Universities Academic Pension Plan

2014 Annual Report

PROFILE

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000. The UAPP became an independent pension plan registered under the Employment Pension Plans Act (Alberta) and the Income Tax Act (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, is responsible for administering the Plan and investing the Fund.
- The UAPP is financed by employer and employee contributions, and by investment earnings. The Alberta Government also contributes towards eliminating the unfunded liability for service before 1992.
- The UAPP has approximately 7,640 active members, 1,700 deferred members and 4,700 pensioners.
- The UAPP Fund's market value at the end of 2014 was $3,768 million.

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GOVERNANCE OF THE PLAN

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP members and stakeholders,
- prudent investment of the Fund,
- seeking stable contribution rates within the funding requirements of the EPPA,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to conduct the UAPP business better.

Board Composition

The Board of Trustees (Board) of the UAPP oversees the Plan. The Board is composed of five employer trustees and four employee trustees. However, the total votes carried by the employer trustees are the same as the votes carried by the employee trustees. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

Board Mandate

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

GOVERNANCE OF THE PLAN

Administration Service Provider

Buck Consultants

Member Pension inquiries:
155 Wellington Street West
Suite 3000
Toronto ON M5V 3H1
Attn: UAPP Administrator
Phone: 1.866.709.2092
Email: uappadmin@acs-hro.com

Pensioner Payroll Provider

CIBC Mellon Global Securities Services Company

Pensioner Payroll inquiries:
CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
Phone: 1.800.565.0479
Email: www.CIBCMellon.com

2014 Board & Committees

Actuarial
Phyllis Clark (Chair)
Estelle Lo
Paul Rogers
Eric Wang

Employee Board Appointees
Paul Rogers (Vice-Chair)
Geoffrey Hale
Aditya Kaul
Eric Wang

Investment
Phyllis Clark (Chair)
Aditya Kaul (Vice-Chair)
Linda Dalgetty
Geoffrey Hale
Bob Normand
Andrew Tambone
Damon Williams

Employer Board Appointees
Nancy Walker (Chair)
Phyllis Clark
Linda Dalgetty
Gillian Danby
Estelle Lo

Audit
Nancy Walker (Chair)
Paul Rogers (Vice-Chair)
Gillian Danby

Investment Management
Alberta Investment Management Corp.
Beutel Goodman & Company Ltd.
Fiera Capital Corporation

Asset Consultants & Actuary
Aon Hewitt

Auditor
KPMG LLP

Contact the Board
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Management Team

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GOVERNANCE OF THE PLAN

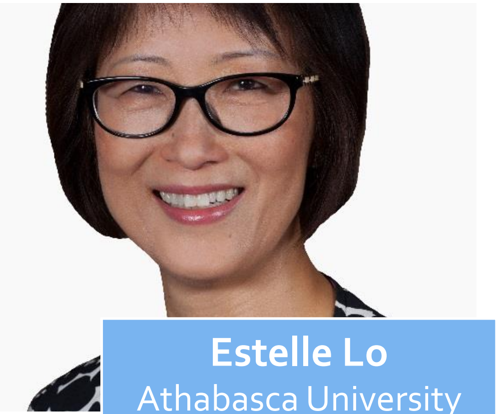
Phyllis Clark
University of Alberta

Linda Dalgetty
University of Calgary

Gillian Danby
Banff Centre

Geoffrey Hale
University of Lethbridge

Aditya Kaul
University of Alberta



Estelle Lo
Athabasca University

Paul Rogers (Vice-Chair)
University of Calgary

Nancy Walker (Chair)
University of Lethbridge

Eric Wang
Athabasca University

CHAIR'S MESSAGE

The Board continues to focus on keeping the UAPP on a sound financial footing and securing your benefits under the UAPP. 2014 was a good year and I am pleased to present the UAPP's Annual Report for the year. The purpose of the Report is to provide our members and other stakeholders with a comprehensive update on the Plan's progress in 2014. The Report provides the financial statements, describes the accomplishments and discusses the challenges that lie ahead for the Plan.

In 2014, the UAPP Fund returned 12.2%. This is a good return in absolute and relative terms and is in the first quartile of balanced pension fund returns. This is the third straight year that we have achieved double-digit returns which have significantly exceeded the investment return assumed for actuarial valuation purposes. This solid investment performance resulted from strong returns mainly from our public equity investments. The UAPP Fund grew by $410.4 million during 2014 to end the year with $3.77 billion in assets.

Based on the actuarial extrapolation, the actuarial liabilities are $4.7 billion at December 31, 2014, an increase of $368.6 million from 2013. The resulting actuarial deficiency has decreased by $25.3 million to end the year at $1.14 billion. The funding position of the Plan then has increased marginally from 73.1% to 75.7%. The legacy issues associated with the pre-1992 service continue to provide challenges to the funding position of the Plan. The Board endeavours to focus on Plan funding and asset performance to ensure sufficient assets are available to meet the future obligations and secure Plan benefits.

The UAPP continues to face challenges similar to other Canadian defined benefit pension plans. At the last actuarial valuation, the discount rate or interest rate used to calculate the present value of the liabilities was lowered to 6.25% from 6.4%. Downward pressure on discount rates persists due to the enduring low long-term interest rate environment and a reduced long-term outlook for investment returns. The next valuation will include the full impact of adopting the new mortality tables to reflect improvements in mortality. Due to the recent significant reductions in operating budgets at the universities, our active membership has decreased over the last two years which negatively impacts the amount of contributions flowing into the Plan and provides a smaller pool to pay for adverse experience in the future.

In order to provide a more complete review of the financial health of the Plan, the Board will undertake an actuarial valuation as at December 31, 2014. This will allow for the review and adjustment, where appropriate, of the actuarial assumptions used for the valuation and provide an assessment of the impact of any changes. As mentioned previously, the Board is committed to maintaining the Plan on a sound financial footing.

The Investment Committee and the Board continue to monitor the performance of the Fund and developments in the capital markets on an ongoing basis. The Investment Committee and the Board also regularly review the UAPP's investment policies and asset mix. The Board, on the recommendation of the Investment Committee, will commence an asset liability modeling study during 2015, in order to review the Fund's risk/return profile and adjust the Fund's asset mix where appropriate.

The Board works closely with the Plan Sponsors on issues related to the Plan, particularly changes required to the Sponsorship and Trust Agreement (STA) and the unfunded liability for pre-1992 service. The STA is being amended in order to comply with changes to Alberta's pension legislation that were made during 2014.

The Board places a high priority on quality services to members and is pleased to note members continue to be provided with excellent service, as shown by the performance against the standards set in ten key areas of service vital to our members. The details of the standards and related performance are included in the section dealing with Plan Administration in this Report.

We regularly update UAPP members and other stakeholders through publications such as the quarterly Communiqué and the website. A call centre is also available to members seeking information about the UAPP. The Retirement Planning tool that is available through the website is heavily used by the members. The Trustees' Office also provides pension information sessions when requested by employers.

CHAIR'S MESSAGE

The Board would like to express its gratitude to Andrew Tambone and Damon Williams for agreeing to join the Investment Committee as external members. They, along with Bob Normand, give generously of their time as external members of the Investment Committee and I thank them.

Our relationship with our investment managers is vital to the successful execution of the Board's investment policies. In this regard, we thank the staff at Alberta Investment Management Corporation, Beutel Goodman & Company Ltd., and Fiera Capital Corporation for their service to the UAPP during the year and look forward to our on-going cooperative and mutually beneficial relationship.

On behalf of the Board, I would like to also thank Linda Bonneville, Dan Ferguson and Jake Gebert who left the Board during the year. They were a pleasure to work with and provided valuable contributions to the Board. I would like to welcome Linda Dalgetty, Gillian Danby, Geoffrey Hale and Eric Wang to the Board. Eric was previously a Trustee for 8 years and I look forward to working with all of them.

I want to thank my colleagues on the Board for their service to the UAPP and personal support and guidance to me in my role as Chair.

The Board relies on a small team to carry out its mandate. On behalf of the Board, it is my great pleasure to acknowledge and thank our strong team at the Trustees' Office for their dedication and service to the UAPP.

Nancy Walker
Chair, Board of Trustees

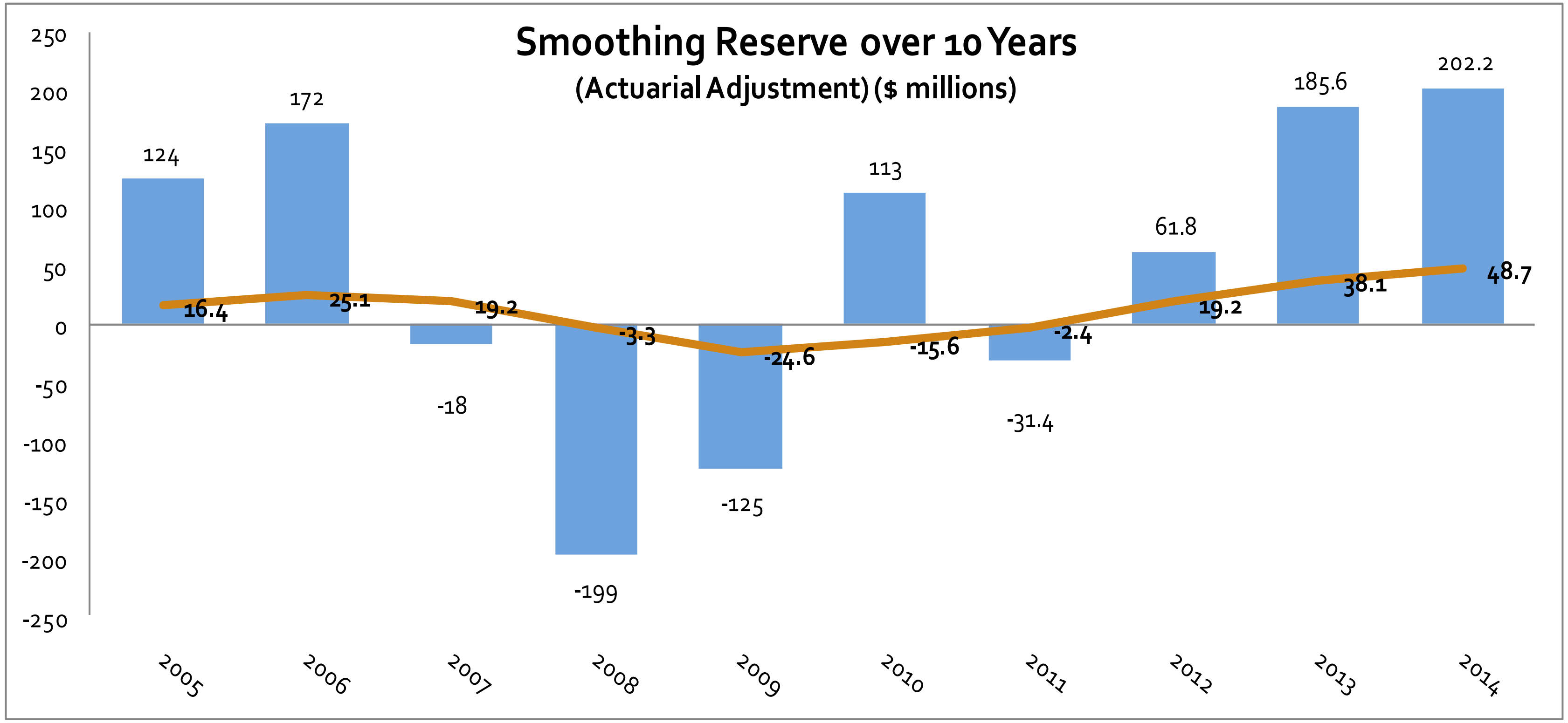
Financial Position of the Plan

The Plan's Assets

The market value of the Plan's assets grew to $3,767.6 million at December 31, 2014, increasing by 12.2% from the Fund value of $3,357.2 million at the same time in 2013. All of the growth came in investment returns of 12.2% in 2014 which followed returns of 13.1% in 2013 and 11.8% in 2012. The most recent actuarial valuation assumed that the Fund would earn 6.25% per year starting in 2013. Despite contribution rates increasing July 1, 2014, contributions only exceeded benefit payments by $7.4 million as a result of a significant number of retirements in 2014.

