2015

ANNUAL REPORT

special forces pension plan

The Special Forces Pension Plan (SFPP) is a defined benefit pension plan governed in accordance with the *Public Sector Pension Plans Act and Regulations*. The President of Treasury Board and Minister of Finance (the Minister) holds the assets of the Plan in trust and is responsible in legislation for the administration of the Plan and the investment management of its assets.

special forces
pension plan

Date published: August 2016

See **www.sfpp.ca** for an electronic version of this report

Questions, concerns or feedback may be emailed to **board@sfpp.ca**

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SFPP 2015 HIGHLIGHTS

QUICK FACTS FOR 2015

NET ASSETS	PENSION OBLIGATION	DEFICIENCY
$2.5 billion (after expenses)	**$2.7** billion (liability)	**$162** million

6,993
Total Membership

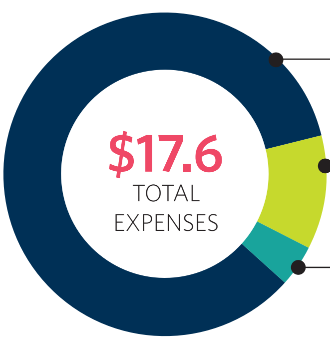
2,469
Total Number Of Retirees

ADMINISTRATION AND GOVERNANCE COSTS

2015 COST PER MEMBER	$333
2014 COST PER MEMBER	$339

PLAN EXPENSES ($ MILLIONS)

Governance expenses reflect costs associated with overseeing the SFPP. Included are Board expenses ($144 thousand) plus total fees for actuarial consulting and other professional contracts ($572 thousand).



$15.23
Investment Expenses (SFPP)

$1.61
Administrative Expenses (APS)

$0.72
Governance Expenses (SFPP)

INVESTMENT COSTS

2015 COST PER MEMBER	$2,177
2014 COST PER MEMBER	$1,909

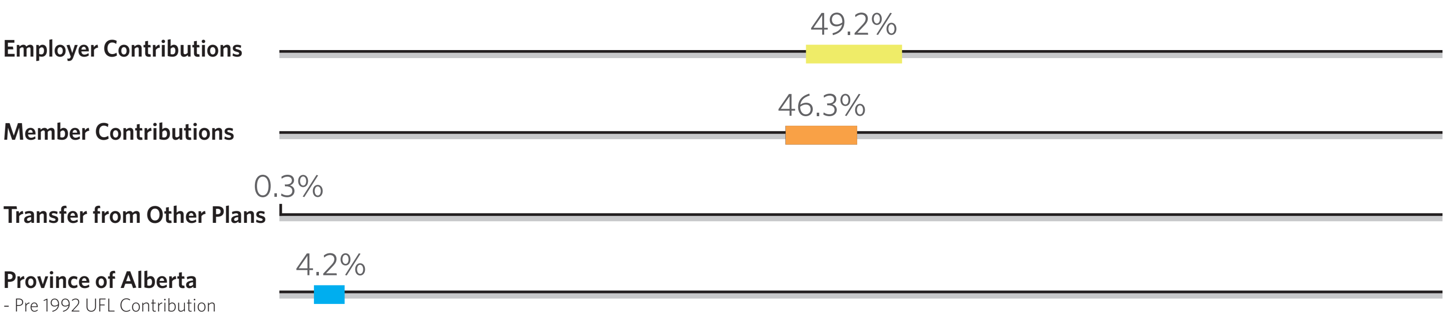
$15.2 million
Alberta Investment Management Corporation (AIMCo) costs to manage Plan funds for 2015 including external managers

SFPP 2015 HIGHLIGHTS CONTINUED

SUMMARY OF FINANCIAL POSITION (S THOUSANDS AND AS AT DEC. 31, 2015)

	NET ASSETS AVAILABLE FOR BENEFITS	PENSION OBLIGATION	DEFICIENCY
2015	$2,503,223	$2,664,865	$161,642
2014	$2,280,974	$2,471,973	$190,999

CONTRIBUTIONS TO SFPP



In 2015, total contributions to SFPP were **$125,154,000**

MEMBERSHIP BY EMPOYER

2,146
City of Calgary

1,848
City of Edmonton

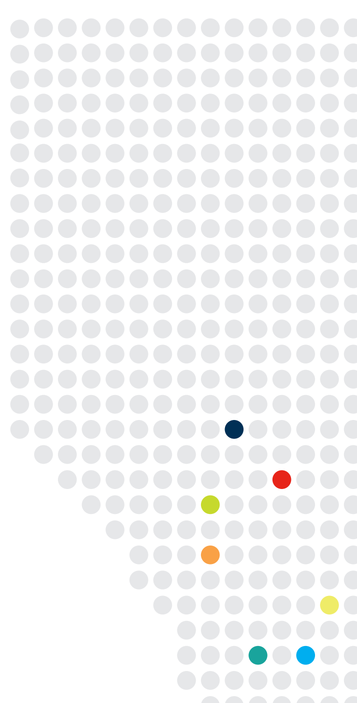
169
City of Lethbridge

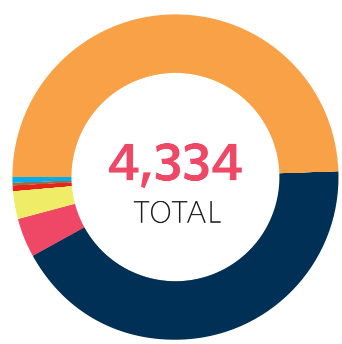
115
City of Medicine Hat

28
City of Camrose

15
City of Lacombe

13
Town of Taber

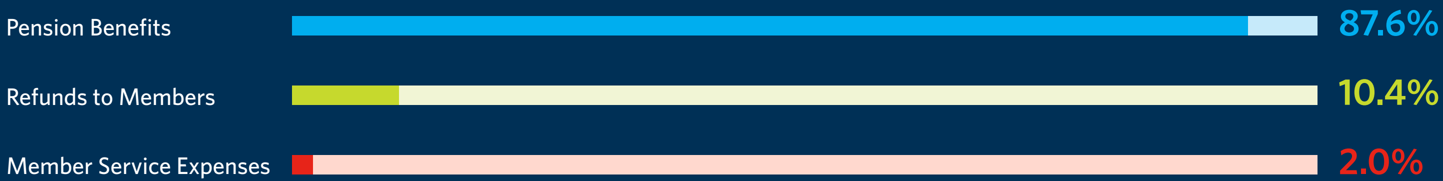




City of Calgary	49.5%
City of Edmonton	42.6%
City of Lethbridge	3.9%
City of Medicine Hat	2.6%
City of Camrose	0.6%
City of Lacombe	0.4%
Town of Taber	0.3%

SFPP MEMBERSHIP

PAYMENTS FROM SFPP



In 2015, total payments from SFPP were **$115,328,000**

Roger Rosychuk,
Board Chair

MESSAGE FROM THE BOARD CHAIR

AS WE LOOK FORWARD TO 2016, THERE WILL BE AN INCREASED EFFORT TO BRING MORE DIVERSITY TO THE BOARD, WHILE HONOURING THE REPRESENTATIVE NATURE OF NOMINATIONS.

The past year was a challenging one for our energy-based economy. That being said, through strategically diverse investments, the Special Forces Pension Plan (SFPP or Plan) continues to produce strong and sufficient returns.

There are two measures used to determine the financial health of a pension plan. One is through accounting and the other is through an actuarial valuation. The accounting methodology is shorter-term, providing a picture of the Plan's financial health if it were to be wrapped up today. The actuarial valuation's focus is longer-term, looking more at funding needed in the future and using methods to smooth out volatility.

This year's performance from an accounting perspective was strong: the financial position of the Plan improved, with net assets increasing by 9.7% and outperforming the benchmark by 2.2%. The SFPP fund grew by $222 million in 2015, ending the year with $2.50 billion in assets. The estimated pension obligation is $2.66 billion, resulting in a deficit of $162 million. The Plan closed out the year with 94% of its total pension obligation supported by net assets, up from 92% last year.

While these are good results, it's the role of the Board to take a prudent approach to the financial management of the Plan. In contrast to the accounting estimates, the actuarial valuation prepared to determine the funding necessary to provide benefits to SFPP members uses more conservative assumptions about future investment returns as well as techniques to smooth out fluctuations year-to-year. This gives the Plan a cushion in the event that outcomes are not as expected.

