2015 Public Service Pension Plan Annual Report

Public Service Pension Plan

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Governance Statement

Governance Statement for the Public Service Pension Plan

Governance Statement

Management of the Public Service Pension Plan

The Public Service Pension Plan (PSPP, or the Plan) is governed by rules found in the *Public Sector Pension Plans Act* and Regulations.

The Public Service Pension (PSP) Board is the legal owner of the PSPP assets. The President of Treasury Board and Minister of Finance (the Minister) holds the assets of PSPP in trust and is responsible in legislation for the administration of the Plan and investment management of its assets. The Minister has delegated the day-to-day tasks of operating the Plan:

- Alberta Pensions Services Corporation (APS) has been delegated all functions in relation to the administration of the Plan for members, pensioners and employers. APS is a provincial crown corporation governed by a board of directors, with representatives from the private sector, pension boards and the Government of Alberta.
- Alberta Investment Management Corporation (AIMCo), a provincial crown corporation, manages and invests the assets on behalf of the Minister and the PSP Board.

Aon Hewitt provides actuarial services and investment consulting services to the PSP Board. Aon Hewitt performs actuarial valuations of PSPP and recommends contribution rates to the PSP Board.

The Auditor General of Alberta conducts an independent audit of the financial statements of PSPP to ensure they are presented fairly in all material aspects and in accordance with Canadian accounting standards for pension plans.

Because there are a number of different organizations involved in the governance and operations of the Plan, ongoing communication, cooperation and collaboration are required of all parties. For that reason, PSPP has operating protocols with APS and with AIMCo that detail how the organizations will work together.

The PSP Board

The PSP Board is a body of six individuals. The Government of Alberta nominates three employer nominees and the Alberta Union of Provincial Employees nominates three employee nominees.

Based on rules found in the *Public Sector Pension Plans Act* and Regulations, the PSP Board is responsible for:

- setting policy guidelines for the investment and management of PSPP's assets;
- setting policy guidelines for the administration of PSPP;
- setting contribution rates based on recommendations of the PSPP actuary;
- making arrangements to have an actuarial valuation completed and filed with Canada Revenue Agency at least once every three years;
- making recommendations for Plan rule changes;
- reviewing administrative decisions as delegated by the Minister; and
- reviewing the responsibilities of the Trustee every five years.

The Board has also established an Investment Committee comprised of the Whole of the Board and two or three external members experienced in the investment industry.

For more information on the PSP Board, visit www.pspp.ca.

Administration Report

The Administration Report is prepared by Alberta Pensions Services Corporation (APS), Administrator of the PSPP

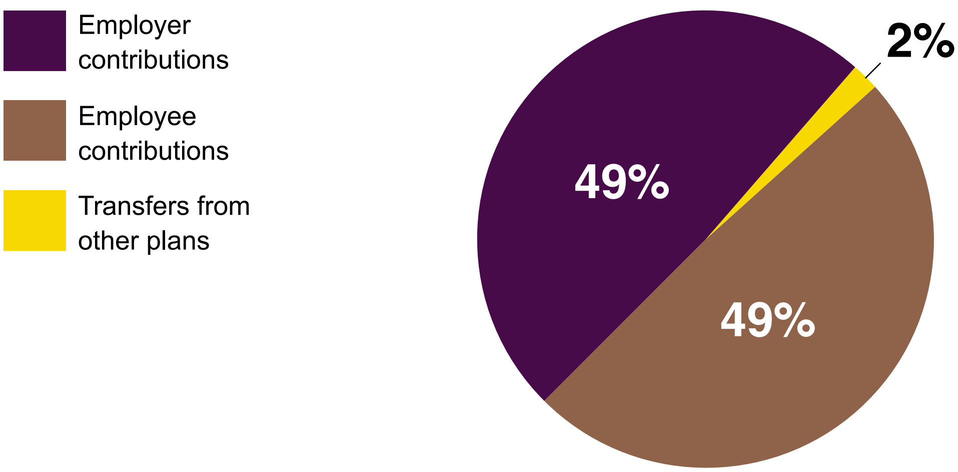
Administration Report 2015

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

Services include:

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

Contributions to PSPP
In 2015, total contributions to PSPP were **$709,304** (thousands).

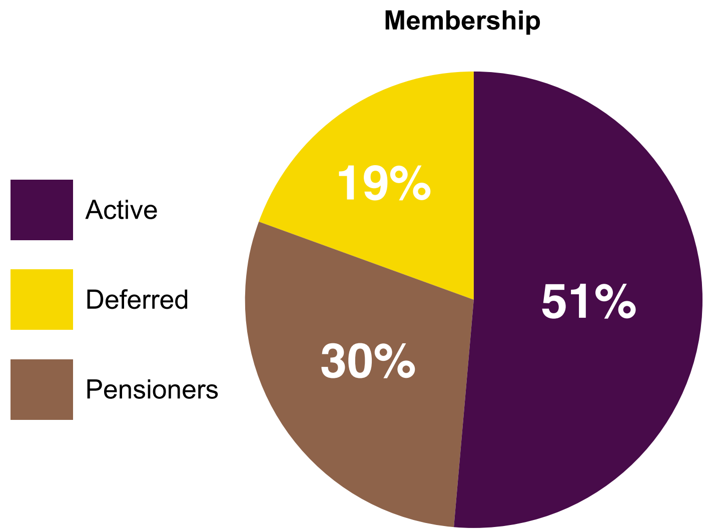


Payments from PSPP
In 2015, total payments from PSPP were **$577,596** (thousands).

Pension benefit payments	$388,415
Refunds	$104,102
Transfers to other plans	$18,485
Member service expenses	$13,040
Investment expenses	$53,554

PSPP Members, Pensioners and Employers

Based on year-end totals, PSPP has 32 employers and a total of **82,873** active and deferred members and pensioners. In 2015, 4,264 members joined the Plan, 385 re-joined the Plan, 1,380 members retired, 1,975 members deferred funds, and 2,885 members terminated and left the Plan.



Average age of PSPP active members	43.61
Average age of all retirees in 2015	71.0
Average monthly pension paid out (Dec. 2015)	$1,330
Average retirement age in 2015	62
Percentage increase in membership over 2014	1%

PSPP Member Service Expenses

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

PSPP's share of APS costs was $13,040,000 in 2015. Based on average membership, PSPP's per member service expense is $157 which includes APS operating costs, PSP Board costs, actuarial fees and other professional fees.

Member Service Expenses	*($ thousands)*	
	2015	**2014**
General administration costs	12,446	11,575
Board costs	158	127
Actuarial fees	275	149
Other professional fees	161	149
Total	13,040	12,000
Member service expenses per member	$157	$146

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

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

As of January 1, 2015 the COLA granted to pensioners was 1.56 per cent. For those who retired during 2015, this COLA was prorated.

Activities in 2015

APS focused on the following activities in 2015 to further enhance services to valued PSPP clients:

- Introduced an on-line portal for pensioners in March with over 14,000 registrants across all plans to date, providing PSPP retirees the convenience of an online service. Retirees can view their monthly pension payments and deductions, see when their next payment is, change their personal information (address, banking, beneficiaries) and access and print their T4A slips. Pensioners can also provide documents through a new secure email service, eliminating the need to post, fax or deliver information in person.
- In October, introduced “preliminary pension payments” for members that have provided all the necessary information to start their pension but need to wait for employer information to finalize the pension. The goal is to make the first payment within 30 days of the pension commencement date and this was done 68 per cent of the time in the last quarter of 2015 compared to 28 per cent in 2014.
- In September a new telephony system was implemented which includes a professionally narrated self-service menu which can be accessed 24/7, virtual queueing which tells members the expected wait times and allows them to opt for a callback rather than remaining on hold and enhanced caller data to allow APS to manage the call volumes better, all at a significantly lower cost to the plan members.
- Completed 25,384 PSPP member transactions, 7 per cent less than in 2014.
- Ongoing promotion of *mypensionplan.ca*, a secure website for members and pensioners to access their pension information:
    - As of December 31, PSPP had 3,468 new active members registered on *mypensionplan.ca* and 21,179 members registered in total which is 36 per cent of the PSPP membership.
- Continued more proactive communication between APS and PSPP members leading to an 18 per cent decrease in member incoming calls, going from 17,178 calls in 2014 to 14,079 in 2015.
- Achieved a client satisfaction score of 86 per cent for the third year in a row – once again surpassing our target of 78 per cent.
- Provided 413 member-counselling sessions, including 264 in-house and 24 group counselling sessions.

Looking Ahead:

In 2016, APS plans to:

- Complete the transformation from the “Next Generation” project to the implementation of the new business transformation “Compass” system which will guide our valued PSPP clients to faster and more efficient benefit administration.
- Introduce a new on-line retirement wizard that will allow members to apply for their pension virtually.
- Introduce a corporate goal to pay pensions within 30 days of the member’s pension commencement date at least 75 per cent of the time.
- Provide all PSPP members a new member identifier number that they can use from membership through to retirement to access their member and pensioner information online, over the phone, and in person.
- Provide employers with a new portal that gives them greater control of their information and increased flexibility and choice of data submission formats.

