.7 per cent (or $197 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 2014, private equities gained 8.7 per cent which was 4.8 per cent lower than the market-based benchmark gain of 13.5 per cent.

Private Equities

	Actual Return	Benchmark Return
1 Year	8.7%	13.5%
4 Years	8.1%	12.5%
8 Years	6.5%	9.5%

Inflation Sensitive

At December 31, 2014, the Plan's inflation sensitive portfolio comprised 22.0 per cent (or $854 million) of total investments compared to 22.5 per cent (or $779 million) at the end of the previous year. The inflation sensitive portfolio consists of real estate, infrastructure and real returns bonds.

Real Estate

At December 31, 2014, the Plan's investment in AIMCo's private real estate pools comprised 6.7 per cent (or $261 million) of total investments compared to 6.7 per cent (or $232 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 2014 was 8.7 per cent, 1.4 per cent better than the benchmark gain of 7.3 per cent from the IPD Large Institutional Index.

Real Estate

	Actual Return	Benchmark Return
1 Year	8.7%	7.1%
4 Years	14.2%	11.9%
8 Years	10.7%	9.6%

Top Five Real Estate Holdings as of December 31, 2014

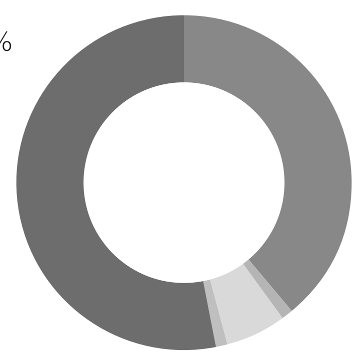
Poperty	Location	Sector
Yorkdale Shopping Centre	Toronto, Ontario	Retail
Square One Shopping Centre	Missisauga, Ontario	Retail
Scarborough Town Centre	Toronto, Ontario	Retail
Eight Avenue Place	Calgary, Alberta	Office
Bow Valley Square	Calgary, Alberta	Office

Private Real Estate Pool by Type

Retail 41%
Industrial 14%
Residential 6%
Pooled Funds 6%
Land 1%
Office 32%

Private Real Estate Pool by Province

Alberta 39%
Quebec & B.C. 1%
Pooled Funds 6%
Other 1%
Ontario 53%



Plan Performance and Investment Report

Infrastructure

The Plan's investment in infrastructure comprises 5.2 per cent (or $202 million) of the total investment portfolio at December 31, 2014 compared to 5.4 per cent (or $187 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).

In 2014, infrastructure investments gained 5.4 per cent, 6.7 per cent less than the benchmark gain of 12.1 per cent.

Infrastructure

	Actual Return	Benchmark Return
1 Year	5.4%	12.1%
4 Years	6.0%	8.5%
8 Years	7.8%	8.8%

Real Return Bonds

The Plan's investment in AIMCo's Real Return Bond Pool comprised 10.1 per cent (or $391 million) of the total investment portfolio at December 31, 2014 compared to 10.4 per cent (or $360 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 (86 per cent), provincial bonds (11 per cent), and corporate bonds (3 per cent).

In 2014, real return bonds gained 13.4 per cent, which was 0.2 per cent better than the benchmark gain of 13.2 per cent.

Real Return Bonds

	Actual Return	Benchmark Return
1 Year	13.4%	13.2%
4 Years	4.8%	4.6%
8 Years	5.7%	5.7%

Strategic Opportunities and Tactical Allocations

At December 31, 2014, the Plan's investment in AIMCo's Strategic Opportunities Pool comprised 1.1 per cent of total investments or $41 million. The Pool consists of investments in infrastructure and hydropower in emerging market countries in Brazil and Columbia. In 2014, the Pool gained 15.9 per cent.

At December 31, 2014, the Plan's investment in AIMCo's Tactical Asset Allocation Pool comprised 0.8 per cent of total investments or $32 million. The Pool seeks to add value through various tilts and strategies. The Pool holds derivative contracts including global equity index swaps and futures contracts, credit default, bond index and interest rate swaps and foreign exchange contracts. In 2014, the Pool posted a loss of 46.7 per cent.

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. The proxy voting function is entrusted 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 risks in the assets in which it invests. The Board establishes the MEPP IP, setting a diverse asset mix to help improve the likelihood of achieving its' desired results for a given level of risk.