The next actuarial valuation, to be released in mid-2017, will reflect the Plan as at December 31, 2016. In the meantime, the Plan's actuaries have estimated that at December 31, 2015, the Plan's funded ratio (assets divided by actuarial liabilities) was 87%, up from 80% at December 31, 2013. This ratio is lower than the corresponding accounting funded ratio above because of the conservatism inherent in an actuarial funding valuation.

While the financial position of the Plan has improved in recent years, the Board is always alert to potential future risks, such as poor investment returns. To this end, there is still much to be done in improving the Plan's resilience and sustainability. The Board remains committed to its important work with sponsors and key stakeholders, continuing on the path started in 2013 to assess and review the Plan, looking for solutions to make it stronger, fairer and more sustainable. At the Sponsor Session held on June 19, 2015, the group made significant progress by reviewing and discussing possible alternative models for future governance and Plan design. The foundation for these discussions come from the Board's vision and mission, both of which center around prudent governance and sound financial management of the SFPP so that the pension benefits can be secure.

Plan governance is an area deserving of attention. It dictates who makes the critical decisions about benefits, contributions, investments and services to active, deferred and retired members of the SFPP. In the past several years, the Board has continued its efforts to strengthen Plan governance through consultation with the Minister of Finance and sponsors, as we believe changes are required to the current governance structure and Plan design to better suit the ongoing needs of the Plan. After all, our last review of the Plan provisions and governance occurred 37 years ago.

As we look forward to 2016, we will increase our efforts to bring more diversity to the Board, which includes improving gender balance while honouring the representative nature of nominations. We greatly value diversity among our appointed members and will be working diligently with sponsors and Government to achieve this.

In closing, it's been a year of contradictions – challenging, yet productive. My term as Board Chair concluded at the end of 2015. While I thoroughly enjoyed my tenure on the Board, I'm pleased to pass the torch to Denis Jubinville, a seasoned Board member nominated by the Edmonton Police Association. Denis will serve as Board Chair for 2016, bringing over 11 years of Board service and one previous term as Chair.

I'd like to acknowledge the departure of Steve Christie and Quinn Jacques, two directors who concluded their terms on the Board in 2015. We thank them for their valuable work and service to the SFPP. At the time of publication, the Board awaits reappointments and new appointments to the Board – we will announce the full Board on the sfpp.ca website once we have confirmation. As we say farewell to departing Board members, we also look forward to the coming year with continuing and newly-appointed Board members.

Finally, I'd like to acknowledge our important relationships with our agency partners, Alberta Pensions Services Corporation (APS) and Alberta Investment Management Corporation (AIMCo), both of which delivered valuable services to the Board in 2015. We look forward to continued collaboration with them in 2016.

Your Board, along with its sponsors, stakeholders and service providers, are all doing their part to ensure the Plan remains financially strong now, and for generations to come.

Liz Doughty,
Plan Board Manager

MESSAGE FROM THE PLAN BOARD MANAGER

WHEN I THINK BACK ON 2015, THE MAIN WORD THAT SPRINGS TO MY MIND IS RISK… HOWEVER, DESPITE ALL THE PROFESSIONAL EFFORTS THAT GO INTO RISK MANAGEMENT, THERE ARE CERTAIN RISKS THAT WILL ALWAYS REMAIN, NEVER TO BE COMPLETELY MITIGATED.

When I sat down to think about what to write in my 2015 message to you, I struggled. I could have summarized the information found in this Report, as was my first instinct, but I don't think that would be adding much value to you. The more I thought about it, the more I wanted to share some of the unique perspective that I have from my position with the Board.

To start, I wanted to share a little bit about myself and my position. I realize that the title "Plan Board Manager" probably doesn't mean anything to most people, especially those that don't have in-depth knowledge of public sector pension boards in Alberta. The easiest way to describe my position is using a corporate comparison: my position is similar to that of an Officer of a corporation that answers to a Board of Directors. The Board of the SFPP, all seven members, are my bosses; my team and I answer to each of them in terms of their informational needs and strategic direction. While I offer advice and direction, it really is up to the Board to make the hard decisions. I am responsible for ensuring that they have all the information they need and that decisions are carried out properly.

For lack of a better description, I "fell into" working in defined benefit (DB) pensions almost two decades ago. What surprised me is that I found pensions to be fascinating, complex and – most of all – valuable. I still do. Employees really value their DB pension for the retirement security that it represents. Employers value pensions as an attraction and retention tool. I myself have a DB pension and I am grateful that I do. Those of us with a DB pension are the lucky ones and I would not want mine taken away, not after all these years that I have contributed and accumulated service in it.

I am sharing this with you because I want you to understand that I do see the value in DB pensions and the Board does too. We know that our members value their pensions. Nobody is looking to take away the defined benefit that the SFPP offers. However, those of us deep in the pensions world realize that people are living longer, interest rates remain low, and capital markets are volatile. Compounding those challenges is pension plan maturity (where the ratio of active members to pensioners decreases, meaning that there are fewer people paying into a pension plan and more pensioners drawing from it).

But we also know that efficiencies are created in DB plans to manage risk, such as the pooling of investment funds to allow diversification and professional management with low administrative costs. The Board wants to be able to provide, with reasonable certainty, the pre-determined benefit that the SFPP offers. However, the Board also has to look at all factors with their eyes wide open, and weigh all risks that might make sustainability of the SFPP a real problem. We also want to be able to respond to all risks related to funding, investment, and longevity in a pre-determined fashion, not in a reactionary manner.

When I think back on 2015, the main word that springs to my mind is risk. The Board spent much time on risk management in 2015. To aid in its risk oversight, the Board uses a multitude of professionals, such as actuaries, investment managers and consultants, auditors and lawyers. However, despite all the professional efforts that go into risk management, there are certain risks that will always remain, never to be completely mitigated.

As the Board Chair mentioned in his message, the SFPP was created 37 years ago, in 1979. A lot has changed since 1979. Just think about the cars around back then. There were no personal computers, CDs (MP3s!), cell phones… remember the hair? Or perhaps you weren't even born yet. Yes, a lot has changed since 1979. You know what hasn't? Your pension plan. It is pretty much the same today as it was in 1979, with the same design and governance structure. It is beyond the time for it to be reviewed comprehensively, with risk mitigation in mind. Like vehicles, technology, and yes – even hairstyles – have changed in the last 37 years, pensions also need to change and keep pace with modern times.

Some think that DB pensions are going the way of the dinosaur. I don't think that is true, although I have seen many pension plans around me change to defined contribution or target benefit. Just this fact alone is proof that pensions need to adapt to shifting circumstances and not cling to outdated templates. There is no such thing as an ultimate or gold standard DB pension plan design. I personally think we can keep the SFPP a defined benefit pension, but by addressing some of the inherent risks. It may be time to initiate pension governance and innovation that can respond quickly and rise to meet the challenges of today's marketplace.

Speaking of rising to challenges, I want to thank our SFPP management team for all the hard work and enthusiastic support they have provided the Board over the past year. Also, I want to thank the Board members for their knowledge, perspective and guidance throughout 2015. I look forward to seeing what 2016 brings.

4 BOARD MEMBER ATTENDANCE

2015 ATTENDANCE BASED ON 11 MEETINGS

The calculations below are for Board meetings only and do not include Committee meetings.

100%
ROGER ROSYCHUK (CHAIR)

100%
DWAYNE SMITH (VICE CHAIR)

100%
GEORGE MCLAUCHLAN

95%
JON HIMMENS

91%
DENIS JUBINVILLE

18%
STEVE CHRISTIE [1]

[1] Steve Christie resigned from the Board effective prior to the December 2015 Board meeting

64%
QUINN JACQUES [2]

[2] Quinn Jacques resigned from the Board effective prior to the December 2015 Board meeting

Absent: Steve Christie

5

PLAN INFORMATION AND GOVERNANCE

THE SPECIAL FORCES PENSION PLAN (SFPP OR THE PLAN) IS A DEFINED BENEFIT PENSION PLAN GOVERNED IN ACCORDANCE WITH THE *PUBLIC SECTOR PENSION PLANS ACT* (PSPPA) AND ASSOCIATED REGULATIONS.

The President of Treasury Board and Minister of Finance (the Minister) is the administrator and trustee of the SFPP. However, the Minister does not perform the daily tasks to operate the Plan. The following organizations are involved in the operation and governance of the Plan:

Plan Administrator: Alberta Pensions Services Corporation (APS)

- The Minister delegated all functions in relation to the benefits administration of the Plan to APS.