Plan Performance and Investment Report

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

Plan Performance

Fair Value of Net Assets versus Pension Obligation

Fair Value of Net Assets: $10.937 Billion

Pension Obligation: $11.070 Billion

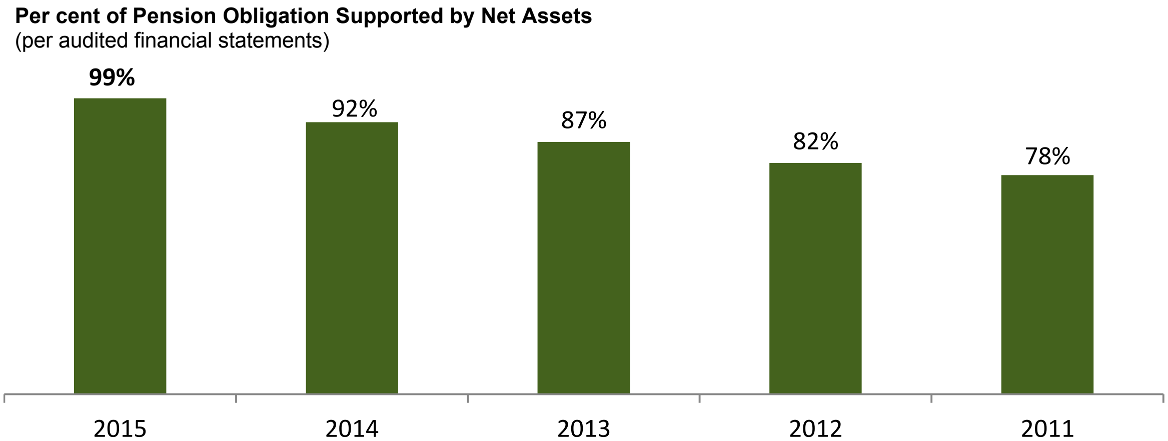
Deficit: $133 Million

Income and Contributions: $1,728 Million

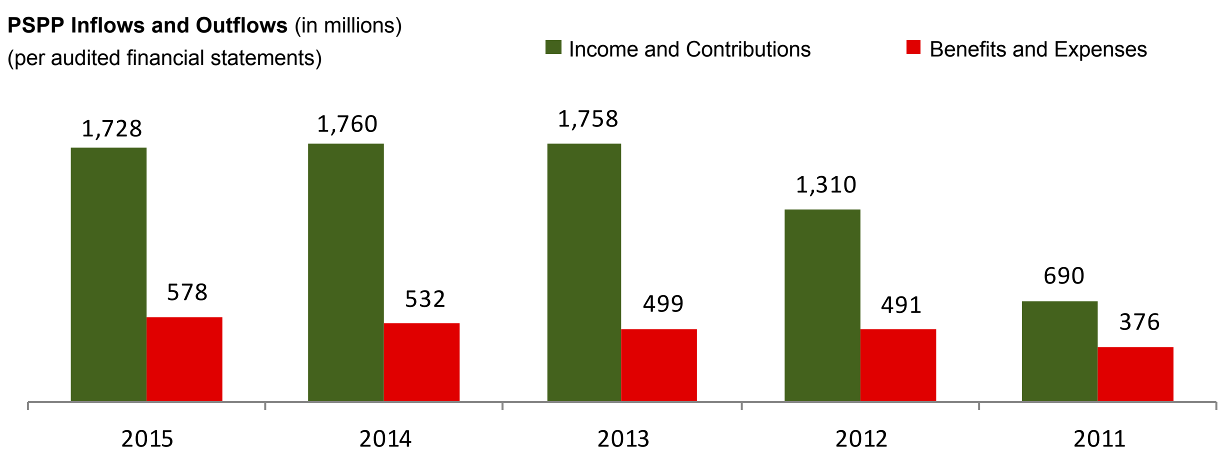
Benefits and Expenses: $578 Million

The financial position of the PSPP continued to improve in 2015. At December 31, 2015, the fair value of the Plan's net assets increased by 11.8 per cent (or $1,150 million) to $10.937 billion. The increase in net assets was greater than the increase in the estimated pension obligation which grew by 4.5 per cent (or $480 million) to $11.070 billion. The Plan's deficit decreased by $670 million to $133 million, according to the 2015 audited financial statements.

At December 31, 2015, the financial position of the Plan improved so that 99 per cent of the total pension obligation was supported by net assets, the highest per cent in the past 9 years.



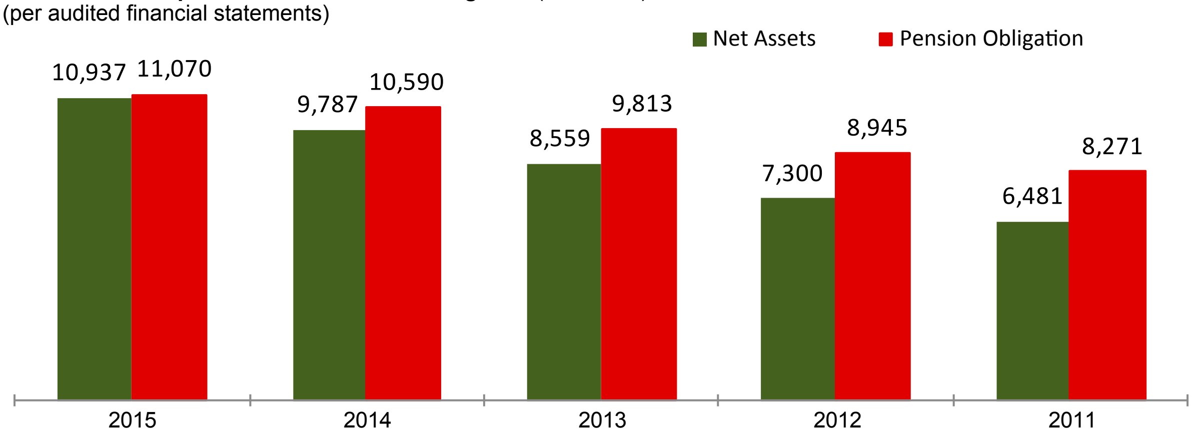
In 2015, inflows from investment income and contributions totaling $1.728 billion were approximately triple outflows for benefit payments and expenses of $578 million.



The chart below shows the gap between the total pension obligation and the net assets. By the end of 2015, the gap continued to narrow as the growth in net assets outpaced the growth in the pension obligation. The total pension obligation is based on the estimated net present value of future pension benefits paid to employees when they retire. Retirement benefits earned by employees provide a lifetime pension for each year of pensionable service based on a specified percentage applied to the average salary for the five highest consecutive years, subject to the maximum benefit limit allowed under the Canadian Income Tax Act. The estimated pension obligation increases annually for each additional year of pensionable service earned by employees. The pension obligation is an estimate because it is based on various assumptions used by the Plan's actuary. For example, an estimated discount rate is used to determine the present value of future retirement payments. A lower estimated discount rate will increase the total pension obligation. Similarly, a higher estimated life expectancy will increase the pension obligation. Net assets increase when there are positive overall investment returns and when employee and employer contributions exceed pension benefits paid. Net assets decrease when there are investment losses.

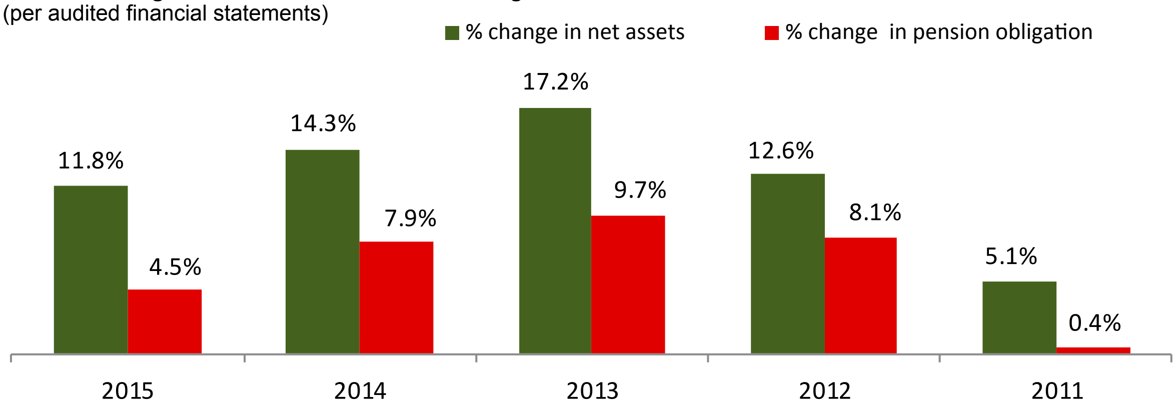
At December 31, 2015, the fair value of the Plan's net assets totaling $10.937 billion was lower than the estimated pension obligation of $11.070 billion resulting in a deficit of $133 million. This year's pension obligation was impacted by a decrease in the discount rate to 6.0 per cent down from 6.2 per cent in 2014 and 6.5 per cent in 2013. The pension obligation was also impacted by a decrease in the inflation rate to 2.0 per cent from 2.25 per cent in 2014 and a decrease in the salary escalation rate to 3.0 per cent from 3.5 per cent in 2014.