$ Millions	December 31, 2014			December 31, 2013		
Service Period	Pre-92	Post-91	Total	Pre-92	Post-91	Total
Fair Value of Net Assets	824.9	2,942.7	3,767.6	826.0	2,531.2	3,357.2
Actuarial Adjustment	(51.0)	(151.2)	(202.2)	(52.5)	(133.1)	(185.6)
Actuarial Value of Net Assets	773.9	2,791.5	3,565.4	773.5	2,398.1	3,171.6
Accrued Pension Liability	1,677.6	3,030.4	4,708.0	1,626.1	2,713.3	4,339.4
Actuarial Deficiency	(903.7)	(238.9)	(1,142.6)	(852.6)	(315.2)	(1,167.8)
Funded Ratio	46.1%	92.1%	75.7%	47.6%	88.4%	73.1%

The actuarial value of the Fund grew to $3,565.4 million at the end of 2014 from $3,171.6 million in 2013. The December 31, 2014 actuarial value of the Fund is $202.2 million lower than the market value. To calculate the actuarial value of the assets, the Fund uses a 3-year averaging of the differences between the rates of return assumed in the actuarial valuation and the market rates of return, as described in Note 14 of the Financial Statements. This method smooths the volatility in market values for the determination of the funding requirements under the Employment Pension Plans Act. In capital markets that exceed the Plan's assumed rate of return, the Fund builds up a reserve that can be used when the markets perform below the assumed rate. In 2013, the investment return was higher than the actuarially assumed return and, as a result, the Plan had a smoothing reserve of $185.6 million at December 31, 2013. Since the investment return in 2014 is also higher than the actuarially-assumed return of 6.25%, the smoothing reserve has increased to $202.2 million to offset future lower-than-expected returns. The smoothing reserve has fluctuated from $202.2 million to -$199 million, averaging $48.7 million over the last 10 years.



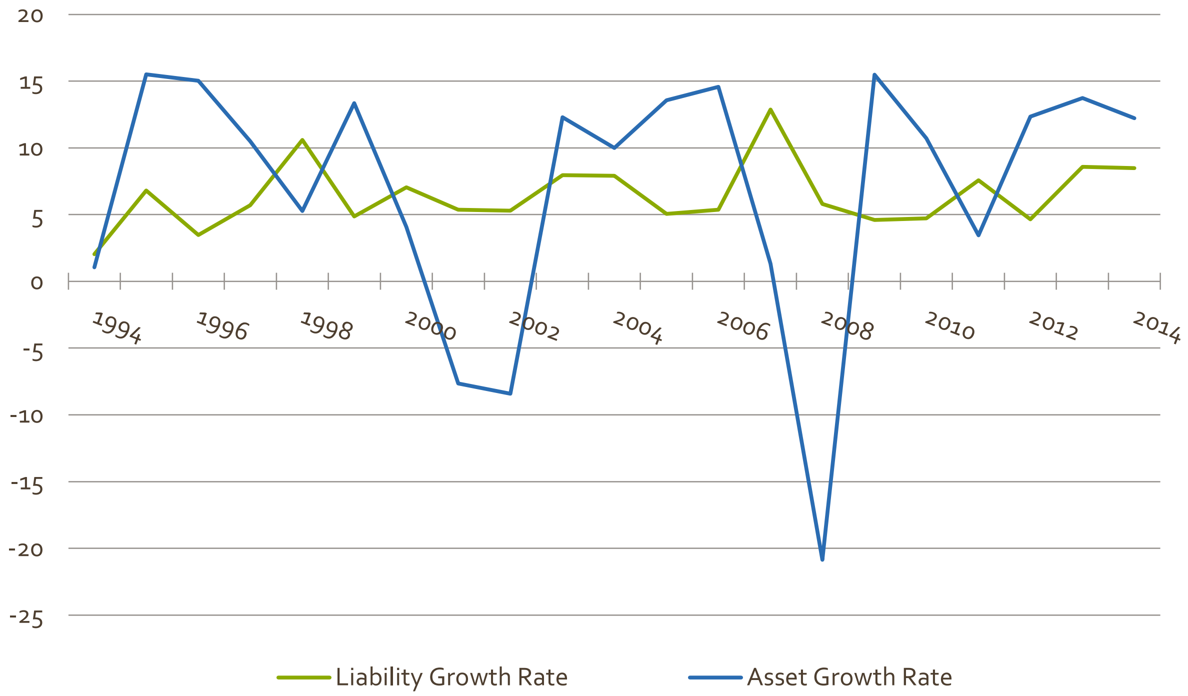
Financial Position of the Plan

THE PLAN'S LIABILITIES

The total liability in the Plan as at December 31, 2014 is calculated to be $4,708.0 million as compared to $4,339.4 million at the end of 2013, representing an increase of 8.5% year over year. The liability in both this and last year's financial statements are based on extrapolations of the liability calculated in the December 31, 2012 actuarial valuation. An actuarial valuation using data as of December 31, 2014 is expected to be completed in 2015 and should be available for use in the 2015 financial statements.

Actuarial valuations and extrapolations use a number of assumptions about economic and demographic factors. For the extrapolation for the 2014 financial statements, the only change made from the 2013 financial statements was to the assumed mortality table. In 2014, the Canadian Institute of Actuaries released a set of new tables based on recent mortality experience of Canadian pensioners. Pension plans will soon be required to adopt these new tables.

Comparison of Asset and Liability Annual Growth Rates



Note: Plan liability based on valuation results for even years and extrapolation for odd years.

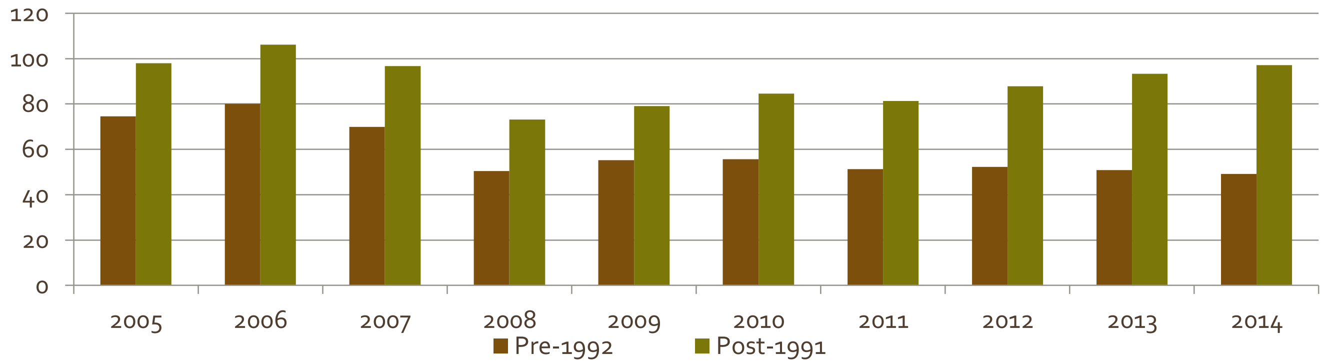
To reflect emerging trends in capital and labour markets and other areas, the Board has undertaken a full actuarial valuation every two years with adjustments to contribution rates as necessary to keep the Plan on a sound financial track. As such, the Board will push forward with an actuarial valuation as at December 31, 2014. The assumptions used in the 2012 valuation will be reviewed by the Board in light of the historical experience of the Plan and the advice of the Plan's actuary.

THE PLAN'S FUNDED RATIO

As a result of the return on assets exceeding the extrapolated increase in the liability during 2014, the Plan's funded ratio on a market-value basis increased to 80.0% in 2014 from 77.4% in 2013. The funded ratio on an actuarial value basis was 75.7% since the actuarial value of assets was $202.2 million lower than the market value. The funded ratio on an actuarial value basis was 73.1% in 2013.

On the actuarial value basis, the funded ratio for pre-1992 service is 46.1% while the funded ratio for post-1991 service is 92.1%. The unfunded liability for pre-1992 service is accounted for separately from the rest of the Plan because, under the rules established by the Government of Alberta, that deficit is amortized such that it will be eliminated by the end of 2043. The Government of Alberta pays a fixed contribution equal to 1.25% of total salary towards this unfunded liability and the employers and employees share equally in the balance of the required contribution. The employer and employee contributions are adjusted at each actuarial valuation as necessary to amortize the unfunded liability over a period ending in 2043. The funded ratio for pre-1992 service has eroded from 47.6% at the end of 2013 to 46.1% at the end of 2014. The funded ratio should continue to erode due mainly to the long amortization period for the elimination of the unfunded liability.

Funded Status on the Pre-1992 and Post-1991 Service
based on Market Value of Assets (percentage funded)



Financial Position of the Plan

The Government of Alberta's share of the contributions towards the pre-1992 unfunded liability was approximately 50% when the cost-sharing was first established in the early 1990s. It now stands at 30% of the total contributions towards the pre-1992 unfunded liability.

The unfunded liability for post-1991 service has been fully funded in the past and is expected to be fully funded in the future. The funded ratio for post-1991 service is significantly impacted by investment returns. Any unfunded liability related to this service is amortized over 15 years in accordance with pension legislation and contributions are shared between employers and employees.

Looking to the Future

The UAPP is a defined benefit pension plan with benefits based on a member's highest average salary. A cost-of-living adjustment equal to 60% of Alberta inflation is guaranteed and applied to deferred pensions and pensions in pay. The liability held in the Plan is determined by calculating the benefits earned by members using assumptions in the actuarial valuation. A number of different assumptions are required in the valuation but generally fall in two categories: economic and demographic. Economic assumptions are used to project inflation, salary increases, the return on Plan assets (the "discount rate"), etc. The demographic assumptions include such things as the rates of retirement and termination at various ages, mortality experience, proportion of members with a spouse, spouse age difference, etc.

The Plan's liabilities are expected to grow with inflation, wage growth, and general improvements in life expectancy. Of course, each active member also accrues service for each additional year of membership, further increasing the Plan's liabilities. By nature, the liabilities are equal to the present value of the benefits earned to date that will be payable at some unknown point in the future. To calculate the present value, actuaries use the discount rate which equals the rate expected to be earned by the fund. This discount rate is determined based on the Plan's asset mix and has been trending downward over the last few years. This trend has occurred because long bond rates are a component of the fund and have been quite low for the last several years. In the mid-1990s, long Government of Canada bonds yielded over 8%. Today the same bond yields only 2.3%. To obtain a potentially higher rate of return, the Plan has to invest in equities. However, this comes with a higher risk that the Plan's asset returns would deviate from the expected return.

MANAGEMENT DISCUSSION & ANALYSIS
Financial Position of the Plan

Based on return expectations of the Plan's entire asset mix, a discount rate of 6.25% is used. A 1% decline in this discount rate, while holding inflation and wage rates constant, is estimated to increase current service costs by 4.1% of salary and add $649.3 million to the accrued liability, a 13.8% increase from the current level.

On the asset side, the UAPP's returns, like those of most other defined benefit plans, rely heavily on healthy markets. These returns have a direct impact on the funding position of the Plan and, as a result, on the required contribution rates. While oil price declines have made for challenging times for the Government of Alberta, the UAPP Fund is a highly-diversified portfolio with a clearly defined mix of asset types which include Canadian and foreign equities, bonds, real estate, infrastructure, and timberlands. For the past three years, investment returns have exceeded expectations and have had a positive impact on the funding position. These gains on investments have chipped away at the Plan's deficits.

However, the asset side is only half of the equation in terms of the Plan's health. The other half relates to the liability side. The gains from asset returns exceeding the assumed rate of return have recently been partially offset by unexpected increases on the liability side. There are three such increases that are particularly worth noting. Firstly, interest rates have remained at historic lows much longer than expected which has resulted in high commuted value payouts. Secondly, the number of active members in the Plan has remained relatively constant meaning that the salary base, from which contributions are derived, has not grown as previously assumed. As a result, contributions into the Plan have been less than expected. Thirdly, life expectancy has increased more than projected, resulting in lifetime pension payments being paid for longer than assumed.

At each actuarial valuation, the Board reviews the assumptions closely and makes changes as needed to ensure they reflect actual Plan experience and to help reduce the risk of passing the cost of today's benefits on to future generations.

INVESTMENT BELIEFS AND APPROACH

As discussed in previous Annual Reports, the development of the UAPP's strategic, long-term investment policy is based on several key beliefs.

1. There is a relationship between risk and return. Achieving higher returns generally requires exposure to higher risks. The relationship between risk and return are more predictable over the longer term. Equities will, in the long term, provide greater returns than fixed income investments although with greater short-term volatility. The long term strategic asset allocation decision is the most important factor in determining investment risk and return.
2. In establishing the asset mix policy of the Fund, the liabilities of the Plan should be taken into consideration. As an example, inflation has a direct impact on the UAPP's liabilities. Investments in inflation-sensitive assets like Real Return Bonds, Real Estate and Infrastructure are a way of managing the inflation risk.
3. Diversification within and across asset classes can reduce risk over the long term without compromising expected returns and is a prerequisite to prudent fund management. Exposure to foreign currencies as a result of moderate levels of foreign investments can provide diversification benefits. Currency hedging should only be undertaken on an opportunistic basis.
4. Over the long term, longer term bonds will outperform cash and shorter term bonds. Longer term bonds will outperform during periods of stable and declining interest rates, but will underperform during periods of significantly rising interest rates. Relative to shorter term bonds, longer term bonds generally provide better matching with the Plan's liabilities thus reducing the volatility of the required contributions and funded status.

5. Active management will serve the Plan better than passive management in most asset classes. Markets are efficient to varying degrees, and short term deviations from long term fundamentals can occur. Therefore, there is an expectation for skilled managers to add value and/or reduce risk relative to passive exposure to the market. The opportunity for value added and/or reduced risk from active management should be weighed against the incremental cost relative to passive market exposure.