Plan Investor: Alberta Investment Management Corporation (AIMCo)

- AIMCo is responsible for the investment of the Plan funds as delegated by the Minister and subject to the policies and goals set by the Special Forces Pension Board.

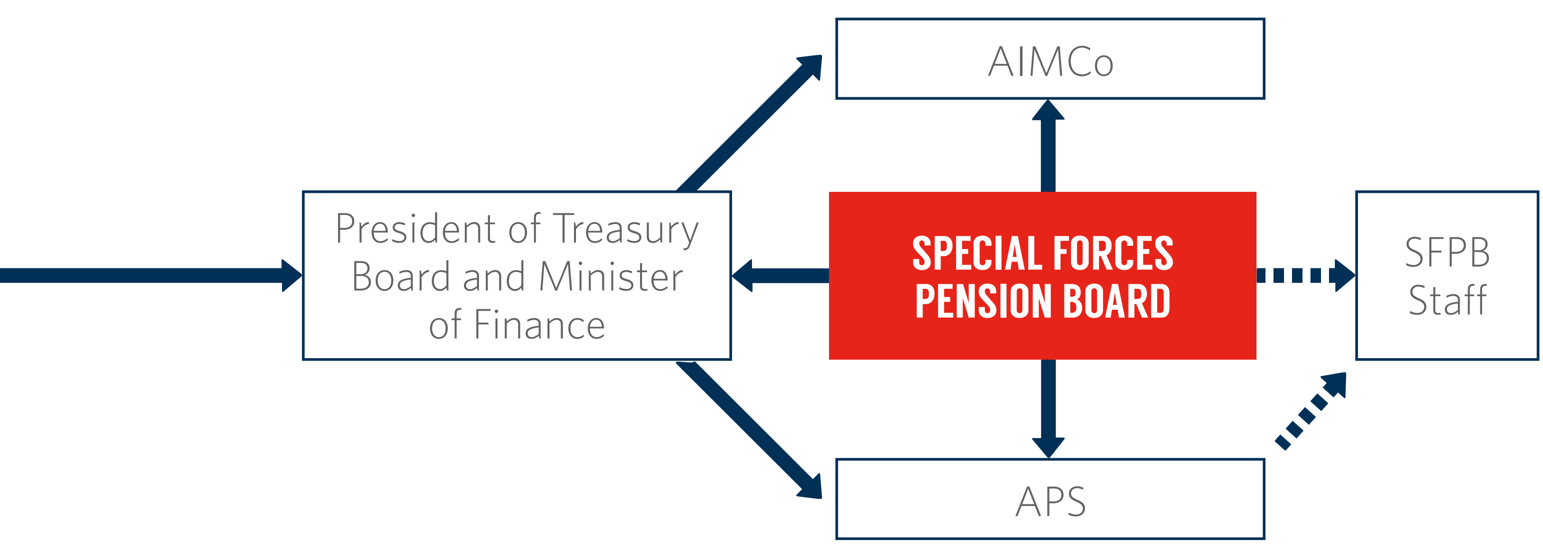
Special Forces Pension Board (the Board)

- The Board reviews the actions of APS and AIMCo on behalf of Plan members and as delegated by the Minister. Sections in the PSPPA outline the Board's areas of responsibility 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 laws governing the Plan.
- It seeks expert advice (investment, actuarial, legal) in order to make informed decisions and discharge its legislated and fiduciary duties. The Board requests that APS enters into contracts on its behalf with these experts.
- The Board has seven members: three employer nominees, three employee nominees and one Government nominee. All are appointed by the Government through Order in Council.
- The vision of the Board is to ensure the pension benefits promised are secure through the prudent governance of the Plan.

Alberta Treasury Board and Finance holds ultimate responsibility to monitor its delegations and for the delivery of service each organization provides to the SFPP. The Office of the Auditor General conducts an independent audit of the SFPP's financial statements to ensure fair representation free of material misstatement and that they are completed 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 is required of all parties. For that reason, the Board has operating protocols with APS and with AIMCo that detail how the organizations work together. The Board also has a Mandate and Roles document with the Minister to document the roles and responsibilities of both entities.

The Board is accountable to all Plan **stakeholders**, being the Minister, members (active and deferred), pensioners and employers.



BOARD DISCUSSION AND ANALYSIS

STRATEGIC PLANNING

In 2015, the Board reviewed and updated its three year rolling Business Plan. In its Business Plan, the Board has four main strategic priorities: Plan funding and investments, governance, risk management and communications.

Risk management is a notable addition in 2015. The Board has long focused on the various risks to the SFPP, but usually within each of the categories in which each risk falls, as opposed to interconnected risks. Managing the embedded vulnerabilities of interconnected risks requires a collaborative approach among all entities associated in the delivery of the pension benefits. The acknowledgement of risk management as a strategic priority of the Board formalizes its risk analysis and associated mitigation strategies. The focus on risk in 2015 has strengthened clarity in one major respect: that governance is a large risk to the Plan with the farthest reaching impacts, from funding and investments to the Board's ability to attract new Board members with the right balance of skills and knowledge.

In the spring of 2015, the New Democrat Party (NDP) won the provincial election. The Minister of Finance is the trustee of the SFPP and this change might have an impact on the Board's strategic planning into 2016 based on our understanding of the Government's mandate for public sector pension plans. The Board looks forward to meeting with the Minister of Finance as soon as it can be arranged to discuss his vision and mandate for the SFPP. The Board used 2015 to concentrate on the strategic priorities and goals it already had in place, such as enhanced communications with members and a focus on Plan funding and investments with its professional consultants. It plans to do the same in 2016.

RISK MANAGEMENT

The Board's view is if it can identify and proactively address risks, then there will be improved performance and enhanced value for Plan members. The management methodology adopted is an enterprise risk management (ERM) one, with a risk-based approach to managing the SFPP that integrates strategic planning, Board operations and identifying those items that are outside the Board's control. As part of its assessment in 2015, the Board identified circumstances or possible adverse events that could hinder it from reaching its objectives. The likelihood and magnitude of impact were then assessed. From this analysis, a response strategy was formulated, with a focus on mitigating the risk as much as possible to reduce the severity of impact. Finally, the Board will implement those mitigation strategies not yet in place while monitoring progress overall.

Through this exercise, the Board found that there were two main risks to the Plan that were most troubling, with a high amount of residual risk even after all mitigating strategies were implemented. These two risks are: governance and Plan funding. More on these two particular risks are addressed in the discussion following. As 2015 drew to a close, the Board met and renewed its commitment to the continuation of its risk monitoring and mitigation activities into 2016.

INVESTMENTS AND FUNDING

If you have read any recent articles on defined benefit pension plans, you will likely be aware that these types of plans are having a tough time these days. Low interest rates and increased life expectancy mean that plans like the SFPP have to work even harder to fund the same benefit that was more easily obtained in years where double-digit interest rate returns were very common.

SFPP PERFORMANCE IN 2015

In 2015, as in most years, the SFPP showed gains in some asset categories and losses in others. This is normal and to be expected; it is a large part of why the Board takes care to have a diversified asset mix, and is all part of an investment risk management strategy. In taking higher risk in certain asset classes to obtain higher returns, the Board takes on less risk in others to hopefully weather storms. Overall, the SFPP's portfolio did admirably in 2015, with an actual return of 9.3%. From an accounting perspective, 94% of the SFPP's obligations are supported by its assets.

All of the above is good news, especially given the volatile market in 2015 that saw a barrel of crude oil drop down to about $30 USD a barrel. But the funding of the SFPP is managed not based on the financial statements, but based on an actuarial or funding valuation, which has some differences as described below.

UNDERSTANDING THE ACTUARIAL VALUATION

An actuarial valuation helps the Board look at the funding needed in the pension plan assuming it will be maintained indefinitely, and then determine if there will be enough funding for all obligations that are expected to materialize. The actuarial valuation is based on reasonable going concern funding assumptions, taking into consideration expected benefit payments and future investment returns in addition to inflation, salary increases and demographics (including longevity, trends in hiring patterns, retirements and family composition).