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



As shown in the chart below, net assets increased by 11.8 per cent in 2015 compared to an increase in the pension obligation of 4.5 per cent.

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



Investment Performance

2015 Year in Review

INVESTMENTS
$10.9 billion

RETURN ON INVESTMENT
9.8 per cent

INVESTMENT INCOME
$1,018 million

INVESTMENT EXPENSE
$54 million

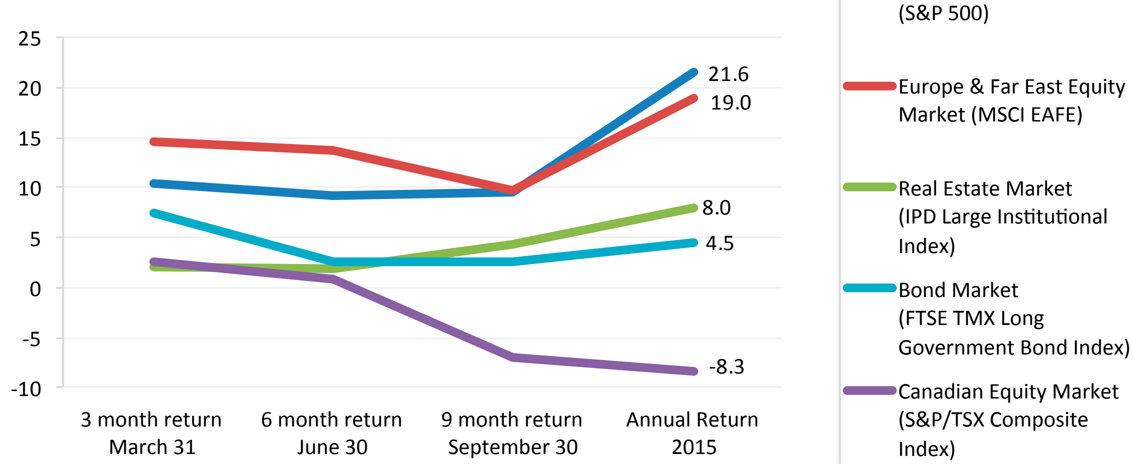
The 1st quarter of 2015 started out strong with PSPP gaining 6.6 per cent on its investments. In the 2nd and 3rd quarters, equity markets declined and PSPP's investments lost 0.6 per cent and 1.1 per cent respectively. Investment markets reacted negatively to declining oil and commodity prices, concerns over growth in China and the global economy, uncertain U.S. Federal Reserve interest rate policy and the ongoing debt crisis in Greece. In the 4th quarter PSPP's investments gained 4.8 per cent for an overall annual return of 9.8 per cent in 2015, net of investment expenses. The Plan recognized significant gains from translation of foreign investments into Canadian dollars and from increases in valuation of infrastructure investments.

In 2015, PSPP earned $1,018 million, before investment expenses, compared to $1,095 million in 2014. Investment expenses totaled $54 million compared to $48 million in 2014. At December 31, 2015, the investments totaled $10.9 billion compared to $9.8 billion at the beginning of the year. At December 31, 2015, Plan assets were invested in equities, 48.5 per cent (2014: 49.6 per cent), money market and fixed income securities, 29.2 per cent (2014: 32.3 per cent), alternative investments 21.6 per cent (2014: 17.4 per cent) and strategic opportunities and currency hedges, 0.7 per cent (2014: 0.6 per cent). Alternative investments include real estate, infrastructure and timberland investments.

Overall, the PSPP's investments gained 9.8 per cent in 2015, net of investment expenses, compared to 12.2 per cent in 2014.

The chart below compares the market returns from various indices around the world. The U.S. equity market had the highest gain in 2015 at 21.6 per cent when translated into Canadian dollars (1.4 per cent in U.S. dollars) followed by a gain of 19.0 per cent in Canadian dollars in the Europe, Australasia and Far East equity markets. The Canadian real estate market gained 8.0 per cent followed by 4.5 per cent in the long government bond market. The Canadian equity market lost 8.3 per cent primarily due to the drop in oil prices.

2015 Summary of Returns for Major Market Indices
(in per cent and Canadian dollars)



Plan Performance and Investment Report

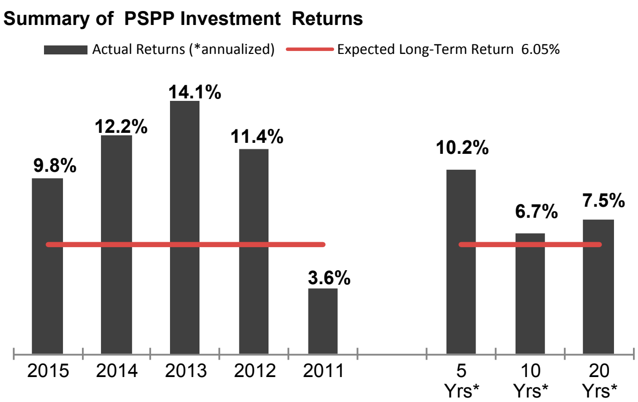
Long-Term Investment Objectives for Funding Purposes

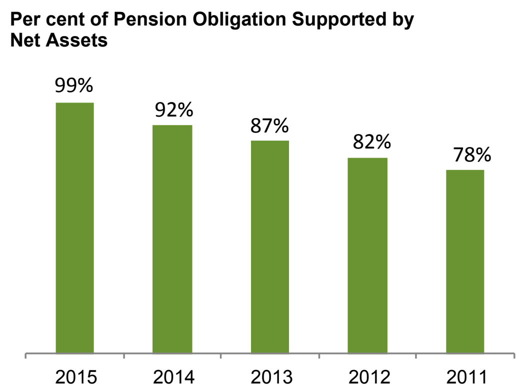
To date, accumulated investment income provides approximately 57 per cent of PSPP's total inflows with contributions from employees and employers providing 43 per cent. Therefore, investment earnings are a key PSPP funding source. Assets are managed with an objective to help provide promised benefits for the PSPP beneficiaries.

To meet the long-term funding needs of the PSPP, it is expected that investments earn a return of 6.05 per cent per annum.

Annual Returns by Year and Per cent of Pension Obligation Supported by Net Assets

According to the audited financial statements, the Plan's investments generated a return of 9.8 per cent in 2015 and 7.5 per cent per annum over the past twenty years. At December 31, 2015, 99 per cent of the Plan's total pension obligation was supported by net assets compared to 92 per cent, the previous year.





Statement of Investment Policies & Guidelines (SIP&G)

Investment Management Overview

PSPP assets are invested in accordance with the PSP Board's *SIP&G*. The Ministry of Treasury Board and Finance holds the assets of PSPP in trust and is responsible in legislation for the investment management of PSPP assets. This responsibility has been delegated to Alberta Investment Management Corporation (AIMCo), a provincial corporation established on January 1, 2008. AIMCo provides the day-to-day investment services for the Plan's investment portfolio. AIMCo invests PSPP's assets in accordance with legislation and the investment policies set by the Board. The Plan invests in units of pooled investment funds created and managed by AIMCo. 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 sales of units. There are thousands of securities held in various pooled funds. These securities are bought and sold and managed by AIMCo on a daily basis.

The *SIP&G* establishes investment principles and guidelines, considering PSPP's benefit design, demographics, risk tolerance and liabilities. The PSP Board reviews the *SIP&G* at least once a year to ensure that the PSPP Fund is managed within an appropriate and prudent level of risk.

Proxy Voting

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

Risk Management System

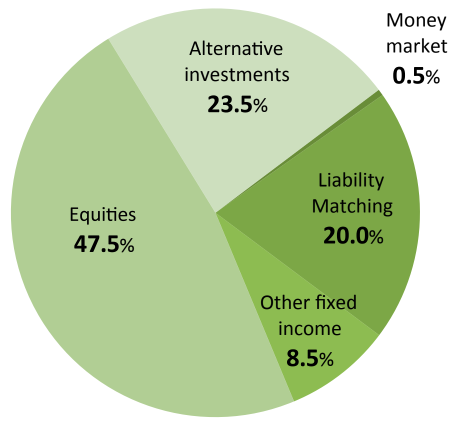
PSPP is invested in a wide spectrum of asset classes to help improve the likelihood of achieving desired results for a given level of risk. As such, investment risk management is a central thesis for PSPP's investment manager. AIMCo seeks to measure and monitor both historic and possible future risks, allocating risk as a scarce resource to the most promising investment opportunities. AIMCo maintains a quantitative investment risk system designed to operate across all asset classes and take into account a variety of risk types such as credit risk, price risk, interest rate risk, currency risk and liquidity risk.

Policy Asset Mix

The asset class structure shown on the right supports the PSPP investment strategy, which focuses on funding PSPP over the long-term.

AIMCo is given the following broad ranges to invest within each asset class: Equities (41 to 55 per cent); Alternative investments (20 to 30 per cent); money market (0 to 3 per cent); liability matching (12 to 25 per cent); and other fixed income securities (6 to 12 per cent). In addition, AIMCo may invest up to 3 per cent of the Plan's investments in strategic opportunities and up to 5 per cent in currency hedges that are outside the asset classes listed above.