Investment risk management is a central thesis for the 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

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, 2014, 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, 2014, 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 20, 2015

Edmonton, Alberta

Statement of Financial Position

As at December 31, 2014

	($ thousands)	
	2014	**2013**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 3,882,850	$ 3,460,621
Contributions receivable		
Employers	567	560
Employees	338	327
Accounts receivable	1,749	2,482
Total Assets	3,885,504	3,463,990
Liabilities		
Accounts payable	1,906	365
Total Liabilities	1,906	365
Net assets available for benefits	$ 3,883,598	$ 3,463,625
Pension obligation and surplus		
Pension obligation (Note 5)	$ 3,807,793	$3,413,168
Surplus (Note 6)	75,805	50,457
Pension obligation and surplus	$ 3,883,598	$ 3,463,625

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2014

	($ thousands)	
	2014	**2013**
Increase in Assets		
Contributions (Note 7)	$ 203,409	$ 174,493
Investment income (Note 8)	417,624	478,612
Transfers from other plans, net	10,360	16,853
	631,393	669,958
Decrease in Assets		
Benefit payments (Note 10)	182,436	170,465
Investment expenses (Note 11)	26,490	19,820
Administrative expenses (Note 12)	2,494	2,398
	211,420	192,683
Increase in net assets	419,973	477,275
Net assets available for benefits at beginning of year	3,463,625	2,986,350
Net assets available for benefits at end of year	$ 3,883,598	$ 3,463,625

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2014

	($ thousands) 2014	2013
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 233,577	$ 205,529
Benefits earned	113,210	116,637
Net increase (decrease) due to actuarial assumption changes (Note 5a)	219,914	(34,802)
	566,701	287,364
Decrease in pension obligation		
Benefits, transfers and interest	172,076	153,612
Net experience gains (Note 5b)	-	10,357
	172,076	163,969
Net increase in pension obligation	394,625	123,395
Pension obligation at beginning of year	3,413,168	3,289,773
Pension obligation at end of year (Note 5)	$ 3,807,793	$ 3,413,168

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2014

(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, 2014 were 12.80% (2013: 11.16%) of the capped salary for employees and 21.85% (2013: 19.14%) for employers. The capped salary is set to ensure the benefit accrual is not greater than the defined benefit limit under the Income Tax Act.

The contribution rates 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.

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 to ensure the benefit accrual is not greater than the defined benefit 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.

Vested members are entitled to an unreduced pension on service after 1991 if they 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 combined pensionable service receive a refund of their contributions plus interest. The refunds are accounted for as benefit payments on the statement of changes in net assets available for benefits.

Members who terminate with at least five years of combined pensionable service and who are not immediately entitled to a pension may receive a refund of their contributions and interest on service prior to 1992 and the commuted value of their pension for service after 1991, with the commuted value being subject to locking-in provisions. Any optional service purchased wholly by the member is not included in the commuted value and is paid as contributions with interest. If the remaining member contributions fund more than 50% of the benefit, that excess is paid as a cash refund.

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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 by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. 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

(a) Investment income is recorded on an accrual basis.

(b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 8 and includes the following items recorded in the Plan's accounts:

  i. Income distributions from the pools.

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost 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).

($ thousands)

	Fair Value Hierarchy [a]			2014	2013
Asset class	Level 1	Level 2	Level 3	**Fair Value**	**Fair Value**
Money market and fixed income					
Deposits and short-term securities	$ -	$ 20,834	$ -	$ 20,834	$ 21,855
Bonds, mortgages and private debt	-	328,776	240,316	569,092	443,150
	-	349,610	240,316	589,926	465,005
Equities					
Canadian	395,947	140,447	-	536,394	483,126
Foreign	977,124	197,764	435,014	1,609,902	1,492,839
Private	-	-	219,333	219,333	196,929
	1,373,071	338,211	654,347	2,365,629	2,172,894
Inflation sensitive					
Real estate	-	-	260,763	260,763	231,810
Infrastructure	-	-	202,411	202,411	148,732
Private debt	-	-	-	-	38,597
Real return bonds	-	391,254	-	391,254	359,575
	-	391,254	463,174	854,428	778,714
Strategic opportunities and tactical allocation *	-	31,971	40,896	72,867	44,008
Total investments	$ 1,373,071	$ 1,111,046	$ 1,398,733	$ 3,882,850	$ 3,460,621

* This asset class is not listed in the SIP&G as it relates to investments made on an opportunistic basis (see Note 4).