A reserve is also built into the actuarial valuation of the Plan, so money can be saved during good times and spent during bad times. Another technique used is smoothing, which stabilizes short-term gains and losses by spreading them over a three-year period, having the effect of reducing volatility in the valuation. This translates to less fluctuation in contribution rates so they can remain stable for a period of years rather than fluctuating annually based on the results of a valuation or extrapolation. Smoothing and conservatism cannot be used for the accounting statements, which are based on “best estimate” assumptions; this makes sense because accounting numbers examine the Plan at a particular date (December 31, 2015). These differences highlight why the asset and liability amounts in accounting statements are different from those in the actuarial valuation – essentially, that would be comparing apples to oranges.

THE IMPORTANCE OF INVESTMENT RETURNS

Defined benefit plans like the SFPP invest for the long term, not year-over-year results. The pension contributions collected today are invested towards pensions which will be paid from the Plan over the coming decades. Investment returns are very important, as 80 cents of each pension dollar is paid through investment returns. Interest rates have been at historically low levels for a while now; 2015 was no different. When interest rates are low, returns are low, meaning pension obligations rise as more money is needed to pay future pensions.

These issues underline the importance of strong returns on the Plan’s investments. Many economic factors - including volatility in financial markets and persistently low interest rates - present risks that impact the ability of our investment manager to generate strong investment returns.

Another large market event like the global recession of 2008 could have catastrophic results on the SFPP, which is just starting to climb out of the hole of that crisis. Another similar recession could have very impactful, negative results such as a sharp increase in contribution rates or a painful cut to benefits. The Board would rather see none of this come to pass, which is why risk management was such a focus in 2015.

UPCOMING 2016 ACTUARIAL VALUATION

The last actuarial valuation was current as at December 31, 2013; the report can be accessed on www.sfpp.ca. The report outlines the rationale for contribution rates and the schedule for special payments that are paying down the post-1991 unfunded liability. The majority of these special payments are scheduled to be complete at the end of 2023. The process for setting Board assumptions for the next valuation will happen in the final months of 2016, with the actual valuation report being released in mid-2017.

One assumption the Board knows will have to change is the discount rate (the expected future return on the Plan's assets). The 2013 valuation used a future return assumption of 6.1%, but the past few years have shown that a lower assumption will be necessary to accurately reflect current expectations about future returns on the Plan's assets. Unfortunately, lowering this assumption has the effect of increasing the Plan's obligations (since, as discussed above, more money is needed today to pay future pensions). This means, unless investment returns are higher than expected, contribution rates may need to be adjusted upward.

COST-OF-LIVING ADJUSTMENT UPDATE

Turning to more positive news, in 2015 the Board funded and granted a cost-of-living adjustment (COLA) to SFPP pensioners of 30% of inflation for post-2000 service, which is the Board's target rate for COLA. We are pleased that every year since target COLA was introduced, the Board has been able to pay it to our pensioners. Because it is funded by contributions from members and employers, there is a very high probability that COLA will continue to be granted – as long as market returns continue to be strong. Target COLA is an important lever, or tool, that the Board can use in the event of a market downturn.

SFPP FUNDING POLICY

Over the last two years, the Board finalized a robust Funding Policy that establishes a funding framework for the SFPP. It is a tool the Board uses to support its decision-making process and to ensure decisions made are consistent with the purpose and goals of the Plan. The Funding Policy takes into account relevant factors to promote the security of the Plan's benefits and to try to ensure that enough assets will be accumulated to deliver the benefits currently available if you were to retire today.

The Funding Policy also outlines the options available to the Board if it finds itself with a large surplus or an ever-growing deficit. For example:

- If returns were to fall far short of what is needed to pay obligations, the Board may not pay the target COLA until the financial health of the Plan recovers.
- In the event of a funding surplus, the Funding Policy determines how the Board would spend any surplus, such as a contribution rate reduction, improving COLA or enhanced benefits.

The Funding Policy also includes the key objectives that drive the Funding Policy framework, including (but not limited to) benefit security, stability of contributions, affordability of contributions, and desired level of conservatism.

ANOTHER RECESSION SIMILAR TO 2008 COULD HAVE VERY IMPACTFUL, NEGATIVE RESULTS SUCH AS A SHARP INCREASE IN CONTRIBUTION RATES OR A PAINFUL CUT TO BENEFITS. THE BOARD WOULD RATHER SEE NONE OF THIS COME TO PASS, WHICH IS WHY RISK MANAGEMENT WAS SUCH A FOCUS IN 2015.

COMMUNICATIONS

Understanding your pension can be a challenge. But the Board is committed to helping members understand more about SFPP, its strengths and weaknesses and what sort of benefit you can expect when retiring.

In 2014, the Board invited members to complete an online survey, asking where members like to get their pension information and in what format. In 2015 the results were tabulated and it was determined that there are two main places our members go to for pension information: our newsletter and the police associations.

Therefore, in 2015 the Board really focused on providing relevant and informative articles in its newsletter, using plain language. The intent is to continue to de-mystify pensions and make the content engaging to readers. The feedback received was positive and we will continue to work on improving future editions of the newsletter. We want our members to be engaged and understand that there are some challenges facing the SFPP. We are encouraged that members have questions about their pension and are approaching police association representatives with these questions. Our management team worked hard in 2015 to respond to inquiries and have more information available to association representatives, especially in the latter months of 2015.

We encourage not only members, but other Plan sponsors (like employers) to enhance their understanding of SFPP, ask questions and express their views. We are all in this pension together and we know best what is needed to make it fit the needs of our newest retirees and future generations to come.

GOVERNANCE AND WORKING WITH SPONSORS

You may find yourself wondering… what exactly is governance? Boards refer to this term often, but it's not always easily defined. In the context of our pension plan, governance refers to the processes used to structure and oversee the SFPP, so that the Board can achieve its mandate effectively. Governance is concerned with people, structures and procedures for decision-making, accountability, control and codes of conduct. It is expressed through legislation, policies, and other documents that define roles and relationships.

Meetings with Plan sponsors in 2014 and 2015 led to more transparency and robust dialogue between the Board and sponsors. The last sponsor meeting that the Board was able to host was in the spring of 2015. The Board is hoping to meet with the Minister of Finance to receive guidance and insight into his vision and mandate for public sector pension plans and the SFPP, in particular. Moving forward with sponsors until this meeting can take place is on hold.

Regardless, the Board feels strongly that the current governance of the Plan requires some changes to be more effective and better suit the needs of the members and employers. An effective pension governance system is essential to establish a framework for defining duties of all involved parties, including the sponsors and the Board. Good pension governance will allow the Board to meet its fiduciary duties and other obligations to the Plan, encouraging good decision making and timely implementation of those decisions. It also minimizes risk, maximizes efficiency and enhances protection for Plan members.

The Minister of Finance is the trustee of the SFPP, but it is the sponsors that are solely responsible for the cost and risk. However, sponsors have no power to initiate much needed changes to the Plan. Many of the Board's recommendations to previous Government administrations have been acknowledged, but not effected. Some of these recommendations have been outstanding for several years and would do much to reduce risk to the Plan overall. This major flaw in the governance of the SFPP must be addressed on a priority basis; control should be handed over to those that are financially responsible for the risk.

These pressing governance issues were discussed with sponsors at the spring 2015 sponsor meeting. It was agreed by all present that a strong governance structure is important for the Plan and its long-term sustainability. The importance of moving forward on governance changes to promote more independence and greater sponsor oversight was acknowledged. These results were as true in the spring of 2015 as they were at the end of the year and into 2016.

WORKING WITH AGENCY PARTNERS

The Board uses two main agency partners, as required by a delegation from the Minister of Finance: Alberta Pensions Services Corporation (APS) and Alberta Investment Management Corporation (AIMCo). APS is a crown corporation and is responsible for the benefits administration of SFPP. AIMCo is also a crown corporation and is responsible for investing the SFPP's funds. The Board works collaboratively with both entities to ensure Plan objectives are met.

In terms of benefits administration, the Board's objective is to have a certain standard of service within acceptable cost levels. APS provides the Board with regular reporting, which covers service monitoring and associated costs. We worked with APS in 2015 to improve services in certain areas that directly impact members. One example of a positive outcome is the significant improvement of retirement processing times in the final months of 2015. Getting new pensioners their first cheque faster is exactly the type of issue that the Board likes to see resolved.