PSPP Long-Term Policy Asset Mix



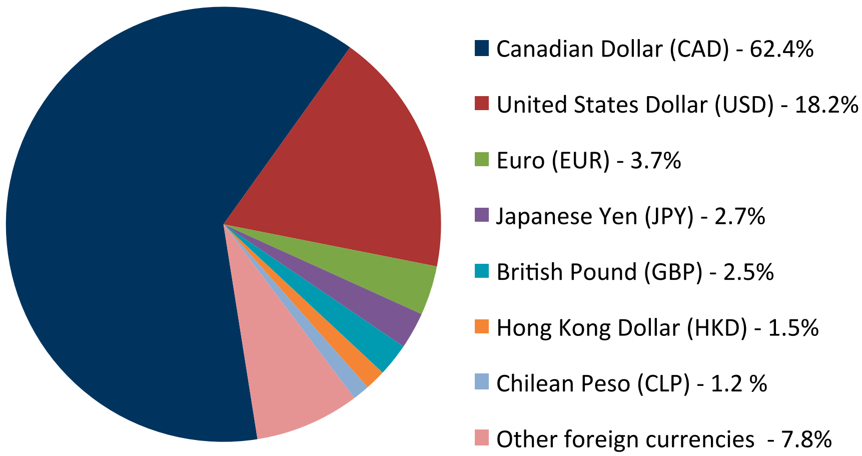
The table below shows the long-term policy asset mix for each asset class compared to the actual holdings at December 31, 2015 and 2014.

	2015				2014			
Asset Class	Target	Min	Max	Actual	Target	Min	Max	Actual
MONEY MARKET	**0.5%**	**0.0%**	**3.0%**	**0.5%**	**0.5%**	**0.0%**	**3.0%**	**0.5%**
Deposits and short-term	0.5%	0.0%	3.0%	0.5%	0.5%	0.0%	3.0%	0.5%
FIXED INCOME SECURITIES								
Liability matching	**20.0%**	**12.0%**	**25.0%**	**15.0%**	**20.0%**	**12.0%**	**25.0%**	**15.2%**
Long Bonds	15.0%	12.0%	18.0%	10.0%	15.0%	12.0%	18.0%	10.1%
Real Return Bonds	5.0%	0.0%	7.0%	5.0%	5.0%	0.0%	7.0%	5.1%
Other fixed income	**8.5%**	**6.0%**	**12.0%**	**13.7%**	**8.5%**	**6.0%**	**12.0%**	**16.7%**
Private mortgages	5.0%	3.5%	7.0%	4.8%	5.0%	3.5%	7.0%	4.9%
Private debt and loan	1.5%	0.0%	3.0%	0.5%	1.5%	0.0%	3.0%	0.6%
Universe bonds	2.0%	0.0%	4.0%	8.4%	2.0%	0.0%	4.0%	11.2%
EQUITIES	**47.5%**	**41.0%**	**55.0%**	**48.5%**	**47.5%**	**41.0%**	**55.0%**	**49.6%**
Canadian	12.0%	10.0%	17.0%	11.2%	12.0%	10.0%	17.0%	11.7%
Global	26.0%	21.0%	29.0%	29.1%	26.0%	21.0%	29.0%	30.1%
Emerging markets	5.0%	0.0%	7.0%	5.0%	5.0%	0.0%	7.0%	5.1%
Private equity	4.5%	0.0%	6.0%	3.2%	4.5%	0.0%	6.0%	2.7%
ALTERNATIVE INVESTMENTS	**23.5%**	**20.0%**	**30.0%**	**21.6%**	**23.5%**	**20.0%**	**30.0%**	**17.4%**
Canadian real estate	12.5%	10.0%	15.0%	12.6%	12.5%	10.0%	15.0%	9.4%
Foreign real estate	2.5%	0.0%	4.0%	1.8%	2.5%	0.0%	4.0%	1.3%
Infrastructure	8.5%	5.0%	12.0%	5.8%	8.5%	5.0%	12.0%	5.2%
Timberland	0.0%	0.0%	4.0%	1.4%	0.0%	0.0%	4.0%	1.5%
STRATEGIC OPPORTUNITIES AND CURRENCY HEDGES	**-**	**-**	**-**	**0.7%**	**-**	**-**	**-**	**0.6%**
Total	100.0%			100.0%	100.0%			100.0%

Investments by Currency

At December 31, 2015, 62.4 per cent of the Plan's investments were denominated in Canadian currency (2014: 61 per cent) and 37.6 per cent in foreign currencies (2014: 39 per cent). Investments in U.S. currency comprised 18.2 per cent (2014: 20 per cent) of total investments followed by 19.4 per cent (2014: 19 per cent) in other currencies outside North America.

PSPP Investments by Currency



Investment Expenses

In 2015, investment expense charged by AIMCo, before GST, increased by 18.9 per cent compared to an increase of 1.1 per cent last year. Average investments under management increased by 12.9 per cent in 2015 compared to 15.7 per cent last year.

($ millions)	2015		2014	
Amounts charged by AIMCo for:				
Investment costs (a)	$	40.4	$	36.4
Performance based fees (a)		11.9		7.6
Total investment expense before GST		52.3		44.0
GST (b)		1.3		4.2
Total investment expense after GST	$	53.6	$	48.2
Per cent increase in investment expense, before GST		18.9%		1.1%
Per cent increase in average investments under management		12.9%		15.7%
Value added (lost) by AIMCo		1.8%		-0.3%
Investment expense as per cent of each dollar earned		5.3%		4.4%
Investment expense as per cent of each dollar invested		0.5%		0.5%

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

b. In 2015, two-thirds of GST paid was expensed. In 2014, two-thirds of GST paid was expensed and two-thirds of GST recorded as a receivable in prior years (2011-2013) was determined to be unrecoverable and expensed.

PSPP Investment Performance Summary

The PSPP policy benchmark return is based on the policy asset mix weightings set by the PSP Board and returns of related market benchmarks. The policy benchmarks are documented in the *SIP&G* for the PSPP. Investment performance is measured against PSPP's policy benchmark to determine the impact of the manager's investment decisions.

According to the *SIP&G*, the PSP Board expects the investment manager to earn a return, net of fees, which exceeds the rate of return of the benchmark portfolio over a rolling four-year time horizon.

Over four years, the actual value added return by AIMCo was 1.3 per cent per annum. Over the longer term of twenty years, the value added return by the investment manager was 0.2 per cent per annum.

Table of Investment Returns(A)	December 31, 2015 Fair Value (in millions)	Asset Mix (%)	Annual Returns % 2015	2014	2013	2012	Compound Annualized Return 4 yr
Total Fund Return	**$10,899.8**	**100.0**	**9.8**	**12.2**	**14.1**	**11.4**	**11.8**
Policy Benchmark Return (Market Return)			*8.0*	*12.5*	*12.6*	*9.2*	*10.5*
Value Added Return			*1.8*	*-0.3*	*1.5*	*2.2*	*1.3*
Consumer Price Index (B)			*1.4*	*2.0*	*0.9*	*0.8*	*1.3*
Money Market	**54.5**	**0.5**	**0.9**	**1.6**	**1.2**	**1.2**	**1.1**
FTSE TMX 91-Day T-Bill Index			*0.6*	*0.9*	*1.0*	*1.0*	*0.9*
Other Fixed Income	**1,497.1**	**13.7**	**4.6**	**9.9**	**0.6**	**6.7**	**5.4**
FTSE TMX Universe Bond Index			*3.5*	*8.7*	*-1.2*	*3.6*	*3.6*
Liability Matching Assets			**3.8**	**16.9**	**-8.1**	**4.4**	**3.8**
Combined Benchmark			*4.0*	*16.2*	*-9.6*	*3.6*	*3.1*
Long-term Government Bonds	**1,089.5**	**10.0**	**4.1**	**18.8**	**-5.0**	**5.3**	**5.5**
FTSE TMX Long-term Government Bond Index			*4.5*	*17.9*	*-7.0*	*4.0*	*4.5*
Real Return Bonds	**538.7**	**5.0**	**3.0**	**13.5**	**-12.5**	**3.1**	**1.3**
FTSE TMX Real Return Bond (RRB) Index			*2.8*	*13.2*	*-13.1*	*2.9*	*1.0*
EQUITIES			***12.3***	***13.2***	***27.1***	***15.8***	***17.0***
Combined Benchmark			*9.7*	*12.7*	*26.7*	*12.2*	*15.2*
Canadian Equity	**1,215.5**	**11.2**	**-7.4**	**12.4**	**15.4**	**12.8**	**7.9**
S&P/TSX Composite Index			*-8.3*	*10.6*	*13.0*	*7.2*	*5.3*
Global Equity	**3,168.6**	**29.1**	**20.9**	**13.9**	**36.0**	**17.0**	**21.7**
MSCI World Index			*18.9*	*14.4*	*35.3*	*13.3*	*20.2*
Emerging Markets	**543.2**	**5.0**	**6.2**	**10.4**	**5.4**	**17.0**	**9.6**
MSCI Emerging Markets Index			*2.0*	*6.6*	*4.0*	*15.7*	*7.0*
Private Equity	**353.6**	**3.2**	**26.4**	**14.1**	**6.8**	**8.0**	**13.5**
MSCI All Country World (ACW) Index			*17.1*	*13.5*	*31.1*	*13.6*	*18.6*
INFLATION SENSITIVE			***11.0***	***6.0***	***10.6***	***10.1***	***9.4***
Combined Benchmark			9.4	11.4	10.0	10.7	9.8
Real Estate	**1,563.6**	**14.4**	**7.4**	**7.6**	**12.4**	**15.1**	**10.6**
IPD Large Institutional Index			*8.0*	*7.1*	*10.9*	*13.8*	*9.9*
Infrastructure	**636.7**	**5.8**	**20.6**	**6.4**	**3.6**	**7.9**	**9.5**
Combined Benchmark (C)			*9.1*	*13.6*	*7.1*	*8.4*	*9.5*
Timberland	**158.6**	**1.4**	**7.6**	**-2.9**	**28.4**	**-0.4**	**7.5**
Combined Benchmark (C)			*9.1*	*13.6*	*7.1*	*8.4*	*9.5*
STRATEGIC OPPORTUNITIES AND CURRENCY HEDGING			**-32.2**	**1.2**	**9.0**	**0.4**	**-3.1**
Strategic Opportunities	**82.6**	**0.8**	42.8	16.0	9.0	4.0	20.3
Currency Hedges	**-2.4**	**-0.1**	n/a	n/a	n/a	n/a	n/a