6. Over the long term, but not necessarily in most years, investment in a value stock portfolio will tend to produce performance similar to or better than investment in a growth stock portfolio, and the performance of the value stock portfolio will be less volatile.

7. A specialist manager structure offers a number of benefits over a balanced manager structure including the potential to hire the best manager for each asset class, greater flexibility to replace underperforming funds, and the ability to make use of passive investment funds for appropriate asset classes.

8. With respect to foreign equities, global mandates are preferred over combinations of U.S. and International equity mandates because global mandates allow managers more flexibility and greater opportunities to add value.

9. Market timing is not seen as an effective strategy for generating consistent returns. Therefore, a rebalancing protocol around the strategic asset mix is seen as the most effective way of ensuring that portfolio risk does not drift materially above or below the intended risk level.

10. Investment managers should be monitored regularly for changes in ownership, investment process and philosophy, key investment personnel, and for investment returns against relevant peer groups and indices. Managers may be terminated on the basis of qualitative issues even if investment returns are acceptable. Investment returns should be evaluated over at least a 4-year period. Emphasis should be placed, not only on the level of returns, but also on the amount of risk taken to achieve those returns. Tracking error should be assessed in terms of the impact on volatility of the Plan's required contributions and funded status.

These beliefs require an investment approach that seeks to obtain higher long-term returns while containing the volatility in short-term results. This goal underlies the UAPP's investment policy and risk management measures.

INVESTMENT POLICY

The UAPP's investment policies are based on the investment beliefs and expectations of the Board and are set out in the Statement of Investment Policies & Goals (SIP&G). The asset mix policy, or the Fund's long-term allocation to the different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that the Board diversifies its investments across asset classes and attempts a balance between the objective of higher long-term returns and the need to reduce shorter-term volatility in those returns.

The Board, through its Investment Committee, monitors on an ongoing basis the performance of the Fund, the funded status of the Plan, capital markets and economic developments and expectations. Based on this monitoring, the Board may make adjustments to the asset mix and take other appropriate measures to control risk or improve returns. The Board reviews the SIP&G at least once a year.

MANAGEMENT DISCUSSION & ANALYSIS
Investment Report

This table compares the Board's current Long-term Policy Asset Mix benchmark and ranges to the actual asset mix of investments for 2014 and 2013. A copy of the full text of the UAPP's SIP&G is available on the UAPP website www.uapp.ca under Publications.

As can be seen from the table, the Plan holds a highly-diversified portfolio of investments in fixed income securities, Canadian and foreign equities, alternative investments and strategic opportunities. This includes participation in both passively and actively managed pooled investment funds. The Plan invests in units of pooled investment funds which are created and managed by investment managers. Pooled fund units have a market-based unit value that is used to allocate income to participants in the pool and to value purchases and sale of units. There are thousands of securities held in various pooled investment funds. These securities are bought and sold on a daily basis. The Plan has a broad global diversification across publicly traded equities and fixed income which increases opportunities to add value. In addition, the Fund's investments in real estate and infrastructure provide better cash yields that grow with inflation.

	2014				2013			
Asset Class	**Benchmark %**	**Min**	**Max**	**Actual %**	**Benchmark %**	**Min**	**Max**	**Actual %**
Money market and fixed Income								
Cash & short term	0.0	0.0	1.0	0.3	0.0	0.0	1.0	0.5
Universe bonds	10.0	8.0	12.0	8.7	10.0	8.0	12.0	8.8
Private mortgages	5.0	3.0	7.0	4.9	5.0	3.0	7.0	3.0
Long duration bonds	10.0	8.0	12.0	10.2	10.0	8.0	12.0	9.9
Real return bonds	7.0	5.0	9.0	6.6	7.0	5.0	9.0	6.5
	32.0	**26.0**	**38.0**	30.7	32.0	**26.0**	**38.0**	28.7
Public equities								
Canadian	17.5	15.0	20.0	17.5	17.5	15.0	20.0	17.7
Foreign								
Global	33.5	30.0	35.0	31.2	33.5	30.0	35.0	32.9
Emerging markets	4.0	0.0	5.0	7.6	4.0	0.0	5.0	7.9
	55.0	**50.0**	**60.0**	56.3	55.0	**50.0**	**60.0**	58.5
Alternative investments								
Real estate	8.0	5.0	11.0	7.3	8.0	5.0	11.0	7.1
Infrastructure and private debt & loan	4.0	1.0	6.0	3.9	4.0	1.0	6.0	3.9
Hedge funds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Timberland	1.0	0.0	1.0	0.8	1.0	0.0	1.0	0.9
	13.0	**6.5**	**17.0**	12.0	13.0	**6.5**	**17.0**	11.9
Strategic opportunities	-	-	-	1.0	-	-	-	0.9
Total	100.0			100.0	100.0			100.0

The Plan's money market and fixed income portfolio is exposed to credit risk and interest rate risk through bond and mortgage holdings and derivative products. Based on the view that currencies are a zero-sum game in the long-run, currency exposure to foreign equity markets is largely unhedged. Up to 25% of the Plan's foreign currency exposure can be hedged. Therefore, unless currency exposure is hedged, the returns from foreign markets will be impacted by changes in the exchange rate of the Canadian dollar.

INVESTMENT MANAGEMENT

UAPP engages three investment managers to manage its investment portfolio. Beutel, Goodman & Company Ltd. and Fiera Capital Corporation manage Canadian long bond and universe bond portfolios totaling 18.9% of total investments. The majority of UAPP's investments totaling 81.1% are managed by AIMCo. AIMCo manages UAPP's public equity investments, alternative investments, private mortgages and real return bonds.

Beutel, Goodman & Company Ltd. is a privately owned Canadian company founded in 1967, with over $30 billion in assets under management. Fiera Capital Corporation was established in 2003 and has $77.5 billion in assets under management. AIMCo is a provincial corporation, established on January 1, 2008, reporting to the Minister Treasury Board and Finance. In total, AIMCo administers investment portfolios of approximately $84 billion on behalf of other public sector pension plans and the Government of Alberta. These investment managers invest the UAPP's assets subject to the investment policies set out in the Board's SIP&G. The investment managers manage the majority of the Plan's investments through pooled investment funds.

To mitigate implementation risk, clearly defined benchmarks, guidelines, standards and controls have been established at both the total Fund and asset class levels. Investment managers have the flexibility to act within the prescribed limits in order to add value over the policy. Both compliance with the SIP&G and performance against the specified benchmarks are monitored formally on a quarterly basis. The Board has retained an independent asset consultant, Aon Hewitt, to provide evaluation of investment managers on a regular basis.

Proxy Voting

Proxy voting is an important tool in corporate governance. The Board delegates responsibility for proxy voting to investment managers. Pension funds are to be managed in the best interests of beneficiaries. This principle governs the voting of proxies. The UAPP Board considers proxy voting to be a key element of responsible investing and that thoughtful voting is a contributor to optimizing the long term value of investments.

Risk Management

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

Investment risk management is a key focus for the Board and the investment managers. Investment managers seek to measure and monitor both historic and possible future risks, allocating risk as a scarce resource to the most promising investment opportunities. A quantitative investment risk system is designed to operate across all asset classes and a variety of risk types such as credit risk, price risk, interest rate risk, currency risk and liquidity risk.

The UAPP monitors the risk of the Plan's liabilities in relation to the investment assets.

Evaluating Investment Performance

A key assumption in calculating the Plan's liabilities is the long-term real rate of return, i.e. the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this assumption. Over the last several valuations, the Plan's actuary has used a long-term real rate of return 4.0% in estimating the liabilities and, therefore, this number is the long-term investment return target for the Plan.

Investment Report

The Plan's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks. In this case, the performance of the Plan is measured against a policy benchmark return calculated using the Plan's policy allocation to each asset class and the market index return for the specific class.

While investment performance can be compared to other funds, this comparison is meaningful only to the extent that the funds being compared have similar investment objectives, risks and constraints and policies. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities.

Investments: $3.749 billion
(2013: $3.339 billion)

Return on Investments: 12.2%
(2013: 13.1%)

Investment Income: $417.8 million
(2013: $402.2 million)

Investment Expense: $12.8 million
(2013: $11.8 million)

2014 Investment Performance

At December 31, 2014, the fair value of the Plan's investments totaled $3.749 billion, up from $3.339 billion at the end of the previous year.

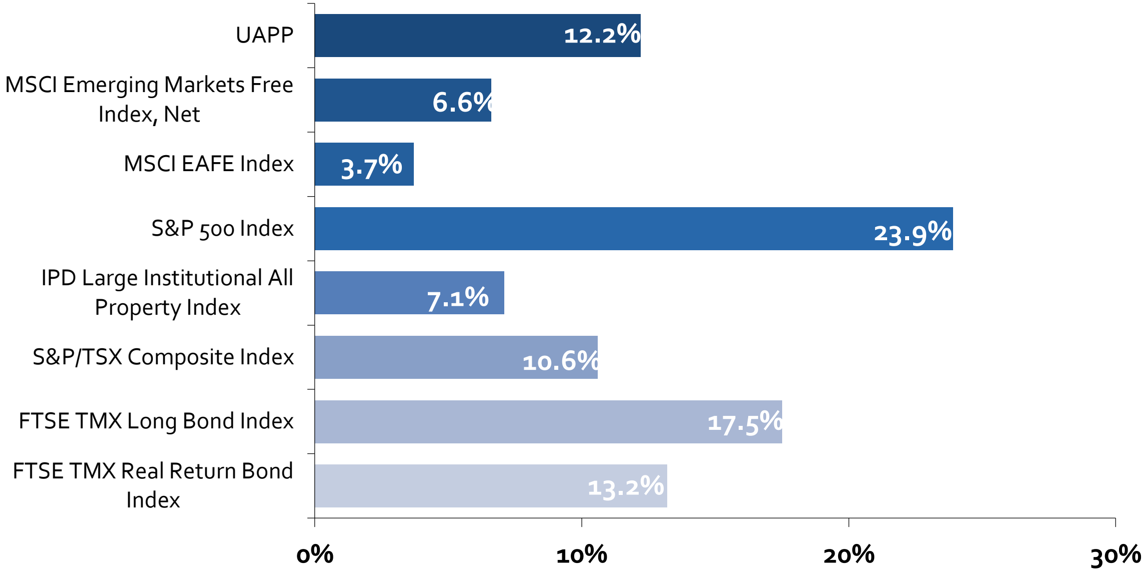
Overall, UAPP finished the 2014 year earning an overall investment return of 12.2%, after expenses, compared to 13.1% in 2013.

The year started out strong with UAPP earning 4.5% on its investments in the 1st quarter. The market had lower returns beginning in the 2nd quarter with UAPP's investments earning 3.0%. In the 3rd quarter and 4th quarter, investments earned 2.1% and 2.0% respectively for a final year end return of 12.2%.

Investment Report

The following chart summarizes the market returns in Canadian dollars from various indices around the world and the overall return of UAPP for 2014.

Returns for Major Markets and the UAPP



Outside of Canada, the Morgan Stanley Capital International (MSCI) Emerging Markets Free Index gained 6.6% in 2014 in Canadian dollars compared to a gain of 4.0% in 2013.

The MSCI EAFE Index covering Europe, Australasia and the Far East, gained 3.7% in Canadian dollars compared to a gain of 31.1% in 2013. Approximately 20% (2013: 21%) of the Plan's investments are denominated in currencies other than the Canadian and U.S. dollar including the Euro which comprises 4% (2013: 4%) of the Plan's investments. At December 31, 2014, one Euro was worth $1.40 Canadian compared to $1.47 Canadian at the beginning of the year.

The Standard & Poor's (S&P) 500 Index, which tracks the performance of the top 500 American companies, gained 23.9% in Canadian dollars (13.7% in U.S. dollars) compared to 41.4% in Canadian dollars (32.3% in U.S. dollars) in 2013.

Approximately 19% (2013: 20%) of the Plan's investments are denominated in U.S. dollars. The weaker Canadian dollar in relation to the U.S. dollar had a positive impact on the value of U.S. dollar investments held by the Plan. At December 31, 2014, one U.S. dollar was worth $1.16 Canadian compared to $1.06 Canadian at the beginning of the year. As a result, U.S. dollar investments were worth more when translated into Canadian dollars at December 31, 2014 resulting in higher returns in Canadian dollars.