In comparison to its peers, APS continues to be a "low cost" benefits administrator. However, the cost per member for SFPP is the highest out of all other public sector pension plans administered by APS. The Board has raised this with concern with APS. Due to budgetary and other constraints in 2015 and 2016, APS indicated that the earliest it could conduct a review of this cost is in 2017. The Board will continue to work with APS in the interim to address this issue and reduce costs wherever possible.

Investment monitoring and oversight is a large part of the Board's role and takes a significant portion of our meeting time. AIMCo invests the Plan's funds according to the limits set out in the Board's Statement of Investment Policies and Goals (SIP&G). Regular reporting helps us perform our oversight function and investment consultants are retained to provide advice and assist. In addition to monitoring AIMCo's performance, we also check that investment costs are both fair and appropriate. Discussion and monitoring of investment risk was also an area of focus in 2015.

INVESTMENT SUMMARY

INVESTMENT HIGHLIGHTS

INVESTMENT MANAGEMENT SERVICES

Alberta Investment Management Corporation (AIMCo) is a Crown corporation that manages and invests the assets of the Plan on behalf of the Minister of Finance and the Board. AIMCo invests SFPP's assets for the benefit of its members, subject to legislation and the investment policies approved by the Board. AIMCo manages the majority of the Plan's investments internally through pooled investment funds. However, in order to achieve greater diversification, access external expertise and specialized knowledge and reduce operational complexity, some investments are managed by third party investment managers selected and monitored by AIMCo.

STATEMENT OF INVESTMENT POLICIES AND GOALS (SIP&G)

Plan assets are invested for the benefit of the Plan's beneficiaries in accordance with the Board's SIP&G. The SIP&G is reviewed and updated annually by the Board. It sets out the governing investment principles and guidelines, giving particular consideration to the Plan's provisions, characteristics and financial obligations and the Board's capital market expectations. It also defines the management structure and monitoring procedures.

DEFICIT:

$162

MILLION

PENSION OBLIGATION:

$2.665

BILLION

FAIR VALUE OF NET ASSETS:

$2.503

BILLION


EDMONTON
POLICE
SERVICE

PLAN PERFORMANCE

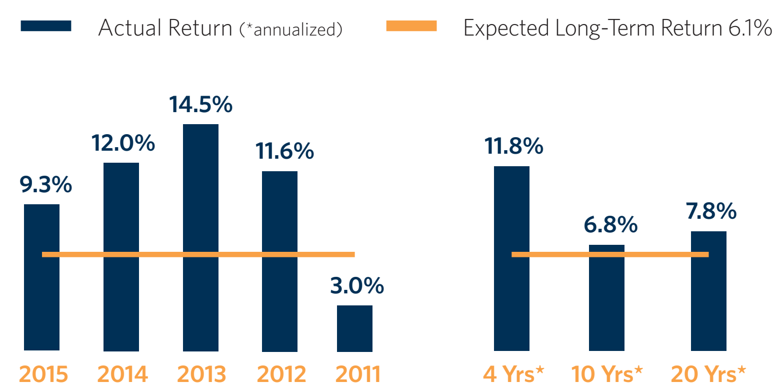
In 2015, the financial position of the SFPP continued to improve. At December 31, 2015, the fair value of the Plan's net assets increased by 9.7% (or $222 million) to $2.503 billion. The pension obligation increased 7.8% (or $193 million) to $2.665 billion. As a result, the Plan's deficit decreased by $29 million to $162 million, according to the 2015 audited financial statements.

According to 2015's audited financial statements, the Plan's investments generated a return of 9.3% in 2015 (2014: 12.0%) and an average of 7.6% per year over the past twenty years. At December 31, 2015, 94% of the total pension obligation was supported by nets assets (2014: 92%), the highest percentage in the past 8 years.

An important goal of the Board is to ensure the Plan is sustainable over the long-term so that the total pension obligation to members is fully supported by net assets in the Plan. In order to achieve this, the Board sets an expectation that the actual return on investments will exceed the required long-term average annual return of 6.1%. This includes an expectation of earning 3.8% above the forecast annual rate of inflation currently assumed to be 2.3%.

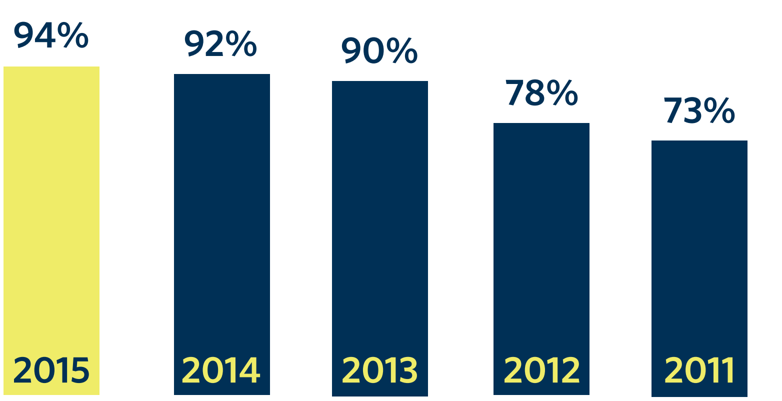
In 2015, inflows from investment income and contributions of $353 million were approximately triple outflows from benefit payments and expenses of $131 million.

ACTUAL RETURN VERSUS REQUIRED RETURN



PER CENT OF PENSION OBLIGATION SUPPORTED BY NET ASSETS

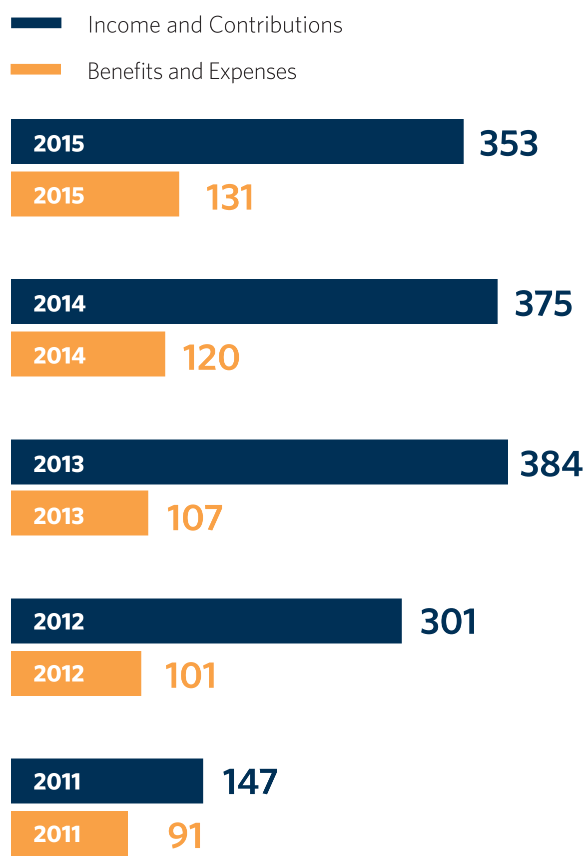
(per cent of pension obligation supported by net assets)



SFPP INFLOWS AND OUTFLOWS

(IN MILLIONS OF DOLLARS)

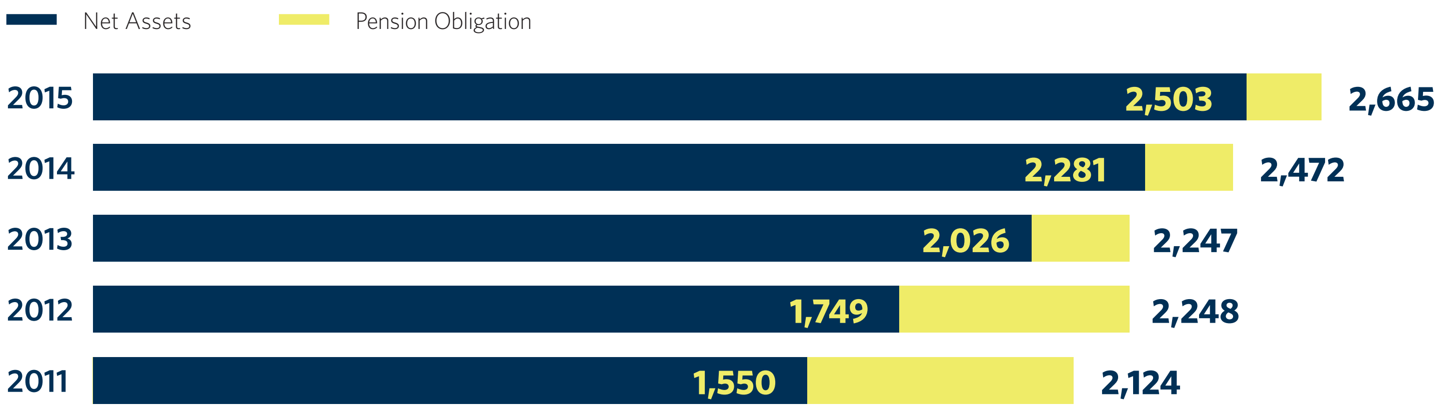
(per audited financial statements)



The chart below shows the gap between total pension obligation and the net assets. By the end of 2015, the gap continued to narrow as the growth in net assets exceeded the growth in the pension obligation.