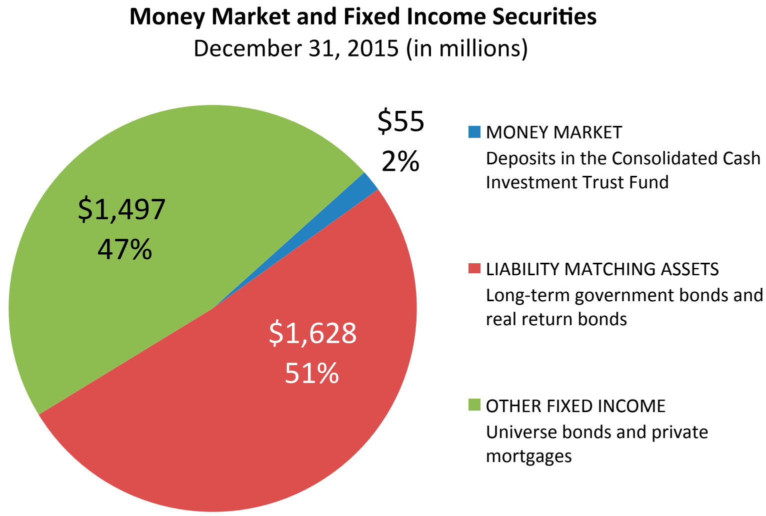
A. Investment returns provided by AIMCo. Investment returns for assets classified as Level 3 in the financial statements are based on estimates of fair value. Level 3 includes real estate, private equities, infrastructure, timberland, hedge funds and private debt. For these investments, measurement uncertainty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

B. The Consumer Price Index (CPI) is calculated and reported on a one-month lagged basis due to a timing difference in reporting with Statistics Canada.

C. Effective November 1, 2015, CPI + 4.5%. Previously, 50% FTSE TMX RRB Index and 50% MSCI ACW Index.

MONEY MARKET AND FIXED INCOME SECURITIES

The Plan's money market and fixed income portfolio consists of money market securities, liability matching assets and other fixed income securities totaling 29.1 per cent or $3.180 billion of total investments at December 31, 2015 compared to 32.4 per cent or $3.162 billion the previous year.



Money Market

At December 31, 2015, money market securities comprised 0.5 per cent of PSPP total investments or $55 million compared to 0.5 per cent or $53 million the previous year.

Money market securities primarily include deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is a portfolio of investments which includes short-term and mid-term fixed income securities issued by banks, various levels of government and major corporations with a maximum term-to-maturity of three years.

Money market	Actual Return %	Benchmark FTSE TMX 91-Day T-Bill Index %	Value Added Return %
One Year	0.9	0.6	0.3
Four Years (annualized)	1.1	0.9	0.2

Liability Matching Assets

Liability matching assets totaled 14.9 per cent of the total portfolio or $1,628 million at December 31, 2015 compared to 15.2 per cent or $1,490 million the previous year. The liability matching assets category includes investments in units of AIMCo's Canadian Long-term Government Bond Pool totaling $1,090 million (2014: $989 million) and the Real Return Bond Pool totaling $539 million (2014: $501 million).

Pooled Fund Investments (by Issuer) compared to Benchmark Index

(in percent) December 31, 2015 Issuer	Canadian Long-term Government Bond Pool	*Benchmark FTSE TMX LT All Government Bond Index*	Real Return Bond Pool	*Benchmark FTSE TMX Real Return Bond Index*
Federal	**8**	*32*	**88**	*88*
Provincial	**78**	*65*	**9**	*12*
Municipal	**6**	*3*	**-**	-
Corporate	**7**	-	**2**	-
Under 1 year	**1**	-	**1**	-
	100	*100*	**100**	*100*

Liability Matching Assets	Actual Return %	Combined Benchmark FTSE TMX LT Government Bond Index FTSE TMX Real Return Bond Index %	Value Added Return %
One Year	3.8	4.0	(0.2)
Four Years (annualized)	3.8	3.1	0.7

Other Fixed Income Securities

Other fixed income securities totaled 13.7 per cent of the total portfolio or $1,497 million at December 31, 2015, compared to 16.7 per cent or $1,625 million the previous year. The other fixed income category includes investments in units of AIMCo's Universe Fixed Income Pool totaling $915 million (2014: $1,090 million), Private Mortgage Pool totaling $522 million (2014: $479 million) and Private Debt Pool of $60 million (2014: $56 million).

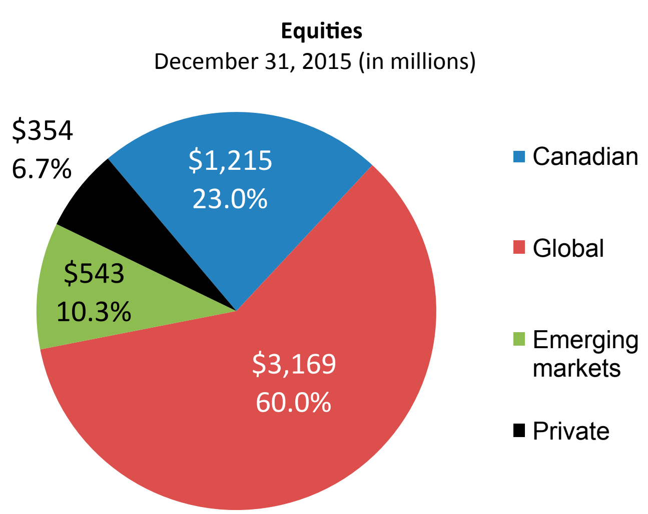
Pooled Fund Investments (by Issuer) compared to Benchmark Index

(in percent) December 31, 2015 Issuer	Universe Fixed Income Pool	Private Mortgage Pool	*Benchmark FTSE TMX Universe Bond Index*
Federal	**18**	**-**	*36*
Provincial	**39**	**4**	*34*
Municipal	**-**	**-**	*2*
Corporate	**39**	**-**	*28*
Private debt and mortgages	**3**	**96**	*-*
Under 1 year	**1**	**-**	*-*
	100	**100**	*100*

Other Fixed Income	Actual Return %	Benchmark FTSE TMX Universe Bond Index %	Value Added Return %
One Year	4.6	3.5	1.1
Four Years (annualized)	5.4	3.6	1.8

EQUITIES

At December 31, 2015, equities comprised 48.5 per cent of the total investments or $5.281 billion compared to 49.6 per cent or $4.848 billion the previous year. The Plan's equity portfolio includes investments in AIMCo's Canadian, global, emerging markets and private equity pools.



Canadian Public Equities

At December 31, 2015, Canadian equities comprised 11.2 per cent of the PSPP's total investments or $1,215 million compared to 11.7 per cent or $1,143 million the previous year. The Plan's Canadian equity investment is held in AIMCo's Canadian Equities Master Pool. The Pool includes directly held investments in Canadian public companies and structured equity products which replicate Canadian public equity investments using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX). Directly held interest bearing securities support the notional value of index swaps and futures contracts.

Canadian Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2015 Sector	Benchmark TSX Composite Index %	Over (Under) Benchmark %
Consumer discretionary	6.9	1.0
Consumer staples	4.5	1.3
Energy	18.5	0.9
Financials	38.3	(0.8)
Health Care	3.2	(0.5)
Industrials	8.3	0.7
Information technology	3.2	0.6
Materials	9.5	(0.1)
Telecommunications	5.4	0.1
Utilities	2.2	0.8
	100	

Canadian Public Equities	Actual Return %	Benchmark S&P/TSX Composite Total Return Index %	Value Added Return %
One Year	(7.4)	(8.3)	0.9
Four Years (annualized)	7.9	5.3	2.6

Global Equities

At December 31, 2015, global equities comprised 29.1 per cent of the PSPP's total investments or $3.169 billion compared to 30.1 per cent or $2.937 billion the previous year. PSPP invests in units of AIMCo's Global Equities Master Pool which makes up 87 per cent of the Plan's global equity investment. 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. Directly held interest bearing securities support the notional value of index swaps and futures contracts. PSPP also invests in units of AIMCo's Portable Alpha U.S. Pool which makes up 10 per cent of the Plan's global equity investment. The Pool provides value added returns from hedge fund strategies. The remaining 3 per cent of global equities is held in the Life Settlement Holdings (LSH) Pool which was formerly part of the Portable Alpha U.S. Pool. The LSH Pool invests in discounted life insurance policies.