Investment Report

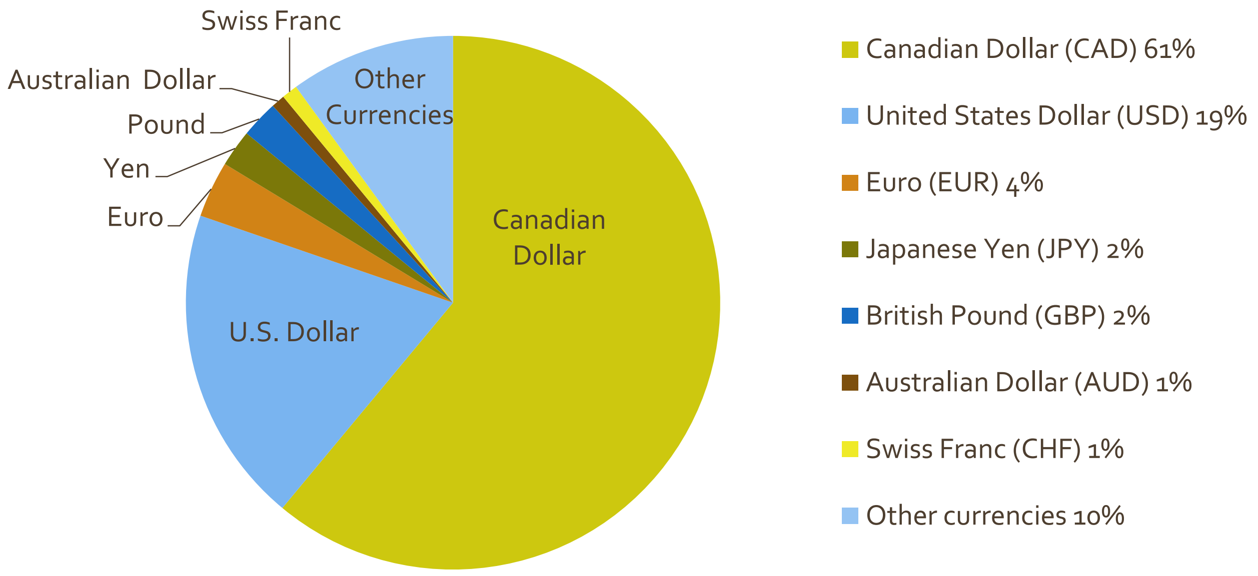
The Canadian real estate market represented by the IPD Large Institutional All Property Index increased by an estimated 7.1% in 2014 compared to an increase of 10.9% in 2013.

The Canadian stock market represented by the S&P Toronto Stock Exchange (TSX) Composite Index gained 10.6% in 2014 compared to a gain of 13.0% in 2013.

The FTSE TMX Long Bond Index and the FTSE TMX Real Return Bond Index posted gains of 17.9% and 13.2% respectively compared to losses of 6.2% and 13.1% in 2013.

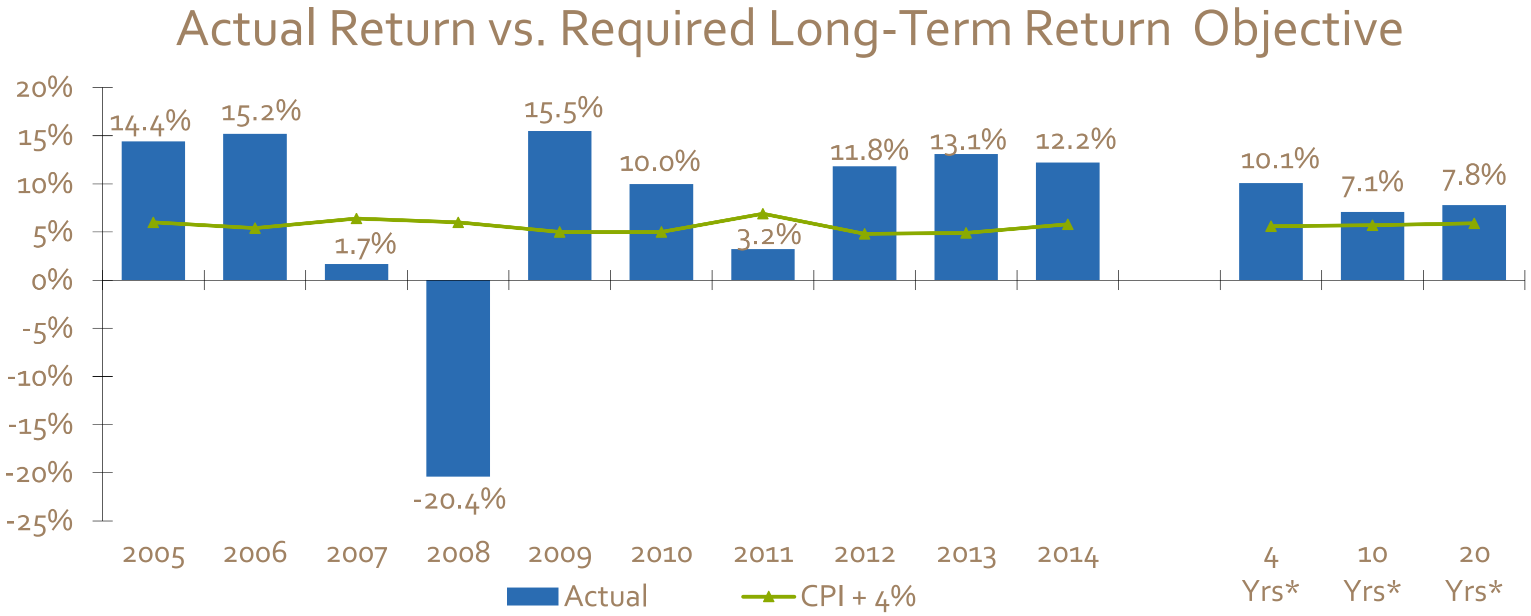
The table below shows UAPP's exposure to foreign currencies and its investments in Canadian dollars.

UAPP Investments by Currency



MANAGEMENT DISCUSSION & ANALYSIS

Investment Report



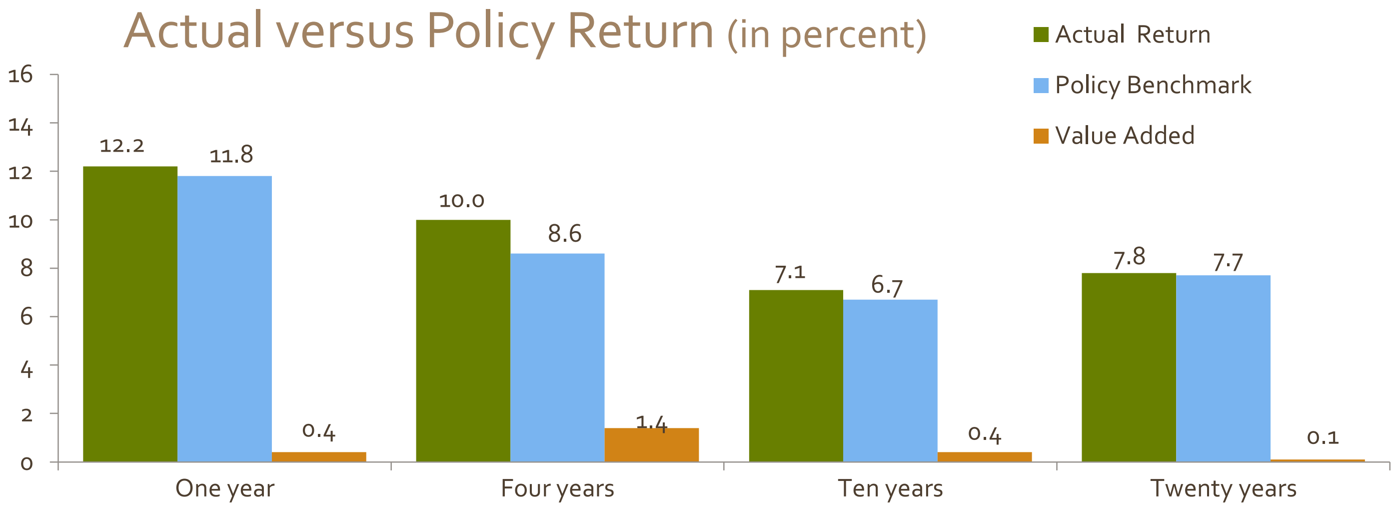
The chart on the left compares the Plan's actual return over one year and annualized returns over four, ten and twenty years against the Plan's required long-term investment return (i.e. asset real rate of return of 4.0% plus inflation as measured by the Consumer Price Index (CPI)).

The Plan's annualized returns over four, ten and twenty years are 10.1%, 7.1% and 7.8% respectively. Over four, ten and twenty years the Plan's actual investment return is greater than the Plan's long-term expected return of CPI plus 4.0%.

ACTUAL VERSUS POLICY RETURN

According to the Plan's SIP&G, the Board has set a performance goal based on the expectation that investment management will add 0.5% per annum over a four-year period beyond the passively managed market-based policy benchmark.

Over the past four years, the value added by investment management decisions was 1.4% per annum.



PERFORMANCE BY ASSET CLASS

FIXED INCOME

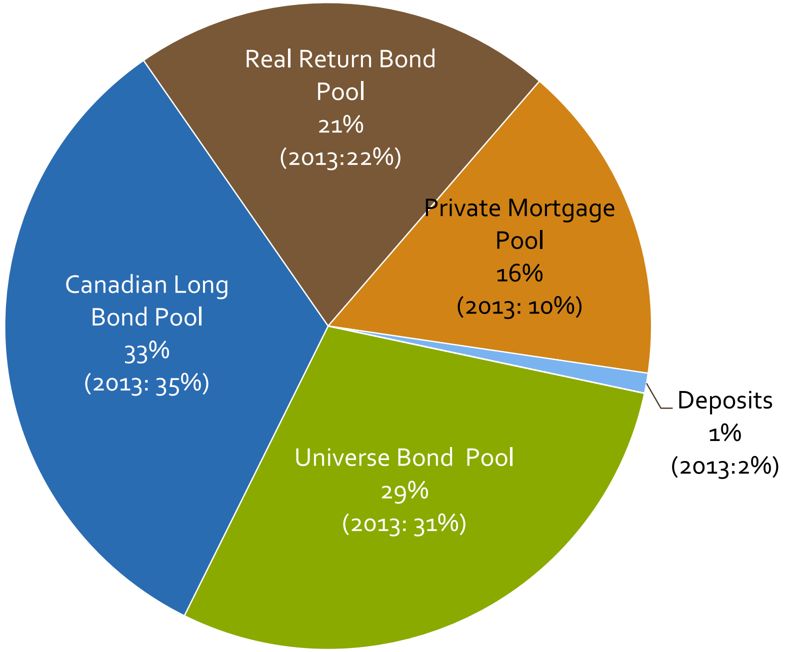
At December 31, 2014, fixed income holdings comprise 30.7% of the Plan's total investments or $1,149 million compared to 28.7% or $958 million at December 31, 2013. The Canadian long bond portfolio and the universe bond portfolio are primarily managed by Beutel, Goodman & Company Ltd. and Fiera Capital Corporation. AIMCo manages private mortgages, real return bonds and deposits in the Consolidated Cash Investment Trust Fund.

In 2014, the Plan's total fixed income securities gained 11.7%, 0.8% less than the combined benchmark gain of 12.5%.

Total Fixed Income	Actual Return %	Benchmark Index Combined Benchmark* %	Net Value Added (lost) %
One year	11.7	12.5	(0.8)
Four year	5.9	5.7	0.2

* The combined benchmark includes the FTSE TMX Long Bond Index, FTSE TMX Real Return Bond Index FTSE TMX Universe Bond Index and FTSE TMX 91-Day T-Bill Index.

Summary of Fixed Income Holdings
(by pooled investment fund)



CANADIAN EQUITIES

At December 31, 2014, Canadian public equities represented 17.5% of the Plan's total investments or $656 million up from 17.7% or $591 million at the end of the previous year. The Plan's Canadian equity portfolio is invested 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.

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
	100.0	

In 2014, the Canadian equity portfolio gained 12.3%, 1.7 % greater than the benchmark gain of 10.6%.

Total Canadian Equities	Actual Return %	Benchmark Index S&P/TSX Composite %	Net Value Added %
One year	12.3	10.6	1.7
Four year	7.6	5.1	2.5

FOREIGN EQUITIES

At December 31, 2014, foreign public equities comprised 38.8% of the Plan's total investments or $1,455 million compared to 40.0% or $1,362 million the previous year. UAPP's global public equity portfolio consists of units owned in AIMCo's Global Equities Master Pool (80%) and Emerging Markets Equity Pool (20%).

In 2014, the foreign public equity portfolio gained 14.4%, 1.6% better than the benchmark gain of 12.8%.

Total Foreign Equities	Actual Return %	Benchmark Index Combined Benchmark* %	Net Value Added (lost) %
One year	**14.4**	**12.8**	**1.6**
Four year	**12.9**	**11.6**	**1.3**

* The combined benchmark includes the MSCI All Country World Index and the MSCI Emerging Markets Index.

GLOBAL EQUITIES MASTER POOL

The Plan's global equity portfolio is invested in units of AIMCo's Global Equities Master Pool. The Pool's investment in global developed equity markets consists of countries whose economies and capital markets are well established and mature. The Pool's global developed portfolio 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.

In 2014, the Plan's global equity portfolio gained 15.4%, 1.9% greater than the MSCI All Country World Index gain of 13.5%.