NET ASSETS COMPARED TO TOTAL PENSION OBLIGATION (IN MILLIONS OF DOLLARS)

(per audited financial statements)

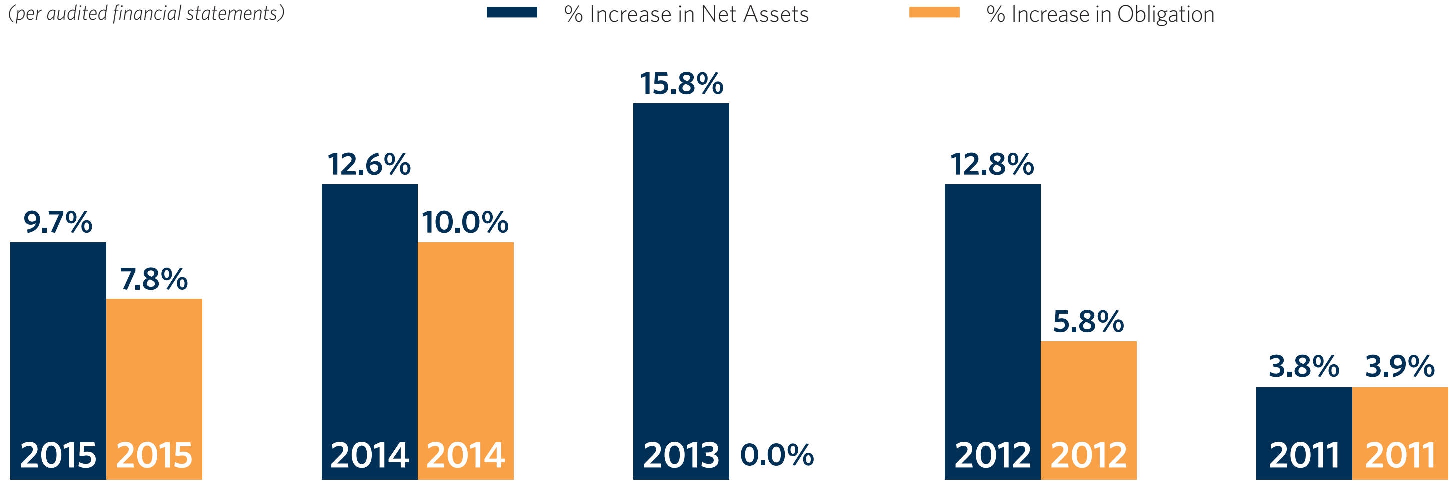


At December 31, 2015, the fair value of the Plan's net assets totaling $2.503 billion was lower than the estimated pension obligation of $2.665 billion resulting in a deficit of $162 million. This year's pension obligation was impacted by a decrease in the discount rate to 5.9%, down from 6.3% in 2014 and 6.7% in 2013. The pension obligation was also impacted by a decrease in the inflation rate to 2.0% from 2.25% in 2014 and a decrease in the salary escalation rate to 3.0% from 3.5% in 2014.

In 2015, the Plan's net assets grew by 9.7% while the total pension obligation grew by 7.8%.

SFPP CHANGE IN NET ASSETS AND PENSION OBLIGATION (IN MILLIONS OF DOLLARS)

(per audited financial statements)



INVESTMENT PERFORMANCE

YEAR IN REVIEW

The growth in net assets by 9.7% or $222 million was comprised of a return on investments, net of expenses, of 9.3%, or $212 million and 0.4% or $10 million from contributions in excess of pension benefits.

The year started out strong with SFPP earning 6.9% on its investments in the first quarter. In the second and third quarter, SFPP investments lost 0.8% and 1.7% respectively. Investment markets reacted negatively to declining oil and commodity prices, concerns over the growth in China and the global economy, uncertain U.S. Federal Reserve interest rate policy and the ongoing debt crisis in Greece. In the fourth quarter, SFPP earned 4.9% on its investments. The Plan earned significant gains from translation of foreign denominated investments into Canadian dollars and from increases in value of infrastructure investments. Overall, SFPP earned a return of 9.3% in 2015, net of investment expenses, compared to 12.0% in 2014.

SFPP INVESTMENT RETURNS

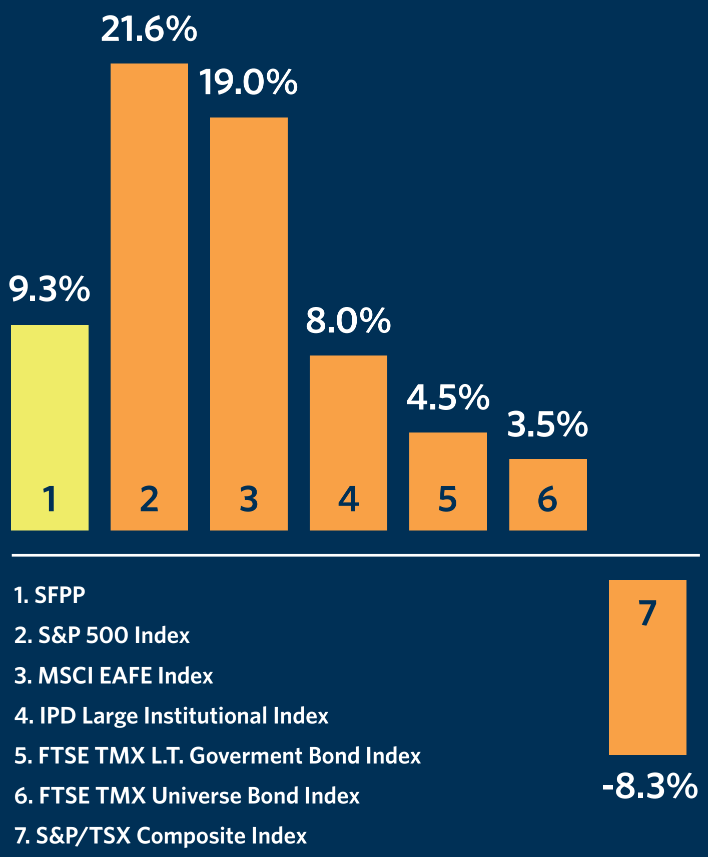
1st quarter	6.9%
2nd quarter	-0.8%
3rd quarter	-1.7%
4th quarter	4.9%
Annual 2015	**9.3%**

At December 31, 2015, equities comprised 54.6% of the Plan's total assets (2014: 56.7%), followed by interest bearing securities at 24.4% (2014: 25.6%), and inflation sensitive and alternative investments at 19.5% (2014: 15.9%). Inflation sensitive and alternative investments include real estate, infrastructure, real return bonds and timberland. Strategic opportunities, tactical allocations and currency overlays made up 1.5% (2014: 1.8%).

The following chart summarizes the market returns in 2015 from various indexes around the world and the return of SFPP.

RETURNS FOR MAJOR MARKETS AND THE SFPP

(IN CANADIAN DOLLARS)



In the United States, the S&P 500 Index tracks the performance of the top 500 American companies. In 2015, the S&P 500 Index increased by 21.6% in Canadian dollars and 1.4% in U.S. dollars (2014: 23.9% in Canadian dollars and 13.7% in U.S. dollars).

In equity markets outside of North America, the Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE) Index gained 19.0% in 2015 in Canadian dollars compared to a gain of 3.7% in Canadian dollars in 2014.

The Canadian real estate market, represented by the IPD Large Institutional Index gained 8.0% in 2015 compared to 7.1% in 2014.

In the Canadian stock market, the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index lost 8.3% in 2015, compared to a gain of 10.6% in 2014.