Global Equities	Actual Return %	Benchmark MSCI World Index %	Value Added Return %
One Year	20.9	18.9	2.0
Four Years (annualized)	21.7	20.2	1.5

Global Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2015 Sector	Benchmark MSCI World Total Return Index %	Over (Under) Benchmark %
Consumer discretionary	13.3	0.6
Consumer staples	10.4	(0.9)
Energy	6.1	(0.4)
Financials	20.8	1.9
Health Care	13.5	0.8
Industrials	10.7	0.6
Information technology	14.2	1.6
Materials	4.4	0.2
Telecommunications	3.4	(0.1)
Utilities	3.2	(0.7)
	100	

Global Equities Master Pool Relative Regional Exposure to Benchmark December 31, 2015 Region	Benchmark MSCI World Total Return Index %	Over (Under) Benchmark %
United States	58.8	0.0
Europe, Australasia & the Far East	38.1	3.0
Emerging markets	0.0	1.1
Canada	3.1	(0.6)
	100	

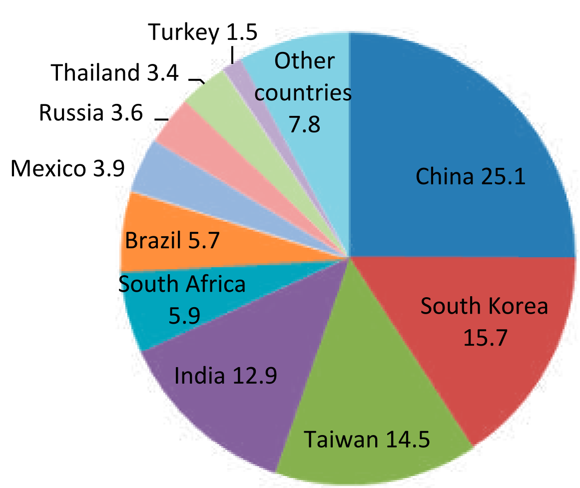
Emerging Markets

At December 31, 2015, investments in emerging markets comprised 5.0 per cent of the PSPP's total investments or $543 million compared to 5.1 per cent or $498 million the previous year. PSPP invests in units of AIMCo's Emerging Markets Pool. The Pool is actively managed and includes securities in economies which are in the early stages of development and whose market has sufficient size and liquidity and is receptive to foreign investment.

Emerging Markets	Actual Return %	Benchmark MSCI Emerging Index %	Value Added Return %
One Year	6.2	2.0	4.2
Four Years (annualized)	9.6	7.0	2.6

The chart below shows the top ten countries in the emerging markets pool.

Top Ten Countries in Emerging Markets Pool
(in per cent)



Private Equities

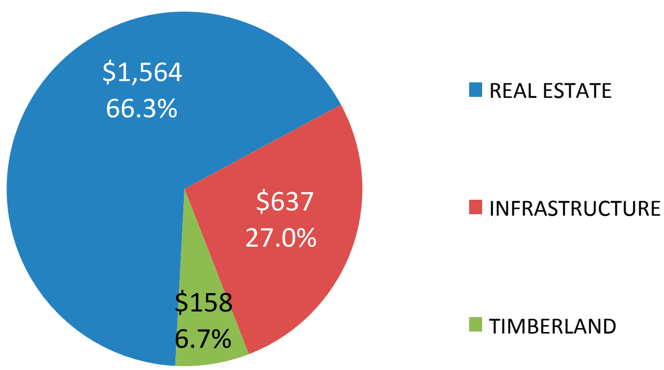
At December 31, 2015, private equities comprised 3.2 per cent of total PSPP investments or $354 million, compared to 2.7 per cent or $270 million at the end of the previous year. Private equity investments primarily include buyout investments such as expansion capital, acquisition financings, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

Private Equities	Actual Return %	Benchmark MSCI All Country World Index %	Value Added Return %
One Year	26.4	17.1	9.3
Four Years (annualized)	13.5	18.6	(5.1)

ALTERNATIVE INVESTMENTS

At December 31, 2015, alternative investments comprised 21.6 per cent of total PSPP investments, or $2,359 million, compared to 17.4 per cent, or $1,697 million, at the end of the previous year. Alternative investments include real estate, infrastructure and timberland investments.

Alternative Investments
December 31, 2015 (in millions)

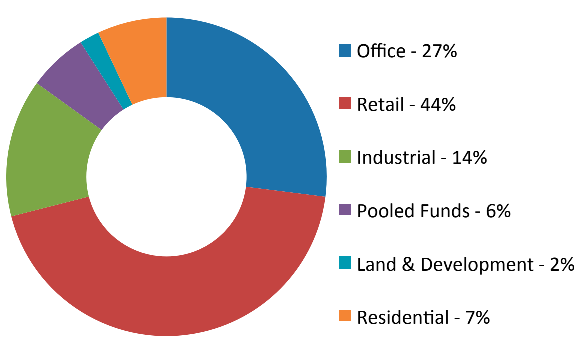


Real Estate

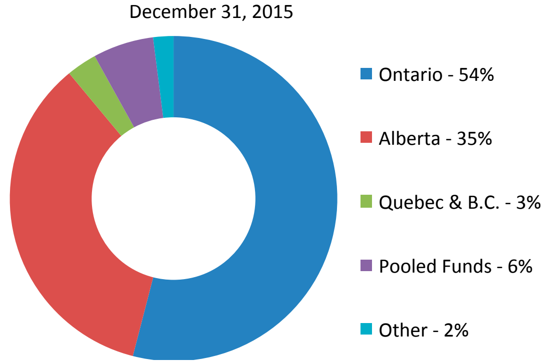
At December 31, 2015, real estate comprised 14.4 per cent of the PSPP's total investments or $1,564 million up from 10.7 per cent or $1,048 million at the end of the previous year. Real estate investments are held primarily in AIMCo's Canadian Private Real Estate Pool ($1,368 million) and in the Foreign Private Real Estate Pool ($196 million).

The Canadian real estate portfolio includes office, retail, industrial and residential properties located in major urban centers in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties with strong locations and tenants.

Canadian Private Real Estate Pool - by sector
December 31, 2015



Canadian Private Real Estate Pool - by province
December 31, 2015



Real Estate	Actual Return %	Benchmark IPD Large Institutional Index %	Value Added Return %
One Year	7.4	8.0	(0.6)
Four Years (annualized)	10.6	9.9	0.7

Infrastructure

At December 31, 2015, investments in AIMCo's infrastructure pools comprised 5.8 per cent of the total PSPP investments or $637 million, up from 5.2 per cent or $505 million at the end of the previous year. The Infrastructure Pools include investments in projects that provide attractive returns plus inflation sensitivity with a long investment horizon. Infrastructure projects include transportation/logistics (e.g. toll roads, airports, ports, and rail), power/energy (e.g. contracted power generation, power transmission pipelines) and utilities (e.g. water, waste water, natural gas networks). The actual return on infrastructure investments was enhanced by an increase in value of the toll road in Chile.

Infrastructure	Actual Return %	Combined Benchmark (1) %	Value Added Return %
One Year	20.6	9.1	11.5
Four Year (annualized)	9.5	9.5	0.0

(1) Effective November 1, 2015, CPI + 4.5%. Previously, 50% FTSE TMX RRB Index and 50% MSCI ACW Index.

Timberland

At December 31, 2015, the Plan's investment in units of AIMCo's Timberland Pool comprised 1.4 per cent of the total PSPP investments or $158 million compared to 1.5 per cent or $144 million the previous year. Timberland investments are located in Canada and globally including an ownership interest in timber and related land located in the Province of British Columbia and forestry and agricultural land in Australia and New Zealand.

Timberland	Actual Return %	Combined Benchmark (1) %	Value Added Return %
One Year	7.6	9.1	(1.5)
Four Years (annualized)	7.5	9.5	(2.0)

(1) Effective November 1, 2015, CPI + 4.5%. Previously, 50% FTSE TMX RRB Index and 50% MSCI ACW Index.

Strategic Opportunities & Currency Hedges

At December 31, 2015, the Plan's investment in AIMCo's Strategic Opportunities Pool and currency hedges comprised 0.7 per cent of total investments or $80 million compared to 0.6 per cent or $59 million the previous year. The Strategic Opportunities Pool consists of investments in infrastructure and hydropower in emerging market countries in Brazil and Columbia. In 2015, the Strategic Opportunities Pool gained 42.8 per cent (2014: 16.0 per cent). The Plan's investments in currency hedges had a negative fair value of $2.4 million at December 31, 2015.