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)
	100.0	

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

Region	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)
	100.0	

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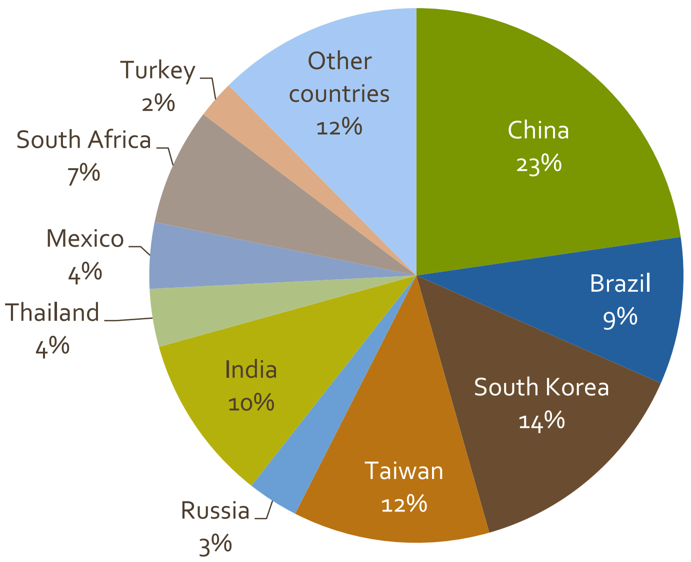
Emerging Markets Pool

Approximately 20% of UAPP's foreign equity portfolio includes an investment in AIMCo's Emerging Market Pool which holds actively managed investments in economies which are in the early stages of development and whose market has sufficient size and liquidity and is receptive to foreign investment.

In 2014, the Plan's emerging markets portfolio gained 10.4%, 0.2% more than the MSCI Emerging markets Index gain of 10.2%.

Top Ten Countries in Emerging Markets Pool



Strategic Opportunities Pool

At December 31, 2014, the UAPP's investment in strategic opportunities comprised 1.0% of total Plan investments or $38 million compared to 0.9% or $30 million at the end of the previous year. AIMCo's Strategic Opportunities Pool consists of investments in infrastructure and hydropower in emerging market countries in Brazil and Columbia. In 2014, the strategic opportunities investment gained 16.0%.

Alternative Investments

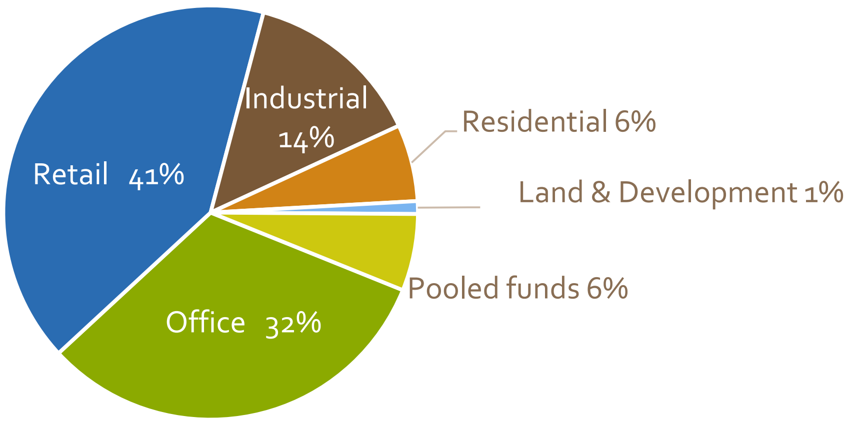
Alternative investments totaling $451 million or 12.0% (2013: $399 million or 11.9%) of the Plan's total portfolio includes real estate, infrastructure and private debt and timberland investments. In 2014, the Plan's actual gain from alternative investments was 6.2%, 1.1% less than combined benchmark gain of 7.3%. Over four years, the annualized return was 11.9%, 2.3% greater than the combined benchmark gain of 9.6%.

Real Estate

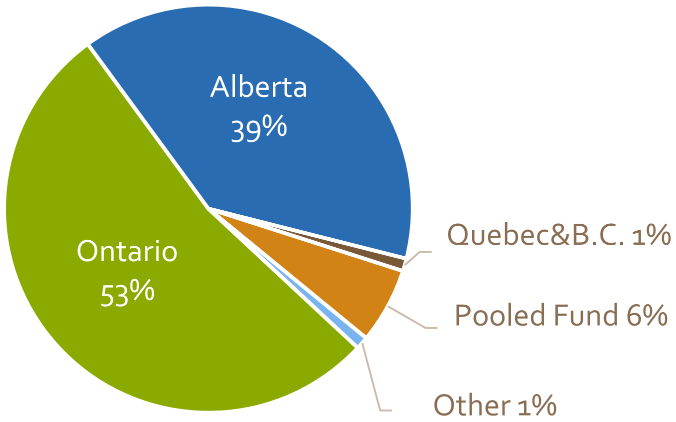
At December 31, 2014, real estate investments comprised 7.3% of the Plan's total investments or $276 million compared to 7.1% or $238 million the previous year. Real estate investments provide diversification, high cash flow and are expected to provide protection from inflation. The UAPP invests in AIMCo's Private Real Estate Pool which includes a mix of office, retail, industrial and residential properties located in Ontario, Alberta, Quebec and British Columbia.

In 2014, the Plan's actual gain from real estate investments was 6.4%, 0.7% less than the estimated benchmark gain of 7.1%.

Private Real Estate Pool by Sector



Private Real Estate Pool by Province



Real Estate	Actual Return %	Benchmark Index IPD Large Institutional All Property Index %	Net Value Added %
One year	**6.4**	**7.1**	**(0.7)**
Four year	**14.7**	**11.9**	**2.8**

PRIVATE INCOME (INFRASTRUCTURE AND PRIVATE DEBT AND LOAN)

Private Income	Actual Return %	Benchmark Index Consumer Price Index (CPI) Plus 6% %	Net Value Added %
One year	8.1	8.0	0.1
Four year	7.8	7.4	0.4

At December 31, 2014, the UAPP's investment in AIMCo's Infrastructure and Private Debt and Loan Pools comprised 3.9% of total Plan investments or $145 million compared to 3.9% or $130 million at the end of the previous year. The investment in infrastructure pools, totaling $99 million (2013: $92 million), includes projects that provide attractive returns and include projects in transportation (e.g. toll roads, airports, ports and rails), power (e.g. contracted power generation and power transmission pipelines) and utilities (e.g. water, waste water and natural gas networks). The investment in the Private Debt and Loan Pool, totaling $46 million (2013: $38 million), include investments in debt instruments such as senior secured debt and convertible debt which are generally unrated or non-investment grade.

In 2014, investments in infrastructure and private debt and loan gained 8.1%, 0.1% more than the benchmark gain of 8.0%.

TIMBERLAND

Timberland	Actual Return %	Benchmark Index Consumer Price Index (CPI) Plus 4% %	Net Value Added %
One year	(2.9)	6.0	(8.9)
Four year	10.5	5.6	4.9

At December 31, 2014, the UAPP's investment in AIMCo's Timberland Pool comprised 0.8% of total Plan investments or $31 million compared to 0.9% or $31 million at the end of the previous year. The Timberland investment includes forestry land in Canada and globally. The investment in Canada represents an interest in a limited partnership which holds forestry land and land held for higher and better use in the Province of British Columbia. The foreign investment primarily includes forestry and agricultural land in Australia and New Zealand.

In 2014, the Timberland investment lost 2.9% versus the benchmark gain of 6.0%.

Investment Report

TABLE OF INVESTMENT RETURNS

(A) Changes to returns resulting from revaluation of investments at December 31, 2014 will be reflected in the next reporting period.

(B) The overall benchmark return for 2013 has been decreased from 11.4% to 11.2% resulting from a change in the real estate benchmark from 13.0% to 10.9%.

(C) The Consumer Price Index (CPI) is reported on a one month lagged basis.

	December 31, 2014 Investments (in millions)	December 31, 2014 Asset Mix (%)	Annual Returns 2014 %	Annual Returns 2013 (restated B) %	Annual Returns 2012 %	Annual Returns 2011 %	Annual Returns Annualized 4 yr %
Total Fund	$ 3,748.5	100.0%	12.2	13.1	11.8	3.2	10.0
Policy Return			11.8	11.2	9.4	2.6	8.6
Value Added (Lost) from Active Management			0.4	1.9	2.4	0.6	1.4
Consumer Price Index (C)			1.8	0.9	0.8	2.9	1.6
Total Fixed Income	$ 1,148.7	30.7%	11.7	(5.0)	5.3	14.1	5.9
Combined Benchmarks			12.5	(5.6)	4.1	15.3	5.7
Short-term fixed income	12.8	0.3%	1.2	1.2	1.2	1.2	1.2
FTSE TMX 91-Day T-Bill Index			0.9	1.0	1.0	1.0	1.0
Universe Bonds	327.0	8.7%	7.4	0.4	7.5	8.2	5.6
Private Mortgages	182.0	4.9%	9.7	0.4	4.5	10.9	6.3
FTSE TMX Universe Bond Index			8.8	(1.2)	3.6	9.7	5.1
Long Duration Bonds	383.0	10.2%	15.5	(6.3)	5.3	16.8	7.8
FTSE TMX Long Bond Index			17.5	(6.2)	5.2	18.1	8.7
Real Return Bonds	243.9	6.6%	13.5	(12.5)	3.1	18.1	4.8
FTSE TMX Real Return Bond Index			13.2	(13.1)	2.9	18.3	4.6
Total Public Equities	$ 2,111.1	56.3%	13.8	24.5	15.1	(5.9)	11.3
Combined Benchmark			12.2	23.2	11.8	(6.4)	9.7
Total Canadian Equities	656.3	17.5%	12.3	15.5	12.2	(7.9)	7.6
S&P/TSX Composite Capped			10.6	13.0	7.2	(8.7)	5.1
Foreign Equities			14.4	28.7	16.3	(5.2)	12.9
Global Equities	1,169.1	31.2%	15.4	35.5	16.1	(2.9)	15.2
Emerging Markets	285.7	7.6%	10.4	5.4	17.0	(18.7)	2.6
MSCI ACWI Index and MSCI Emerging Markets Index			12.8	28.1	13.8	(5.6)	11.6
Alternative Investments	$ 450.9	12.0%	6.2	11.0	12.8	17.7	11.9
Combined Benchmark			7.3	10.4	11.3	10.7	9.6
Real Estate	275.5	7.3%	6.4	12.7	17.3	23.2	14.7
IPD Large Institutional All Property Index (B)			7.1	10.9	13.8	15.9	11.9
Infrastructure and Private Debt and Loan (A)(B)	144.7	3.9%	8.1	4.7	7.9	10.5	7.8
CPI plus 6%			8.0	6.9	6.8	8.9	7.4
Timberland (A)(B)	30.7	0.8%	(2.9)	28.4	(0.4)	20.0	10.5
CPI plus 4%			6.0	4.9	4.8	6.9	5.6
Strategic Opportunities	$ 37.8	1.0%	16.0	9.0	4.0	15.4	14.1

Administrative Report

The Board is responsible for the operation and administration of the UAPP, including the collection of member data and contributions, the calculation and payment of pensions and related benefits, and the communication of pension information to members, pensioners and employers. The 2014 results in these areas are as follows.

Active Membership & Contributions

Active membership in the UAPP decreased 0.2% in 2014 to 7,640 members at December 31, 2014 from 7,652 at the end of 2013. Over the last decade, active membership in the UAPP has grown on average at a rate of 2.6%. As a result of higher salaries and a mid-year increase in contribution rates, total contributions received from employers, employees and the Province of Alberta grew by 4.1%, to $231.1 million in 2014 from $221.9 million in 2013.

Pensioners & Benefit Payments

In 2014, the number of retired members and surviving spouses of pensioners receiving a pension from the UAPP increased by 7.0% to 4,745 from 4,434 in 2013. During the year, the total payments to pensioners rose by 7.3% (2013: 5.9%), to $197.6 million from $184.2 million in 2013. Pensioners were granted a cost-of-living increase of 0.72% effective January 1, 2014. The most popular pension choice among the new retirees with a spouse is a Joint Life pension.

Terminated And Deferred Members

Termination benefits amounting to $26.0 million (2013: $21.2 million) were paid during the year to or on behalf of former members of the UAPP. The number of terminated members who continue to have funds in the Plan increased to 1,720 at the end of 2014 from 1,672 in 2013.

Administrative Report

Plan Expenses

In 2014, the UAPP's general plan expenses amounted to $2.0 million ($145 per member) compared to $1.7 million ($128 per member) in 2013.