In the bond market, the FTSE TMX Long-term Government Bond Index recorded a gain of 4.5% in 2015, compared to gain of 17.9% in 2014. The FTSE TMX Universe Bond Index posted a gain of 3.5% in 2015 compared to a gain of 8.8% in 2014.

INVESTMENT SUMMARY CONTINUED

INVESTMENTS BY CURRENCY

At December 31, 2015, 60.2% (2014: 61%) of the Plan's investments were denominated in Canadian currency, followed by 20.0% (2014: 22%) in U.S. currency and 19.8% (2014: 17%) in currencies outside North America. The value of the Plan's foreign investment portfolio is exposed to foreign currency risk (i.e. potential loss) when the value of the Canadian dollar strengthens against other currencies. By year-end, the Canadian dollar was weaker against the U.S. dollar, meaning U.S. dollar investments were worth more when translated into Canadian dollars. At December 31, 2015, one U.S. dollar was worth $1.38 Canadian compared to $1.16 Canadian at the beginning of the year.

SFPP INVESTMENTS BY CURRENCY

60.2%
Canadian Dollar (CAD)

20.0%
United States Dollar (USD)

7.7%
Other Foreign Currencies

3.9%
Euro (EUR)

3.1%
Japanese Yen (JPY)

2.6%
British Pound (GBP)

1.4%
Hong Kong Dollar (HKD)

1.1%
Swiss Franc (CHF)

INVESTMENT EXPENSES

In 2015, investment expenses totalled $15.2 million compared to $13.1 million the previous year. Investment expenses as a percentage of net assets are provided below.

($ millions)	2015	2014
Amounts charged by AIMCo for:		
Investment costs (a)	$ 10.7	$ 9.7
Performance based fees (a)	4.1	2.4
Investment expense before GST	14.8	12.1
GST (b)	0.4	1.0
Total investment expense including GST	$ 15.2	$ 13.1
Per cent increase in investment expense, before GST	23.1%	19.6%
Per cent increase in average investments under management	11.1%	14.1%
Increase (decrease) in value of investments attributed to AIMCo	2.2%	-0.2%
Expenses as a per cent of each dollar earned	6.7%	5.1%
Expenses as a per cent of each dollar invested	0.6%	0.6%

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 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.

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

ASSET MIX

The table below shows the long-term policy asset weight for each class of investments held in the Plan compared to the actual asset mix for 2015 and the previous year.

	LT Policy	Policy Range		Actual	
Asset Class	**Benchmark %**	**Minimum %**	**Maximum %**	**2015 %**	**2014 %**
Money market	**1**	0	10	**1.1**	**0.7**
Fixed income	**24**			**23.3**	**24.9**
Universe bonds				5.2	7.2
Private debt				1.4	1.5
Private mortgages				2.4	2.4
Universe bonds, mortgages, private debt (a)	8	4	19	9.0	11.1
Long government bonds	16	12	22	14.3	13.8
Equities50	**50**			**54.6**	**56.7**
Canadian (a)	14	8	18	14.6	16.3
Global developed (a)	24	10	48	29.7	30.0
Emerging markets	4	0	8	4.0	4.1
Global small cap	3	0	6	3.1	3.0
Private equity	5	0	8	3.2	3.3
Inflation sensitive	**25**			**19.5**	**15.9**
Real return bonds	5	2	10	4.6	3.3
Real estate	10	7	13	10.0	8.0
Infrastructure				3.3	3.0
Timberland				1.6	1.6
Infrastructure and timberland (a)	10	3	11	4.9	4.6
Strategic, tactical and currency investments	-	-	-	**1.5**	**1.8**
Grand Total	**100**			**100.0**	**100.0**

a. Effective January 1, 2016, policy ranges change for the Universe bonds, mortgages, private debt (4-18); Canadian equities (8-20); Global developed (14-34) and Infrastructure and Timberland (7-13).

Money market includes investments that have a low absolute volatility with cash benchmarks. Fixed income includes universe bonds, long bonds, mortgages and private debt which have a high correlation to the interest rate risk associated with the Plan's pension obligation. Equities include ownership in both publicly traded and private enterprises, in Canada and outside Canada, that provide long-term growth to meet the funding requirements of the Plan's pension obligation. Inflation sensitive investments include any publicly traded or privately held investment that provides inflation based returns that are positively correlated with the inflation risk of the Plan's liability including, but not exclusive to, investments in real estate, infrastructure, real return bonds and timberland. The Board provides AIMCo with the autonomy to invest up to 5% of total assets in certain strategic opportunities that are outside the asset classes listed above. AIMCo may, at its discretion, use currency overlays limited to a notional amount of 3% of the Plan's assets.

INVESTMENT RESULTS COMPARED TO BENCHMARKS

To evaluate performance and measure the value added by the investment managers from their active investment decisions, such as security selection, the actual investment results are compared to the investment policy benchmark. The benchmark return represents what could reasonably be earned without active management if invested in the market indices in proportion to the policy asset mix approved by the Board. Investment managers strive to earn more than market returns by over or underweighting specific investments in relation to the indices. The Plan's investment policy benchmark is based on the long-term asset mix weightings of the portfolio invested in the following indices: FTSE TMX 91-Day T-Bill Index, FTSE TMX Universe Bond Index, FTSE TMX Long Term All Government Bond Index, FTSE TMX Real Return Bond Index, S&P/TSX Composite Index, MSCI World, All Country World and EM net Indexes, Small Cap Index (1/3 S&P/TSX Small Cap and 2/3 MSCI Small Cap Index, IPD Large Institutional All Property Index and the Infrastructure and Timberland combined benchmark Indices.

The performance of AIMCo is reviewed against the policy benchmark to measure the effectiveness of its decisions. Performance is reviewed quarterly, with an emphasis on four-year returns. According to the Plan's SIP&G, the Board expects that the investments held by the Plan will return approximately 100 basis points, or 1.0% per annum, above the policy benchmark return over the long-term.

The table below shows the value added return (loss) from the investment manager in each of the past four years along with the annualized returns over four years, ten years and twenty years.

INVESTMENT RETURNS (%)

Ending December 31, 2015

	Annual Returns (%)				Annualized Returns (%)		
	2015	2014	2013	2012	4 Years	10 Years	20 Years
Actual return	9.3	12.0	14.5	11.6	11.8	6.8	7.6
Policy benchmark return	7.1	12.2	13.3	9.3	10.5	6.5	7.4
Value added return	**2.2**	**(0.2)**	**1.2**	**2.3**	**1.3**	**0.3**	**0.2**

INVESTMENT SUMMARY CONTINUED

The table below compares the actual returns from the Plan's investments against the benchmark index returns.

TABLE OF INVESTMENT RETURNS (1) *December 31, 2015*

	Investment (in millions)	Asset Mix (%)	Annual Returns 2015 %	2014 %	2013 %	2012 %	Annualized Returns 4yr %
Overall Actual	$2,496.9	100.0	9.3	12.0	14.5	11.6	11.8
Policy Return (2)			*7.1*	*12.2*	*13.3*	*9.3*	*10.5*
Consumer Price Index (3)			*1.4*	*2.0*	*0.9*	*0.8*	*1.3*
Money market							
Short-term Fixed Income	26.4	1.1	0.9	1.1	1.2	1.2	1.1
FSTE TMX 91-Day T-Bill Index			*0.6*	*0.9*	*1.0*	*1.0*	*0.9*
Fixed income							
Universe Bonds	130.7	5.2	4.1	9.8	0.6	7.5	5.4
Private Debt (1)	35.0	1.4	6.1	7.1	-	-	-
Private Mortgages (1)	58.7	2.4	5.3	10.0	0.2	4.4	4.9
Bonds, Private Debt and Mortgages			4.7	9.6	0.5	6.6	5.4
FSTE TMX Universe Bond Index			*3.5*	*8.8*	*(1.2)*	*3.6*	*3.6*
Long-term Government Bonds	358.3	14.3	4.1	18.8	(5.0)	5.3	5.5
FSTE TMX Long-term All Government Bond Index			*4.5*	*17.9*	*(7.0)*	*4.0*	*4.5*
Equities							
Canadian Equities	365.5	14.6	(7.4)	12.4	15.4	11.9	7.7
S&P/TSX Composite Index			*(8.3)*	*10.4*	*13.0*	*7.2*	*5.3*
Foreign Equities	840.0	33.7	20.0	13.8	31.7	16.9	20.4
Combined (MSCI World & EM net Indexes)			*16.7*	*13.5*	*31.1*	*13.6*	*18.5*
Global Small Cap Equities	77.3	3.1	13.6	8.0	-	-	-
1/3 S&P/TSX and 2/3 MSCI Small Cap			*7.7*	*3.4*	-	-	-
Private Equities (1)	80.1	3.2	9.8	12.2	5.7	7.7	8.8
MSCI All Country World Index			*17.1*	*13.5*	*31.1*	*13.6*	*18.6*
Inflation Sensitive							
Real Estate (1)	249.2	10.0	9.2	8.3	12.2	15.3	11.2
IPD Large Institutional All Property Index (2)			*8.0*	*7.1*	*10.9*	*13.8*	*9.9*
Real Return Bonds	114.0	4.6	3.0	13.5	(12.5)	3.1	1.3
FSTE TMX Real Return Bond Index			*2.8*	*13.2*	*(0.6)*	*6.6*	*5.4*
Infrastructure (1)	83.5	3.3	26.7	8.1	4.4	8.1	11.5
Combined benchmark (4)			*(0.8)*	*11.3*	*(0.6)*	*6.6*	*4.0*
Timberland (1)	41.1	1.6	7.6	(2.9)	28.4	(0.4)	7.5
Combined benchmark (4)			*(0.8)*	*11.3*	*(0.7)*	*6.6*	*4.0*
Strategic,Tactical and Currency Investments							
Strategic Opportunities	30.4	1.2	42.9	16.0	9.0	3.9	20.3
Tactical Asset Allocation	6.6	0.3	49.8	(46.7)	(5.3)	(1.6)	(7.1)
Currency Hedges	0.1	0.0	n/a	n/a	n/a	n/a	n/a