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 $1,373,071 (2013: $1,299,603).
- ***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 $1,111,046 (2013: $1,230,144). 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 totalling $1,398,733 (2013: $930,874).

Financial Statements

Reconciliation of Level 3 Fair Value Measurement

	($ thousands) 2014	2013
Balance, beginning of year	$ 930,874	$ 702,854
Investment income	91,434	96,260
Purchases of Level 3 pooled fund units	526,034	229,750
Sale of Level 3 pooled fund units	(149,609)	(97,990)
Balance, end of year	$ 1,398,733	$ 930,874

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. Private debt and loans is valued similar to private mortgages.
- ***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. Infrastructure investments are valued similar to private equity investments. Real return bonds are valued similar to public interest bearing securities.
- ***Strategic opportunities and tactical allocations***: The estimated fair value of infrastructure investments held in emerging market countries is estimated by managers or general partners of private equity funds and joint ventures. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets.
- ***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.

NOTE 3 INVESTMENTS CONTINUED

- ***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 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 2014		Actual Asset Mix 2013	
		($ thousands)	%	($ thousands)	%
Money market and fixed income	10 - 40%	$ 589,926	15.2	$ 465,005	13.4
Equities	40 - 70%	2,365,629	60.9	2,172,894	62.8
Inflation sensitive	15 - 40%	854,428	22.0	778,714	22.5
Strategic opportunities and tactical allocation	(a)	72,867	1.9	44,008	1.3
		$ 3,882,850	100.0	$ 3,460,621	100.0

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above.

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, 2014:

Credit rating	2014	2013
Investment Grade (AAA to BBB-)	83.4%	86.9%
Speculative Grade (BB+ or lower)	0.2%	0.1%
Unrated	16.4%	13.0%
	100.0%	100.0%

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, 2014, the Plan's share of securities loaned under this program is $190 million (2013: $148 million) and collateral held totals $199 million (2013: $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.

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

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 46% of the Plan's investments, or $1,778 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (26%) and the Euro (4%).

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 4.6% (2013: 4.9%).

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2014:

	($ millions)			
	2014		**2013**	
Currency	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 1,004	$ (100)	$ 935	$ (94)
Euro	140	(14)	185	(18)
British pound	126	(13)	114	(11)
Japanese yen	109	(11)	107	(11)
Swiss franc	52	(5)	51	(5)
Australian dollar	47	(5)	38	(4)
Other foreign currencies	300	(30)	257	(26)
Total foreign currency investments	$ 1,778	$ (178)	$ 1,687	$ (169)

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 2.2% (2013: 2.1%).

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 7.0% (2013: 6.2%). 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.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	**2014**	**2013**
Contracts in favourable position (current credit exposure)	33	$ 18,362	$ 48,198
Contracts in unfavourable position	14	(11,665)	(25,942)
Net fair value of derivative contracts	47	$ 6,697	$ 22,256

(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 $18,362 (2013: $48,198) 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.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	**2014**	**2013**
Structured equity replication derivatives	$ 15,422	$ 27,150
Foreign currency derivatives	(7,417)	(4,994)
Interest rate derivatives	(1,551)	394
Credit risk derivatives	242	(294)
Net fair value of derivative contracts	$ 6,696	$ 22,256

(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.

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

(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, 2014 deposits in futures contracts margin accounts totalled $31,769 (2013: $23,058) and deposits as collateral for derivative contracts totalled $4,093 (2013: $6,773).

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, 2014.

The actuarial assumptions used in determining the value of the pension obligation of $3,807,793 (2013: $3,413,168) 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:

	2014	2013
	%	
Discount rate	6.40	6.90
Inflation rate	2.25	2.25
Salary escalation rate*	3.50	3.50
Mortality rate	2014 Canadian Pension Mortality Table (Public Sector)	

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

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 $nil (2013: $10,357) reflect the results of the valuation as at December 31, 2012 extrapolated to December 31, 2014.

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, 2014:

	($ 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	285,900	1.7
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	28,100	0.6
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1.0)	520,900	4.7

* 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 21.7%.