Participation	2014	2013
Active Members	7,640	7,652
Deferred Members*	1,720	1,672
Pensioners	4,745	4,434
TOTAL	**14,105**	**13,758**

*includes non-vested, terminated members

New Pensioners	2014	2013
Normal Retirements	100	94
Early Retirements	186	174
Pensions to Surviving Spouses	9	8
TOTAL	**295**	**276**

New Pensioner Retirement Choices

Percentage Electing Option	2014	2013
Single life – with or without guarantee	30%	22%
Joint life – 2/3 spouse, no guarantee	7%	19%
Joint life – 2/3 spouse, 10-year guarantee	11%	19%
Joint life – 100% spouse, no guarantee	15%	14%
Joint life – 100% spouse, 10-year guarantee	37%	26%
TOTAL	**100%**	**100%**

Monthly Payment Distribution As at December 31, 2014

Dollar Value ($) Per Month	Member Pensions	Spouse Pensions	Total
1 to 999	684	23	707
1,000 to 1,999	602	37	639
2,000 to 2,999	622	35	657
3,000 to 3,999	683	21	704
4,000 to 4,999	739	11	750
5,000 to 5,999	583	6	589
6,000 to 6,999	372	7	379
7,000 and over	318	2	320
TOTAL	**4,603**	**142**	**4,745**

MANAGEMENT DISCUSSION & ANALYSIS
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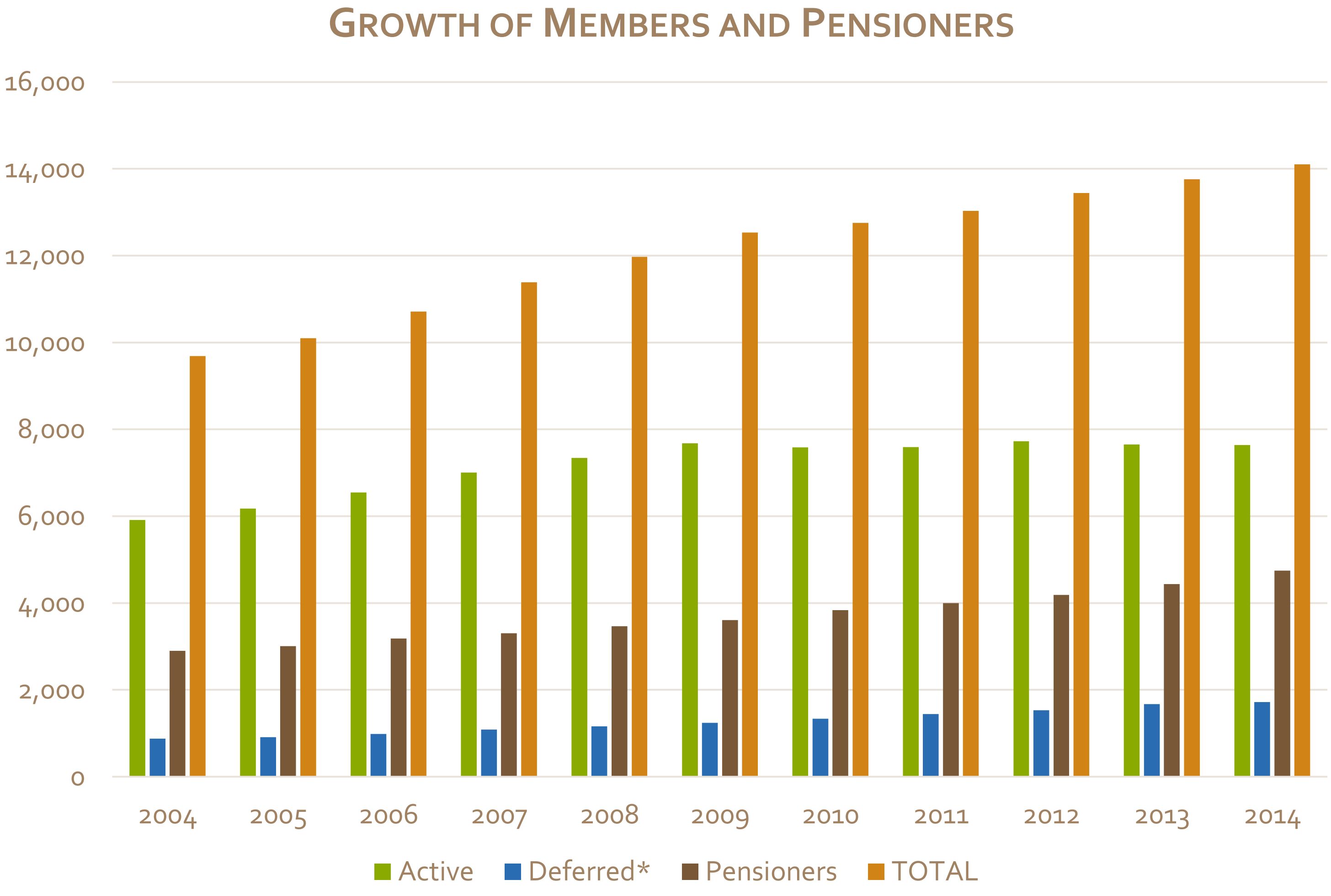
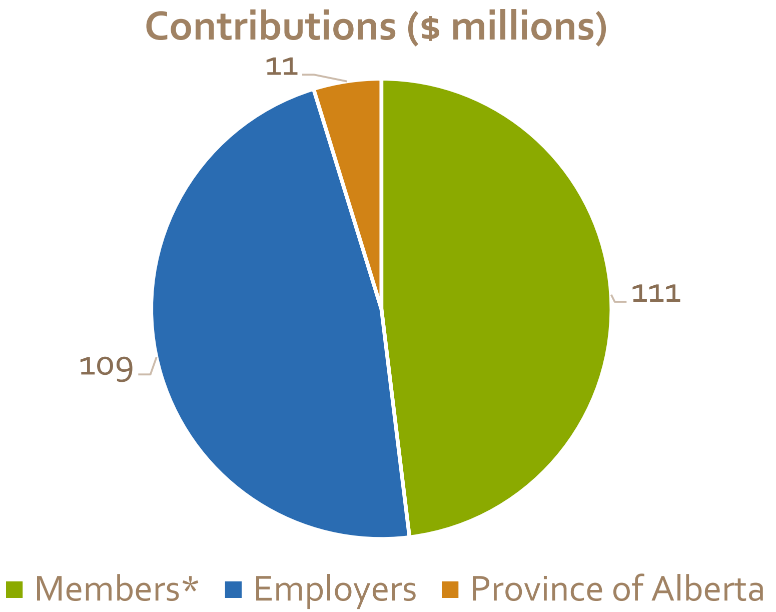
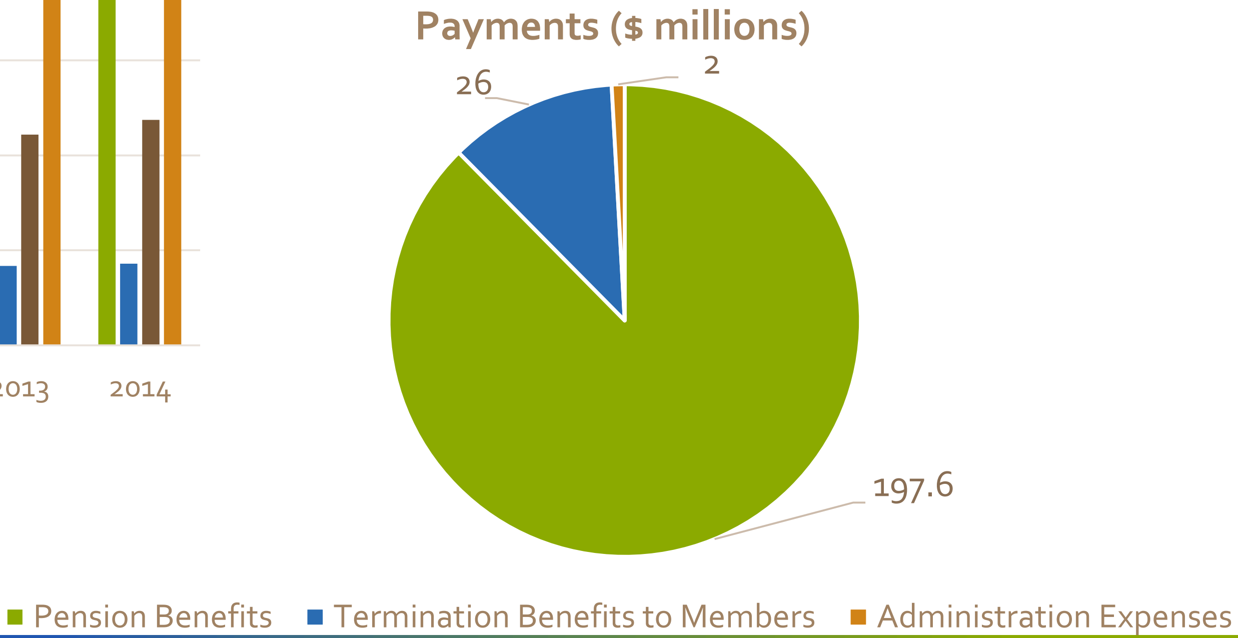


*includes non-vested, terminated members



*members' contributions include optional service contributions



Administrative Report

SERVICE TO MEMBERS

The UAPP's goal is to provide high-quality pension services in a timely manner to members. To assess and promote quality service, service standards have been established and the delivery of services against those standards is closely monitored.

Service standards of direct interest to members are as follows:

Responsibilities	Service Level Standards	2014 Results
Time to answer calls	80% of calls answered within 20 seconds with a call abandonment rate below 5%	97.9% of calls answered within 20 seconds with a call abandonment rate of 3.4%
Escalated calls and voice mails	Answered within 1 business day	100% of calls answered within 1 business day
Emails	Answered within 2 business days	100% of emails answered within 2 business days
Written enquiries	Answered within 5 business days	100% of written enquiries answered within 5 business days
Statement of options on termination	5 business days from receipt of all required information	96.8% of options on termination issued within 5 business days from receipt of all required information
Statement of options on retirement	5 business days from receipt of all required information	98.8% of options on retirement issued within 5 business days from receipt of all required information
Statement of options on death	5 business days from receipt of all required information	100% of options on death issued within 5 business days from receipt of all required information
MPO* estimate requests	5 business days from receipt of all required information	100.0% of MPO estimates issued within 5 business days from receipt of all required information
MPO final calculations	10 business days from receipt of all required information	100% of MPO final calculations issued within 10 business days from receipt of all required information
MPO payment authorization	3 business days from receipt of all required information	100% of all MPO payment authorizations issued within 3 business days from receipt of all required information

*Matrimonial Property Order

MANAGEMENT DISCUSSION & ANALYSIS
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PLAN COMMUNICATIONS

Member Handbooks were updated and posted to our website in February 2014, and the Communiqué was issued quarterly to update members and employers on topical subjects related to UAPP and pensions. Personal annual statements were made available to members in May giving the details of their entitlements to the end of 2013. To promote member understanding of the UAPP, the Trustees' Office continued to offer employers pension seminars for groups of employees as well as one-on-one information sessions.

Plan members and others visited the UAPP website in greater numbers than in 2013 as there were over 45,000 hits on the site in 2014. Popular subjects of interest included Contact Us, Board of Trustees information, "What's New", About Us, Communiques, Links, Information Sheets, Member Handbook, Contribution Rates, and Annual Report. In early 2015, the Trustees' Office launched a significant update to the website which includes many new features.

Plan members also continued to make greater use of the Buck helpline for pension-related information. In 2014, there were over 2,800 calls handled by the call center. Plan members accessed the Retirement Planner over 6,600 times during 2014.

OTHER DEVELOPMENTS IN 2014

- Enhanced employer annual reporting requirements came into practice and was well-received by the employers.
- Work was done on creating a re-designed UAPP website which was launched in early 2015.
- A fourth pensioner audit commenced in 2014 in accordance with the audit policy.
- The Pension Benefits Administration User Group increased the frequency of meetings to three times per year to encourage more discussion of common issues.
- More member information seminars and one-on-one member sessions were offered than in any prior year.
- Made administrative and governance changes required as a result of new pension legislation.

THE YEAR AHEAD

Key plans for 2015 include:

- Continue to develop improvements to re-designed UAPP website.
- Audit approximately 25% of the pensioners.
- Offer more member information seminars and one-on-one member sessions.
- Promote the use of the website to encourage member and employer self-service.
- Improve service by expanding direct delivery to members where possible.
- Work with stream-lined employer data reporting for completion of the 2014 year-end.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2014 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian accounting standards for pension plans and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2014 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management Corporation (AIMCo), Beutel, Goodman & Company Ltd. and Fiera Capital Corporation, acting as investment managers, and Buck Consultants and CIBC Mellon, acting as pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Dave Schnore
Executive Director

Chris Schafer
Director, Finance & Administration

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Universities Academic Pension Plan

We have audited the accompanying financial statements of Universities Academic Pension Plan, which comprise the statement of financial position as at December 31, 2014, the statements of changes in net assets available for benefits and changes in pension obligation for the year then ended, and notes, comprising 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Universities Academic Pension Plan as at December 31, 2014, and the 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.