Financial Statements

The Financial Statements are prepared by the Ministry of Treasury Board and Finance and audited by the Auditor General of Alberta

PUBLIC SERVICE PENSION PLAN

Financial Statements

Year Ended December 31, 2015

Independent Auditor's Report

To the President of Treasury Board and Minister of Finance
and the Public Service Pension Board of Trustees

Report on the Financial Statements

I have audited the accompanying financial statements of the Public Service Pension Plan, which comprise the statement of financial position as at December 31, 2015, and the statements of changes in net assets available for benefits and changes in pension obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Pension Plan as at December 31, 2015, and changes in its net assets available for benefits and changes in its pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

April 18, 2016

Edmonton, Alberta

Statement of Financial Position

As at December 31, 2015

	($ thousands)	
	2015	**2014**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 10,899,926	$ 9,772,305
Contributions receivable		
Employers	12,857	6,008
Employees	12,874	6,038
Accounts receivable	17,482	9,616
Total Assets	10,943,139	9,793,967
Liabilities		
Accounts payable	5,941	6,844
Total Liabilities	5,941	6,844
Net assets available for benefits	$ 10,937,198	$ 9,787,123
Pension obligation and deficit		
Pension obligation (Note 5)	$ 11,070,386	$ 10,590,422
Deficit (Note 6)	(133,188)	(803,299)
Pension obligation and deficit	$ 10,937,198	$ 9,787,123

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2015

	($ thousands) 2015	2014
Increase in assets		
Contributions (Note 7)	$ 697,713	$ 654,327
Investment income (Note 8)	1,018,367	1,094,850
Transfers from other plans	11,591	11,232
	1,727,671	1,760,409
Decrease in assets		
Benefit payments (Note 10)	492,517	449,813
Transfers to other plans	18,485	21,816
Investment expenses (Note 11)	53,554	48,235
Administrative expenses (Note 12)	13,040	12,000
	577,596	531,864
Increase in net assets	1,150,075	1,228,545
Net assets available for benefits at beginning of year	9,787,123	8,558,578
Net assets available for benefits at end of year	$ 10,937,198	$ 9,787,123

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2015

	($ thousands) 2015	2014
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 654,681	$ 636,521
Benefits earned	448,898	430,383
Net increase due to actuarial assumption changes (Note 5a)	22,195	263,920
	1,125,774	1,330,824
Decrease in pension obligation		
Benefits, transfers and interest	511,002	471,629
Net experience gains (Note 5b)	134,808	82,029
	645,810	553,658
Net increase in pension obligation	479,964	777,166
Pension obligation at beginning of year	10,590,422	9,813,256
Pension obligation at end of year (Note 5)	$ 11,070,386	$ 10,590,422

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2015

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Revised Statutes of Alberta 2000, Chapter P-41, and the Public Service Pension Plan Alberta Regulation 368/93, as amended. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the legislation, the legislation shall apply.

a) GENERAL

The Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies.

The Plan is a registered pension plan as defined in the *Income Tax Act.* The Plan's registration number is 0208769. The President of Treasury Board and Minister of Finance is the legal trustee for the Plan and Alberta Treasury Board and Finance is management of the Plan. The Plan is governed by the Public Service Pension Board (the Board). The Board has certain statutory functions with respect to the Plan, including but not limited to, setting general policy guidelines on investment and management of the Plan's assets and administration of the Plan, setting contribution rates, conducting actuarial valuations and recommending amendments to the Plan rules.

b) PLAN FUNDING

Current service costs and the Plan's actuarial deficiency (see Note 14) are funded equally by employers and employees at contribution rates, which together with investment earnings, are expected to provide for all benefits payable under the Plan. The contribution rates in effect at December 31, 2015 are unchanged at 11.70% (2014 11.70%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 16.72% (2014: 16.72%) of the excess for employees, with matching contributions by employers.

The contribution rates were reviewed by the Board in 2015 and are to be reviewed at least once every three years based on recommendations of the Plan's actuary.

c) RETIREMENT BENEFITS

The Plan provides a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the YMPE over the same five consecutive year period and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the *Income Tax Act*. The maximum combined pensionable service allowable under the Plan is 35 years. Pensions are payable to vested members at retirement who have attained age 65, or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of combined pensionable service.

d) DISABILITY BENEFITS

Unreduced pensions may be payable to members who become totally disabled and have at least two years of combined pensionable service. Reduced pensions may be payable to members who become partially disabled and have at least two years of combined pensionable service.

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

e) DEATH BENEFITS

Death benefits are payable on the death of a member prior to retirement. If the member has at least two years of combined pensionable service and a surviving pension partner, the surviving pension partner may choose to receive a survivor pension. For a beneficiary other than a pension partner or where combined pensionable service is less than two years, a lump sum payment must be chosen.

f) TERMINATION BENEFITS AND REFUNDS TO MEMBERS

Members who terminate with at least two years of combined pensionable service and who are not immediately entitled to a pension may receive the commuted value for all years of membership, with the commuted value being subject to locking-in provisions. Any optional service purchased wholly by the member is not included in the commuted value and is paid as contributions with interest. If the remaining member contributions fund more than 50% of the commuted value, that excess is paid as a cash refund under the 50% excess rule. Alternatively, they may elect to receive a deferred pension which is also subject to the 50% excess rule. Members who terminate with less than two years of combined pensionable service receive a refund of their contributions and interest. The refunds are accounted for as benefit payments on the statement of changes in net assets available for benefits.

g) OPTIONAL SERVICE AND TRANSFERS

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

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

h) COST-OF-LIVING ADJUSTMENTS

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

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

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

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

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

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

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

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

c) INVESTMENT INCOME

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

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

i. Income distributions from the pools.

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

d) INVESTMENT EXPENSES

Investment expenses include all amounts, incurred by the Plan to earn investment income (see Note 11). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) VALUATION OF PENSION OBLIGATION

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

f) MEASUREMENT UNCERTAINTY

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

Measurement uncertainty exists in the valuation of the Plan's pension obligation, private investments, hedge funds, 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, hedge funds, 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, hedge funds, 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.

g) INCOME TAXES

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

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Guidelines (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 pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]			2015	2014
Asset class	Level 1	Level 2	Level 3	**Fair Value**	**Fair Value**
Fixed income					
Money market	$ -	$ 54,511	$ -	$ 54,511	$ 53,585
Liability matching assets	-	1,628,150	-	1,628,150	1,489,634
Other fixed income	-	915,142	581,937	1,497,079	1,624,992
	-	2,597,803	581,937	3,179,740	3,168,211
Equities					
Canadian	994,695	220,782	-	1,215,477	1,142,553
Global developed	2,152,296	400,335	616,019	3,168,650	2,936,644
Emerging market	529,834	13,376	-	543,210	498,054
Private	-	-	353,609	353,609	270,190
	3,676,825	634,493	969,628	5,280,946	4,847,441
Alternatives					
Real estate	-	-	1,563,753	1,563,753	1,047,773
Infrastructure	-	-	636,678	636,678	505,410
Timberland	-	-	158,573	158,573	144,444
	-	-	2,359,004	2,359,004	1,697,627
Strategic and currency investments *	-	(2,359)	82,595	80,236	59,026
Total investments	$3,676,825	$ 3,229,937	$3,993,164	$10,899,926	$ 9,772,305

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

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

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- ***Level 1*** - fair value is based on quoted prices in an active market. This level includes publicly traded listed equity investments totalling $3,676,825 (2014: $3,291,661).
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes debt securities and derivative contracts not traded on a public exchange totalling $3,229,937 (2014: $3,415,416). For these investments, fair value is either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes private mortgages, hedge funds, private equities and inflation sensitive investments totalling $3,993,164 (2014: $3,065,228).

Reconciliation of Level 3 Fair Value Measurements:

	($ thousands)	
	2015	**2014**
Balance, beginning of year	$ 3,065,228	$ 2,227,558
Investment income *	458,310	180,315
Purchases of Level 3 pooled fund units	769,051	861,750
Sale of Level 3 pooled fund units	(299,425)	(204,395)
Balance, end of year	$ 3,993,164	$ 3,065,228

* Investment income includes unrealized gains of $287,853 (2014: $57,178).

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

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

- ***Fixed Income:*** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***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 timberland investments is appraised

NOTE 3 INVESTMENTS CONTINUED

annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.

- ***Strategic and currency investments:*** 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. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts and futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

NOTE 4 INVESTMENT RISK MANAGEMENT

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

The investment policies and procedures of the Plan are clearly outlined in the 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 4b).

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

Asset Class	Target Asset Policy Mix	Actual Asset Mix 2015 ($ thousands)	2015 %	Actual Asset Mix 2014 ($ thousands)	2014 %
Money market	0 - 3%	$ 54,511	0.5	$ 53,585	0.5
Liability matching assets	12 - 25%	1,628,150	15.0	1,489,634	15.2
Other fixed income	6 - 12%	1,497,079	13.7	1,624,992	16.7
Equities	41 - 55%	5,280,946	48.5	4,847,441	49.6
Alternatives	20 - 30%	2,359,004	21.6	1,697,627	17.4
Strategic and currency investments	(a)	80,236	0.7	59,026	0.6
		$10,899,926	100.0	$ 9,772,305	100.0

(a) In accordance with the SIP&G, AIMCo may invest up to 3% of the fair value of the Plan's investments in strategic currency that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays limited to a notional amount of 5% of the Plan's assets.

a) Credit Risk

i) Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities are with counterparties with credit ratings considered to be investment grade.