NOTE 6 SURPLUS

	($ thousands)	
	2014	**2013**
Surplus at beginning of year	$ 50,457	$ (303,423)
Increase in net assets available for benefits	419,973	477,275
Net increase in pension obligation	(394,625)	(123,395)
Surplus at end of year	$ 75,805	$ 50,457

NOTE 7 CONTRIBUTIONS

	($ thousands)	
	2014	**2013**
Current service		
Employers	$ 126,851	$ 107,843
Employees	74,314	62,887
Past service		
Employers	646	1,258
Employees	1,598	2,505
	$ 203,409	$ 174,493

NOTE 8 INVESTMENT INCOME

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

	($ thousands)			
	Income	Changes in Fair Value	2014 Total	2013 Total
Money market and fixed income	$ 30,753	$ 14,438	$ 45,191	$ 3,320
Equities				
Canadian	56,330	4,540	60,870	65,065
Foreign	222,868	(6,301)	216,567	395,474
Private	22,334	(2,245)	20,089	14,277
	301,532	(4,006)	297,526	474,816
Inflation sensitive				
Real estate	11,003	11,195	22,198	26,904
Infrastructure	5,536	3,761	9,297	12,360
Private debt	-	-	-	3,973
Real return bonds	20,915	28,826	49,741	(45,410)
	37,454	43,782	81,236	(2,173)
Strategic opportunities and tactical allocation	(7,854)	1,525	(6,329)	2,649
	$ 361,885	$ 55,739	$ 417,624	$ 478,612

The change in fair value includes realized gains and losses on disposal of pool units totaling $74,606 and unrealized losses on pool units totalling $(18,867).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and writedowns of securities held in pools which 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:

	2014	2013	2012	2011	2010
			in per cent		
Increase in net assets attributed to:					
Investment income					
Policy benchmark return on investments	12.0	14.9	9.8	1.5	10.7
Value (lost) added by investment manager	(0.7)	-	2.5	0.9	(0.5)
Total return on investments [(a)]	**11.3**	**14.9**	**12.3**	**2.4**	**10.2**
Other sources [(b)]	0.8	1.1	1.0	0.4	0.9
Per cent change in net assets [(c)]	**12.1**	**16.0**	**13.3**	**2.8**	**11.1**
Per cent change in pension obligation [(c)]	**11.6**	**3.7**	**4.3**	**6.5**	**6.1**
Per cent of pension obligation supported by net assets	**102**	**101**	**91**	**84**	**87**

(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 10.1% (PBR: 9.7%), ten years is 7.4% (PBR: 7.4%) and twenty years is 8.3% (PBR: 8.2%). The benchmark return reported for 2013 has been restated to conform with changes made by AIMCo subsequent to the completion of the 2013 financial statements. As a result the benchmark return changed from 15.1% to 14.9%.

(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) 2014	2013
Retirement benefits	$ 161,427	$ 151,775
Disability benefits	315	339
Termination benefits	14,885	15,062
Death benefits	5,809	3,289
	$ 182,436	$ 170,465

NOTE 11 INVESTMENT EXPENSES

	($ thousands) 2014	2013
Amounts charged by AIMCo for:		
Investment costs [(a)]	$ 19,318	$ 15,215
Performance based fees [(a)]	5,253	4,553
GST [(b)]	1,867	-
	26,438	19,768
Amounts charged by Treasury Board and Finance for :		
Investment accounting and Plan reporting	52	52
Total investment expenses	$ 26,490	$ 19,820
Increase in expenses [(a)]	33.7%	41.2%
Increase in average investments under management	13.9%	14.7%
Investment expenses as a percent of:		
Dollar earned	6.3%	4.1%
Dollar invested	0.7%	0.6%
Investment expenses per member	$ 2,422	$ 1,908

(a) Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

The per cent increase in investment costs and performance based fees is 24.2% (2013: 41.2%).

(b) Two-thirds of GST paid in 2014 and two-thirds of GST recorded as a receivable in prior years (2011-2013) has been determined to be unrecoverable and was expensed in 2014.

NOTE 12 ADMINISTRATIVE EXPENSES

	($ thousands) 2014	2013
General administration costs	$ 2,136	$ 1,874
Board costs	93	136
Actuarial fees	97	164
Other professional fees	168	224
	2,494	2,398
Member service expenses per member	$ 228	$ 231

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 $28,984 (2013: $22,218) or $2,650 (2013: $2,139) per member and 0.75% (2013: 0.64%) 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 $3,541,981 at December 31, 2014 (2013: $3,180,568).

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, 2014 (see Note 1b).

NOTE 15 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2014 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.