KPMG LLP

Chartered Accountants
Edmonton, Canada
April 29, 2015

Statement of Financial Position

As at December 31, 2014

	($ thousands) 2014	2013
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 3,748,524	$ 3,339,297
Contributions receivable		
Employers	9,363	8,366
Employees	9,461	8,463
Province of Alberta	798	1,024
Accounts receivable and accrued investment income	160	578
Total Assets	3,768,306	3,357,728
Liabilities		
Accounts payable and accrued liabilities	732	566
Total Liabilities	732	566
Net assets available for benefits	3,767,574	3,357,162
Pension obligation and deficit		
Pension obligation (Note 5)	4,708,000	4,339,400
Deficit (Note 6)	(940,426)	(982,238)
Pension obligation and deficit	$ 3,767,574	$ 3,357,162

The accompanying notes are part of these financial statements.

Statement of Changes In Net Assets Available For Benefits

For the year ended December 31, 2014

	($ thousands) 2014	2013
Increase in assets		
Contributions (Note 7)	$ 231,059	$ 221,855
Investment income (Note 8)	417,823	402,229
	648,882	624,084
Decrease in assets		
Benefit payments (Note 10)	(223,642)	(205,390)
Investment expenses (Note 11)	(12,778)	(11,801)
Administrative expenses (Note 12)	(2,050)	(1,739)
	(238,470)	(218,930)
Increase in net assets	410,412	405,154
Net assets available for benefits at beginning of year	3,357,162	2,952,008
Net assets available for benefits at end of year	$ 3,767,574	$ 3,357,162

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

For the year ended December 31, 2014

	2014			2013
($ thousands)	Pre-1992	Post-1991	Total	Total
Increase in pension obligation				
Interest accrued on pension obligation	$ 101,600	$ 178,700	$ 280,300	$ 264,900
Benefits earned	-	146,500	146,500	142,300
Actuarial assumption changes (Note 5(a))	81,700	84,900	166,600	126,400
Net experience loss	-	-	-	37,000
Cost-of-living experience loss (gain)	3,200	2,600	5,800	(15,700)
	186,500	412,700	599,200	554,900
Decrease in pension obligation				
Benefits paid, including interest	135,000	95,600	230,600	212,000
Net increase in pension obligation	51,500	317,100	368,600	342,900
Pension obligation at beginning of year	1,626,100	2,713,300	4,339,400	3,996,500
Pension obligation at end of year	$ 1,677,600	$ 3,030,400	$ 4,708,000	$ 4,339,400

The accompanying notes are part of these financial statements.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

Effective January 1, 2001, the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the Employment Pension Plans Act of Alberta. The Plan is also registered under the Income Tax Act. The Plan's registration number is 0339572. The Plan operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

a) GENERAL

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre.

In addition, employees of the Board of Trustees and the professional staff of the University of Calgary Faculty Association, the Association of Academic Staff University of Alberta and the Athabasca University Faculty Association also participate in the Plan.

b) FUNDING POLICY

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions are equally split between employees and employers.

NOTE 1 (CONTINUED)

Under the Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203), the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

The contribution rates in effect from July 1, 2014 for employees of the Universities of Alberta, Calgary and Lethbridge, employees of the Board of Trustees, and the professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta were 11.82% of pensionable salary up to the YMPE, 15.02% on pensionable salary above the YMPE and up to the pensionable salary cap, and 1.44% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

The contribution rates in effect from July 1, 2014 for employees of Athabasca University, The Banff Centre and the professional staff of the Athabasca University Faculty Association were 11.32% of pensionable salary up to the YMPE and 14.52% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% higher than employees. In addition, employees and employers provide equal matching contributions of 1.44% on earnings above the pensionable salary cap.

c) RETIREMENT BENEFITS

The Plan provides for a pension based upon the average pensionable salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the average YMPE for the same five years as used in calculating the average pensionable salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension for service before 1994 if they have attained age 55.

NOTE 1 (CONTINUED)

Members are entitled to an unreduced pension for service after 1993 if they have either attained age 60 or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55.

Members who become disabled and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

d) DEATH BENEFITS

Death benefits are payable on the death of a member. A surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, a lump sum payment must be paid.

e) TERMINATION BENEFITS

Members who terminate and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

NOTE 1 (CONTINUED)

f) DISABILITY BENEFITS

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

g) OPTIONAL SERVICE TRANSFERS

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

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 (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").

Contracts to buy and sell financial instruments in the pools are between the investment managers and the third parties 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. The investment managers control 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 the investment managers (see Note 3(b)). 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.

NOTE 2 (CONTINUED)

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by the investment managers on the fourth business day following the year end. Differences in valuation estimates provided to 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.

NOTE 2 (CONTINUED)

d) INVESTMENT EXPENSES

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

e) CONTRIBUTIONS, BENEFIT PAYMENTS AND ADMINISTRATIVE EXPENSES

Contributions, benefit payments, administrative expenses and related accounts receivable and payable are recorded on an accrual basis.

f) 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. A valuation must be performed 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.

g) 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.

NOTE 2 (CONTINUED)

Measurement uncertainty exists in the valuation of the Plan's pension obligation, private investments, real estate and timberland pools. 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, real estate and timberland pools 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, real estate and timberland 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 assumption or other changes and net experience gains or losses in the statements 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.

h) 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. The Plan's assets are managed in accordance with the Statement of Investment Policies and Goals (SIP&G) 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 the pool units. The investment managers are delegated authorities 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**
Fixed income					
Cash and short-term securities	$ -	$ 12,765	$ -	$ 12,765	$ 16,714
Bonds and mortgages	-	709,957	182,012	891,969	725,979
Real return bonds	-	243,921	-	243,921	214,962
	-	966,643	182,012	1,148,655	957,655
Public equities					
Canadian	484,488	171,818	-	656,306	591,189
Global	910,194	188,930	69,937	1,169,061	1,097,120
Emerging markets	254,439	31,328	-	285,767	264,763
	1,649,121	392,076	69,937	2,111,134	1,953,072
Alternatives					
Real estate	-	-	275,531	275,531	238,377
Infrastructure and private debt and loans	-	-	144,731	144,731	129,942
Timberland	-	-	30,675	30,675	30,650
	-	-	450,937	450,937	398,969
Strategic opportunities *	-	-	37,798	37,798	29,601
Total investments	$ 1,649,121	$ 1,358,719	$ 740,684	$ 3,748,524	$ 3,339,297

* Strategic opportunities relates to investments not included in other asset classes that are made on an opportunistic basis (see Note 4).

NOTE 3 (CONTINUED)

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 totaling $1,649,121 (2013: $1,395,877).
- 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 totaling $1,358,719 (2013: $1,388,920). 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 and all alternative investments totaling $740,684 (2013: $554,500).

Reconciliation of Level 3 Fair Value Measurements:

($ thousands)

	2014	2013
Balance, beginning of year	$ 554,500	$ 447,535
Investment income	47,147	47,184
Purchases of Level 3 pooled fund units	178,973	117,152
Sale of Level 3 pooled fund units	(39,936)	(57,371)
Balance, end of year	$ 740,684	$ 554,500

NOTE 3 (CONTINUED)

b) Valuation of Financial Instruments in the Pools

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

- ***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.

- ***Public 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.

- ***Alternatives:*** 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. The fair value of infrastructure investments is estimated by managers or general partners of infrastructure 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. Private debt and loans is valued similar to private mortgages. The fair value of timberland investments is appraised annually by independent third party evaluators.

- ***Strategic opportunities:*** 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.

NOTE 3 (CONTINUED)

- ***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 4(f)). 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. 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.

NOTE 4 (CONTINUED)

The investment policies and procedures of the Plan are clearly outlined in the SIP&G approved by the Board. The purpose of the SIP&G 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 4(b)).

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 ($ thousands)	2014 %	Actual Asset Mix 2013 ($ thousands)	2013 %
Fixed income	26 - 38%	$ 1,148,655	30.7	$ 957,655	28.7
Public equities	50 - 60%	2,111,134	56.3	1,953,072	58.5
Alternatives	6.5 - 17%	450,937	12.0	398,969	11.9
Strategic Opportunities	[a]	37,798	1.0	29,601	0.9
		$ 3,748,524	100.0	$ 3,339,297	100.0

[a] Up to 5% of the fund may be invested on an opportunistic basis in investments that are not part of any other asset class.

NOTE 4 (CONTINUED)

a) Credit risk

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools. 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 table below summaries these debt securities by counterparty credit rating at December 31, 2014:

Credit rating	2014	2013
Investment Grade (AAA to BBB-)	84.5%	90.0%
Speculative Grade (BB+ or lower)	0.0%	0.0%
Unrated	15.5%	10.0%
	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 4(f)). 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

NOTE 4 (CONTINUED)

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 Plan participates 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 Fund's Share of securities loaned under this program is $164 million (2013: $131 million) and collateral held totals $172 million (2013: $138 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 value of investments denominated in foreign currencies is 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 39% (2013: 42%) of the Plan's investments, or $1,461 million (2013: $1,386 million), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (19%) and the Euro (3%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 3.9% (2013: 4.2%) of total investments.

NOTE 4 (CONTINUED)

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

($ millions)

	2014		2013	
Currency	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
US dollar	$ 722	$ (72)	$ 669	$ (67)
Euro	128	(13)	142	(14)
British pound	85	(9)	84	(8)
Japanese yen	84	(8)	80	(8)
Swiss franc	36	(4)	40	(4)
Australian dollar	31	(3)	38	(4)
Other foreign currencies	375	(37)	333	(33)
Total foreign currency investments	$ 1,461	$ (146)	$ 1,386	$ (138)

c) Interest rate risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in pooled investment funds. 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 5.2% (2013: 2.8%) of total investments.

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 the pools. If equity market indices (S&P/TSX, S&P500, S&P1500

NOTE 4 (CONTINUED)

and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 5.6% (2013: 5.4%) of total investments. 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 4(f)).

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. Derivative financial instruments are used 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.

NOTE 4 (CONTINUED)

By counterparty	Number of counterparties	Plan's Indirect Share ($ thousands) 2014	2013
Contracts in favourable position (current credit exposure)	28	$ 18,957	$ 40,944
Contracts in unfavourable position	15	(6,899)	(29,622)
Net fair value of derivative contracts	43	$ 12,058	$ 11,322

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 $18,957 (2013: $40,944) 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) 2014	2013
Structured equity replication derivatives	$ 15,370	$ 14,560
Foreign currency derivatives	(2,139)	(1,705)
Interest rate derivatives	(1,192)	(1,533)
Credit risk derivatives	19	-
Net fair value of derivative contracts	$ 12,058	$ 11,322

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, 2014 deposits in futures contracts margin accounts totaled $18,648 (2013: $16,541) and deposits as collateral for derivative contracts totaled $nil (2013: $258).

NOTE 5 PENSION OBLIGATION

a) Actuarial Valuation and Extrapolation

An actuarial valuation of the Plan was carried out as at December 31, 2012 by the Plan's actuarial consultants, Aon Hewitt. The December 31, 2012 valuation results were extrapolated to December 31, 2014.

The pension obligation was determined using the projected benefit method prorated on service. The assumptions used in the valuation extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

The major assumptions used were:

	2012 Valuation and 2014 Extrapolation	2012 Valuation and 2013 Extrapolation
	%	%
Asset real rate of return		
For 2013 and 2014	4.00	4.00
Thereafter	4.00	4.00
Inflation rate		
For 2013 and 2014	2.25	2.25
Thereafter	2.25	2.25
Discount rate	6.25	6.25
Salary escalation rate *		
For 2013 and 2014	1.50	1.50
Thereafter	2.75	2.75
Mortality table	85% (95% for females) of 2014 Public Sector Canadian Pensioner table with generational projection (Scale B)	92% of 1994 Uninsured Pensioners table with generational projection (Scale BB)

* In addition to merit and promotion

NOTE 5 (CONTINUED)

An actuarial valuation of the Plan will be carried out no later than 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 the following year.

b) Sensitivity of Changes in Major Assumptions

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

	Sensitivities		
	Changes in Assumptions %	Increase in Plan's Actuarial Deficiency *($ thousands)*	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	296,600	1.2
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	75,400	0.9
Discount rate decrease holding inflation rate and salary escalation assumptions constant	-1.0	649,300	4.1

** The current service cost as a % of pensionable earnings as determined by the December 31, 2012 valuation is 18.40%.*

NOTE 6 DEFICIT

($ thousands)

	2014			2013
	Pre-1992	Post-1991	Total	Total
Deficit, beginning of year	$ 800,100	$ 182,138	$ 982,238	$ 1,044,492
Decrease (increase) in net assets available for benefits	1,100	(411,512)	(410,412)	(405,154)
Net increase in accrued pension liability	51,500	317,100	368,600	342,900
Deficit, end of year	$ 852,700	$ 87,726	$ 940,426	$ 982,238

In accordance with the requirements of the *Public Sector Pension Plans Act*, separate accounting is required of the pension deficit with respect to service that was recognized as pensionable as at December 31, 1991.