The table below summarizes these debt securities by counterparty credit rating at December 31, 2015:

Credit rating	2015	2014
Investment Grade (AAA to BBB-)	86.9%	87.4%
Speculative Grade (BB+ or lower)	0.0%	0.3%
Unrated	13.1%	12.3%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Plan's maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). The Plan can only transact with counterparties to derivative contracts with a credit rating of A+ or higher by at least two recognized ratings agencies. Provisions are in place to either transfer or terminate existing contracts when the counterparty has their credit rating downgraded. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2015, the Plan's share of securities loaned under this program is $444 million (2014: $522 million) and collateral held totals $472 million (2014: $550 million). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 38% of the Plan's investments, or $4,100 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (18%) and the Euro (4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 3.8% of total investments (2014: 3.9%). The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2015:

	($ millions)			
	2015		2014	
Currency	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 1,986	$ (199)	$ 1,979	$ (198)
Euro	400	(40)	359	(36)
Japanese yen	296	(29)	249	(25)
British pound	267	(27)	260	(26)
Hong Kong dollar	167	(17)	145	(14)
Chilean peso	136	(13)	11	(1)
Swiss franc	109	(11)	109	(11)
Other foreign currencies (below 1%)	739	(74)	691	(69)
Total foreign currency investments	$ 4,100	$ (410)	$ 3,803	$ (380)

c) Interest Rate Risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates.

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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 3.0% of total investments (2014: 3.1%).

d) Price Risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 5.1% of total investments (2014: 5.4%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) Liquidity Risk

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

f) Use of Derivative Financial Instruments in Pooled Investment Funds

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

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	**2015**	**2014**
Contracts in favourable position (current credit exposure)	31	$ 41,475	$ 40,909
Contracts in unfavourable position	19	(109,092)	(22,570)
Net fair value of derivative contracts	50	$ (67,617)	$ 18,339

(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 $41,475 (2014: $40,909) 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.

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

Types of derivatives used in pools	Plan's Indirect Share ($ thousands) 2015	2014
Structured equity replication derivatives	$ (1,968)	$ 32,708
Foreign currency derivatives	(50,926)	(10,621)
Interest rate derivatives	(17,384)	(5,923)
Credit risk derivatives	2,661	2,175
Net fair value of derivative contracts	$ (67,617)	$ 18,339

(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, 2015 deposits in futures contracts margin accounts totalled $28,987 (2014: $42,146) and deposits as collateral for derivative contracts totalled $3,483 (2014: $nil).

NOTE 5 PENSION OBLIGATION

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2014 by Aon Hewitt and results were then extrapolated to December 31, 2015.

The actuarial assumptions used in determining the value of the pension obligation of $11,070,386 (2014: $10,590,422) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate, and the salary escalation rate. The discount rate is based on the average from a consistent modeled investment return, net of investment expenses, and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2015	2014
	%	
Discount rate	6.00	6.20
Inflation rate	2.00	2.25
Salary escalation rate*	3.00	3.50
Mortality rate	2014 Canadian Pension Mortality Table (Public Sector)	

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

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2017. 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 2018.

b) NET EXPERIENCE GAINS

Net experience gains of $134,808 (2014: $82,029) reflect the results of the valuation as at December 31, 2014 extrapolated to December 31, 2015.

c) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

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

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2015:

	($ thousands)		
	Changes in Assumptions %	Increase in Plan Deficiency $	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	746,000	1.66
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	238,000	0.70
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1.0)	1,489,000	2.57

* The current service cost as a percentage of pensionable earnings is 16.93% at December 31, 2015.

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NOTE 6 DEFICIT

	($ thousands) 2015	2014
Deficit at beginning of year	$ (803,299)	$ (1,254,678)
Increase in net assets available for benefits	1,150,075	1,228,545
Net increase in pension obligation	(479,964)	(777,166)
Deficit at end of year	$ (133,188)	$ (803,299)

NOTE 7 CONTRIBUTIONS

	($ thousands) 2015	2014
Current service		
Employers	$ 346,356	$ 324,966
Employees	346,463	324,718
Past service		
Employers	1,403	1,168
Employees	3,491	3,475
	$ 697,713	$ 654,327

NOTE 8 INVESTMENT INCOME

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

($ thousands)	Income	Change in Fair Value	2015 Total	2014 Total
Money market, liability matching and other fixed income	$ 126,642	$ 10,052	$ 136,694	$ 365,104
Equities				
Canadian	20,613	(116,085)	(95,472)	128,445
Foreign	537,726	111,567	649,293	467,323
Private	26,357	50,788	77,145	34,744
	584,696	46,270	630,966	630,512
Alternatives				
Real estate	56,106	51,503	107,609	69,281
Infrastructure	8,275	102,998	111,273	28,343
Timberland	2,815	9,304	12,119	(3,476)
	67,196	163,805	231,001	94,148
Strategic and currency investments	12,925	6,781	19,706	5,086
	$ 791,459	$ 226,908	$ 1,018,367	$ 1,094,850

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $68,453 and $164,541 respectively (2014: $50,664 and $168,380 respectively). Realized and unrealized gains and losses on currency hedges total ($9,596) and $3,510 respectively (2014: $1,801 and ($5,870) respectively).

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

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

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

	2015	2014	2013	2012	2011
			in per cent		
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	8.0	12.5	12.6	9.2	2.7
Value added (lost) by AIMCo	1.8	(0.3)	1.5	2.2	0.9
Total return on investments [(a)]	**9.8**	**12.2**	**14.1**	**11.4**	**3.6**
Other sources [(b)]	2.0	2.1	3.1	1.2	1.5
Per cent change in net assets [(c)]	**11.8**	**14.3**	**17.2**	**12.6**	**5.1**
Per cent change in pension obligation [(c)]	**4.5**	**7.9**	**9.7**	**8.1**	**0.4**
Per cent of pension obligation supported by net assets	**99**	**92**	**87**	**82**	**78**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 10.2% (PBR: 9.0%), ten years is 6.7% (PBR: 6.4%) and 20 years is 7.5% (PBR: 7.3%). The Plan's actuary estimates the long-term net investment return on assets for funding purposes to be 6.05% (2014: 6.05%).

(b) Other sources includes employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.

(c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

NOTE 10 BENEFIT PAYMENTS

	($ thousands) 2015	2014
Retirement benefits	$ 353,809	$ 319,609
Disability benefits	1,713	1,911
Termination benefits	104,102	107,067
Death benefits	32,893	21,226
	$ 492,517	$ 449,813

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NOTE 11 INVESTMENT EXPENSES

	($ thousands) 2015	2014
Amounts charged by AIMCo for:		
Investment costs [(a)]	$ 40,348	$ 36,366
Performance based fees [(a)]	11,910	7,593
GST [(b)]	1,244	4,224
	53,502	48,183
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Plan reporting	52	52
Total investment expenses	$ 53,554	$ 48,235
Increase in expenses [(a)]	11.0%	10.8%
Increase in average investments under management	12.9%	15.7%
Increase (decrease) in value of investments attributed to AIMCo	1.8%	-0.3%
Investment expense as a percent of:		
Dollar earned	5.3%	4.4%
Dollar invested	0.5%	0.5%
Investment expenses per member	$ 646	$ 586

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

The per cent increase in investment costs and performance based fees is 18.9% (2014: 1.1%).

[(b)] Includes 67% of GST paid during the year. In 2014 GST also includes 67% of GST recorded as a receivable in prior years (2011-2013) which was determined to be unrecoverable and was expensed in the year.

NOTE 12 ADMINISTRATIVE EXPENSES

	($ thousands) 2015	2014
General administration costs	$ 12,446	$ 11,575
Board costs	158	127
Actuarial fees	275	149
Other professional fees	161	149
	13,040	12,000
Member service expenses per member	$ 157	$ 146

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

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

NOTE 13 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 11 and administrative expenses per Note 12 are $66,594 (2014: $60,235) or $804 (2014: $732) per member and 0.60% (2014: 0.62%) of net assets under administration.

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NOTE 14 CAPITAL

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

The Plan's asset values are determined on the fair value basis for accounting purposes. However for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation purposes amounted to $10,087,000 at December 31, 2015 (2014: $9,002,000). In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiency determined by the December 31, 2014 actuarial funding valuation is being funded by special payments shared equally between employees and employers in the following amounts:

1.39% of pensionable earnings until December 31, 2017, plus
0.16% of pensionable earnings until December 31, 2020, plus
3.76% of pensionable earnings until December 31, 2023, plus
0.26% of pensionable earnings until December 31, 2025, plus
2.40% of pensionable earnings until December 31, 2026

The special payments have been included in the rates shown in Note 1b.

NOTE 15 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2015 presentation.

NOTE 16 RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Public Service Pension Plan