The following table summarizes the net assets available for benefits, pension obligation, and the resulting deficit as at December 31, 2014 allocated between the pre-1992 and post-1991 periods:

($ thousands)

	2014			2013
	Pre-1992	Post-1991	Total	Total
Net assets available for benefits	$ 824,900	$ 2,942,674	$ 3,767,574	$ 3,357,162
Pension obligation	1,677,600	3,030,400	4,708,000	4,339,400
Deficit	$ 852,700	$ 87,726	$ 940,426	$ 982,238

The deficit for accounting purposes may differ from that for funding purposes (see Note 14).

NOTE 7 CONTRIBUTIONS

	($ thousands) 2014	2013
Current service		
Employers	$ 74,275	$ 72,225
Employees	74,309	72,266
Contributions to meet post-1991 unfunded liability and optional service		
Employers	23,246	22,478
Employees	25,240	24,494
Contributions to meet pre-1992 unfunded liability		
Employers	11,491	9,905
Employees	11,491	9,905
Province of Alberta	11,007	10,582
	$ 231,059	$ 221,855

NOTE 8 INVESTMENT INCOME

($ thousands)

	Income	Change in Fair Value	2014 Total	2013 Total
Fixed income	$ 55,009	$ 63,380	$ 118,389	$ (45,831)
Public equities				
Canadian	68,535	5,327	73,862	80,273
Foreign	200,390	(7,803)	192,587	318,291
	268,925	(2,476)	266,449	398,564
Alternatives				
Real estate	13,878	3,009	16,887	28,609
Infrastructure and private debt & loans	5,295	6,353	11,648	10,328
Timberland	(792)	54	(738)	7,397
	18,381	9,416	27,797	46,334
Strategic opportunities	489	4,699	5,188	3,162
	$ 342,804	$ 75,019	$ 417,823	$ 402,229

NOTE 8 (CONTINUED)

The change in fair value includes realized gains on disposal of pool units totaling $12,604 and unrealized gains on pool units totaling $62,415.

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 percentage of the pension obligation supported by net assets.

	(percentage)				
	2014	2013	2012	2011	2010
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	11.8	11.2	9.4	2.6	10.4
Value added (lost) by investment managers	0.4	1.9	2.4	0.6	(0.4)
Total return on investments [(a)]	**12.2**	**13.1**	**11.8**	**3.2**	**10.0**
Other sources [(b)]	0.0	0.6	0.7	0.3	0.7
Per cent change in net assets [(c)]	**12.2**	**13.7**	**12.5**	**3.5**	**10.7**
Per cent change in pension obligation [(c)]	**8.5**	**8.6**	**4.6**	**7.6**	**4.7**
Per cent of pension obligation supported by net assets	**80**	**77**	**74**	**69**	**72**

a) The annualized total return and policy benchmark return on investments over five years is 10.0% (PBR: 9.0%), ten years is 7.1% (PBR: 6.7%) and twenty years is 7.8% (PBR: 7.7%). 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 11.4% to 11.2%.

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 increase 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	$ 197,638	$ 184,154
Termination benefits	22,457	18,530
Death benefits	3,547	2,706
	$ 223,642	$ 205,390

NOTE 11 INVESTMENT EXPENSES

	($ thousands) 2014	2013
Amount charged:		
Management fees [a]	$ 12,724	$ 11,747
Alberta Treasury Board and Finance [b]	54	54
Total investment expenses	$ 12,778	$ 11,801
Increase in expenses	8.3%	27.6%
Increase in average investments under management	13.0%	13.2%
Investment expenses as a percent of :		
Dollar earned	3.1%	2.9%
Dollar invested	0.4%	0.4%
Investment expenses per member	$ 906.00	$ 868.00

a) For investment management services, including non-recoverable GST of $373 (2013: $308).

b) For investment accounting and Plan reporting services.

NOTE 12 ADMINISTRATION EXPENSES

	($ thousands) 2014	2013
General administrative expenses	$ 1,882	$ 1,597
Board costs	45	54
Audit fees	58	55
Actuarial fees	65	33
	$ 2,050	$ 1,739

General Plan costs, including the costs for benefit administration and delivery, amounted to $145.00 per member (2013: $128.00 per member).

NOTE 13 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by Plan Sponsors are as follows:

	Chair	Trustee
Remuneration rates effective April 1, 2009		
Up to 4 hours	$ 219	$ 164
4 to 8 hours	383	290
Over 8 hours	601	427

Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours.

	2014	2013
During the year, the following amounts were paid:		
Remuneration		
Chair	$ 3,600	$ 3,823
Trustees (8)	21,234	21,048
Travel expenses		
Chair	447	3,736
Trustees (8)	9,612	13,200

NOTE 14 CAPITAL

The Plan defines its capital as the funded position. 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.

The Plan's deficit is 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. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of

Note 14 (continued)

return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits. Actuarial asset values for funding valuation purposes amounted to $3,565,374 at December 31, 2014 (2013: $3,171,562), comprising of $773,900 (2013: $773,500) pre-1992 and $2,791,474 (2013: $2,398,062) post-1991.

The following table summarizes on the funding basis, the accrued pension liability, net assets available for benefits, and the resulting deficit as at December 31, 2014 allocated between the pre-1992 and post-1991 periods:

($ thousands)

	2014			2013
	Pre-1992	**Post-1991**	**Total**	**Total**
Net assets available for benefits	$ 824,900	$ 2,942,674	$ 3,767,574	$ 3,357,162
Actuarial adjustment for fluctuation in fair value of net assets	(51,000)	(151,200)	(202,200)	(185,600)
Actuarial value of net assets available for benefits	773,900	2,791,474	3,565,374	3,171,562
Pension obligation	1,677,600	3,030,400	4,708,000	4,339,400
Actuarial deficit	$ 903,700	$ 238,926	$ 1,142,626	$ 1,167,838

Note 14 (continued)

The Plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 2.87% of salaries as required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value of the Province of Alberta's obligation for future additional contributions was $264.0 million at December 31, 2012.

The Plan's unfunded liability for service after December 31, 1991 was being financed by special payments of 5.79% of salaries shared equally between employers and employees on or before December 31, 2027.

The additional contributions and special payments have been included in the rates shown in Note 1(b).

NOTE 15 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Trustees of the Plan.

GLOSSARY TERMS

Absolute Return Strategies/Hedge Funds
Encompass a wide variety of investments and trading strategies in private and publicly-traded securities with the objective of realizing positive returns independent of market direction. Investments in absolute return strategies are made through fund-of-funds and specific fund investments to increase strategy diversification.

Active Management
Managing the investments of a portfolio with the objective of outperforming the return of its benchmark. Active management generally takes two forms – security selection or change in asset allocations within the prescribed ranges. Security selection is the buying and selling of particular securities to earn a return above a market index. Asset allocation refers to changing asset class or sector weights to earn a return above what would be available from maintaining the asset class or sector weight in the benchmark.

Asset Mix/Allocation
The allocation of a pension fund's investments among various asset classes such as bonds, equities, real estate, etc.

Benchmark
A standard against which investment performance is measured.

Bonds
Certificates of indebtedness issued by corporations, municipalities or governments on which the issuer promises to pay a specified amount of interest for a specified length of time and to repay the loan on maturity or the expiration date. A bond purchaser is lending money to the issuer. Bonds have terms to maturity greater than one year.

Emerging Market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equities/Common Stock
Units of ownership of a corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. In the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock. The liability of owners of equity is limited to the amount paid for the stock.
External Manager
A third-party firm contracted by the Investment Manager to provide investment management services.

Large Cap
"Large cap" refers to firms with large market capitalization. Market capitalization is simply the market value of a corporation's outstanding shares. In the US market, this refers to companies with market capitalization between $10 billion and $200 billion. These are the mega companies of the financial world: ExxonMobil, Microsoft, Citigroup, Wal-Mart and General Electric. Classifications such as "large cap" or "small cap" are only approximations that change over time.

Passive Management
Managing the investments of a portfolio with the objective of matching/replicating the performance of a given market index or benchmark.

Policy Benchmark/Return
The "policy benchmark" is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

Pooled Fund
A fund in which money from two or more investors is accepted for investment and where units allocated to each investor serve to establish the proportionate interest at any time of each investor in the assets of the fund.

GLOSSARY TERMS

Private Income/Infrastructure
Private Income opportunities represent privately-negotiated investments in private and publicly-traded entities. These investments are selected, structured and managed to provide (i) a current income component of total return, (ii) diversification and (iii) an inflation hedge. These investment opportunities are typically capital-intensive and may include infrastructure projects (long-life assets used to provide essential services), bridge loans and corporate finance arrangements (with a current income component of total return). Most infrastructure assets are illiquid assets.

Real Return Bond
A fixed-income security (a bond) that generates a specified real rate of return. The real interest rate is the nominal (set) interest rate minus inflation.

Small Cap
"Small cap" refers to firms with relatively smaller market capitalization. Though there is no rigorous definition, in the US, a company with a market capitalization of between $300 million and $2 billion is considered a small cap. The definition can change over time.

Statement of Investment Policies and Goals
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swap
A privately-negotiated contract between two parties to exchange a stream of periodic payments on certain dates in the future based on an underlying investment. The size of these payments is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount, is not exchanged between counterparties. Swaps available in and between all financial markets include, but are not exclusive to, equities, currencies, fixed income and commodities.

Timberland
Timberland investments are made primarily in privately-owned areas of woodland; that is, forested areas consisting of both hardwood and softwood species. When responsibly managed, timberland investments are a renewable and sustainable resource. Timberland investments are illiquid assets.

Total Return
Interest income plus price increases or decreases.

Treasury Bill/T-bill
A short-term government debt security.

Unfunded Liability
When the actuarial valuation determines that a pension fund's accrued liabilities exceed the assets available for the payment of benefits.

YMPE (Year's Maximum Pensionable Earnings)
The maximum earnings set each year by the Canada Pension Plan (CPP) up to which employers and employees are required to make CPP contributions.

GLOSSARY INDICES

BMO Small Cap Index
An index maintained by Bank of Montreal that is made up of 400 representative Canadian public companies and income trusts with market capitalizations of less than 0.1% of the S&P/TSX Composite total capitalization. This index is market capitalization weighted.

Consumer Price Index (CPI)
The Consumer Price Index (CPI) is an indicator of the prices encountered by consumers. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical consumer during a given month. The CPI is published by Statistics Canada and is a widely used indicator of inflation (or deflation) in Canada.

FTSE TMX 91-Day T-Bills Index
An index maintained by PC Bond that represents the performance of Government of Canada 91-day Treasury Bills.

FTSE TMX Long Bond Index
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than 10 years. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

FTSE TMX Long Government Bond Index
An index maintained by PC Bond that tracks the performance of bonds issued by the government of Canada (including crown corporations), provincial governments (including provincially guaranteed securities) and municipal governments with terms to maturity of more than 10 years.

FTSE TMX Real Return Bond Index
An index maintained by PC Bond that tracks the performance of real return (inflation-linked) bonds issued in Canada with terms to maturity of more than one year and a minimum credit rating of BBB (low).

FTSE TMX Universe Bond Index
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than one year. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

MSCI ACWI (Morgan Stanley Capital International All Country World Index)
An index maintained by the MSCI Index Committee designed to measure market equity performance of developed and emerging markets. The MSCI ACWI is a free float-adjusted market capitalization index that is calculated on a total return basis, which includes re-investment of net dividends after deduction of withholding taxes. As of December 31, 2014, the MSCI ACWI consisted of 45 country indices comprising 24 developed and 21 emerging market indices representing approximately 85% of the market value of securities listed in the included countries.

MSCI EAFE (Morgan Stanley Capital International – Europe, Australasia, Far East)
An index maintained by the MSCI Index Committee that is designed to measure developed public market equity performance, excluding the US and Canada. As of December 31, 2014, the MSCI EAFE Index consisted of 23 developed market country indices representing approximately 85% of the market value of securities listed in the included countries.

MSCI Emerging Markets Free Index
An index maintained by the MSCI Index Committee that is designed to measure emerging public market equity performance net of withholding taxes. As of December 31, 2014, the MSCI Emerging Market Index consisted of 21 emerging market country indices.

REALpac/IPD Large Institutional All Property Index
An index maintained by the Canadian Institute of Real Estate Investment Managers/International Property Databank that measures the total return from a diversified pool of over 2,100 properties.

GLOSSARY INDICES

Russell 2500 Index
An index maintained by Russell Investments that measures the performance of the 2500 smallest companies in the Russell 3000. The Russell 2500 is taken to represent small and mid cap US equities.

S&P/TSX Capped Composite Index
An index maintained by the S&P Canadian Index Committee that measures the return on the largest companies and trust units listed on the Toronto Stock Exchange. Any stock in the S&P/TSX Capped Composite Index whose float capitalization exceeds 10% of the Index is capped at 10% during the quarterly rebalancing process.

Standard & Poor's 500 Index
An index maintained by the Standard & Poor's Index Committee that includes a representative sample of 500 leading operating companies in the US economy to create a broad market portfolio representing approximately 75% of the market capitalization of US public equities.

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