(1) Investment returns are provided by AIMCo. Investment returns for assets classified as Level 3 in the financial statements are based on estimates of fair value. Level 3 includes real estate, private equities, infrastructure, 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.

(2) The policy benchmark is a product of the weighted average policy sector weights and sector returns.

(3) The Consumer Price Index (CPI) on a one month time lag.

(4) Benchmark is a combined benchmark. Prior to October 1, 2015, combination of FTSE TMX, Universe Bond, L.T. Government Bond, Real Return Bond Indexes and MSCI All Country Index. Effective October 1, 2015, CPI + 4.5% (5-year rolling average).

RISK MANAGEMENT SYSTEM

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

Investment risk management is a central thesis for the Plan's investment manager, AIMCo. AIMCo seeks to measure and monitor both historic and possible future risks, allocating risk as a scarce resource to the most promising investment opportunities. AIMCo maintains a quantitative investment risk system designed to operate across all asset classes and a variety of risk types such as market risk, currency risk, and concentration risk. As the ultimate risk to a pension plan is not being able to meet pension obligations, the Board monitors the risk of the Plan's liabilities in relation to the investment assets. AIMCo will model the risk of both assets and theoretical liabilities and report to the Board on a quarterly basis.

PROXY VOTING

The 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. The Plan entrusts the proxy voting function to AIMCo, its primary service provider. Research and proxy voting have been outsourced by AIMCo to an independent adviser that 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.

8

BENEFIT ADMINISTRATION

ALBERTA PENSIONS SERVICES CORPORATION (APS) PROVIDES PENSIONS SERVICES (AS DIRECTED UNDER A PENSION SERVICES AGREEMENT WITH THE PRESIDENT OF THE TREASURY BOARD AND MINISTER OF FINANCE) ON BEHALF OF SPECIAL FORCES PENSION PLAN (SFPP) MEMBERS, PENSIONERS, EMPLOYERS AND PLAN GOVERNORS.

SERVICES TO THE SFPP INCLUDE:

CONTRIBUTIONS MANAGEMENT	MEMBER, PENSIONER AND EMPLOYER INFORMATION MANAGEMENT	MEMBER, PENSIONER AND EMPLOYER COMMUNICATIONS RESPECTING BENEFITS
BENEFIT CALCULATIONS	POLICY DEVELOPMENT AND IMPLEMENTATION	COMPLIANCE, REGULATORY AND PLAN FINANCIAL REPORTING
BENEFIT DISBURSEMENTS		

APS ACTIVITIES IN 2015

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

- In March, introduced an online portal for pensioners with over 14,000 registrants across all plans to date, providing SFPP 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 September, a new telephony system was implemented featuring a professionally narrated self-service menu which can be accessed 24/7. Virtual queueing tells members the expected wait times and allows them to opt for a callback rather than remaining on hold. Enhanced caller data allows APS to better manage call volumes.
- In October, APS 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. APS' goal is to make the first payment within 30 days of the pension commencement date. This goal was reached 68% of the time in the last quarter of 2015 compared to 28% in 2014.
- Completed 1,112 SFPP member transactions, 8% less than in 2014.
- Continued to promote mypensionplan.ca, a secure website for members and pensioners to access their pension information. As of December 31, SFPP had 234 new active members registered on mypensionplan.ca and 1,609 members registered in total which is 36% of SFPP membership.
- Continued more proactive communication between APS and SFPP members leading to a 26% decrease in incoming member calls, going from 1,550 calls in 2014 to 1,154 in 2015.
- Achieved a client satisfaction score of 86% for the third year in a row – once again surpassing APS' target of 78%.
- Provided 18 counselling sessions for SFPP members, including 14 in-house and 4 out of town counselling sessions.

A LOOK AT SFPP MEMBERSHIP

As part of its benefit administration services, APS collects and tracks statistical and membership trend data about the SFPP that might be of interest to its membership. The following sections provide some Plan statistics.

Active member

those currently contributing to the Plan.

Active membership in SFPP **increased by 1.5% percent in 2015**, rising to 4,334 at December 31, 2015 from 4,270 at the end of 2014.

Inactive or deferred member

those who terminated their employment, but left contributions in the Plan.

There are **190 inactive plan members**, a 4.4% increase from 2014.

Retired member

those receiving a pension, including a spousal pension.

There are **2,469 retired plan members**, a 1.8% increase from 2014.

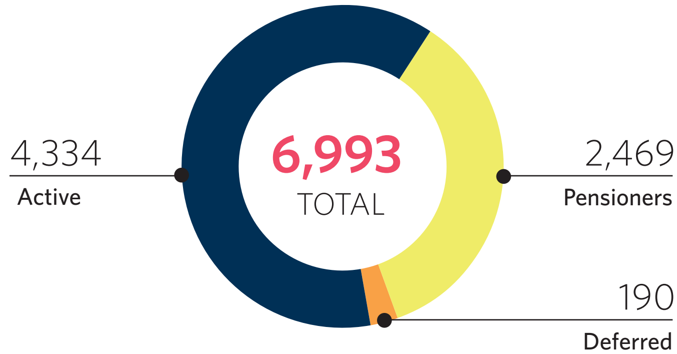
As a result of increased membership and salaries, total contributions received from employers and employees, transfers from other plans, and the Province of Alberta* **grew by 6% to $5.28 million in 2015** from $5.00 million in 2014.

* Relates to additional contributions toward the unfunded liability for service prior to December 31, 1991.

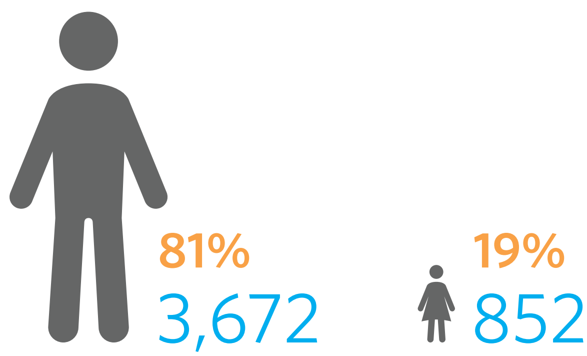
SFPP MEMBERS, PENSIONERS AND EMPLOYERS

Based on 2015 year-end totals, SFPP has 7 employers and a total of 6,993 active and deferred members and pensioners. In 2015, 226 members joined the Plan, 6 re-joined the Plan, 90 members retired, 44 members deferred funds and 56 members terminated and left the Plan.

SFPP MEMBERSHIP



GENDER DISTRIBUTION OF ACTIVE MEMBERS



AVERAGE AGE OF ACTIVE MEMBERS

39.0	40.0	39.4
2010, 2011, 2012	2013	2014, 2015

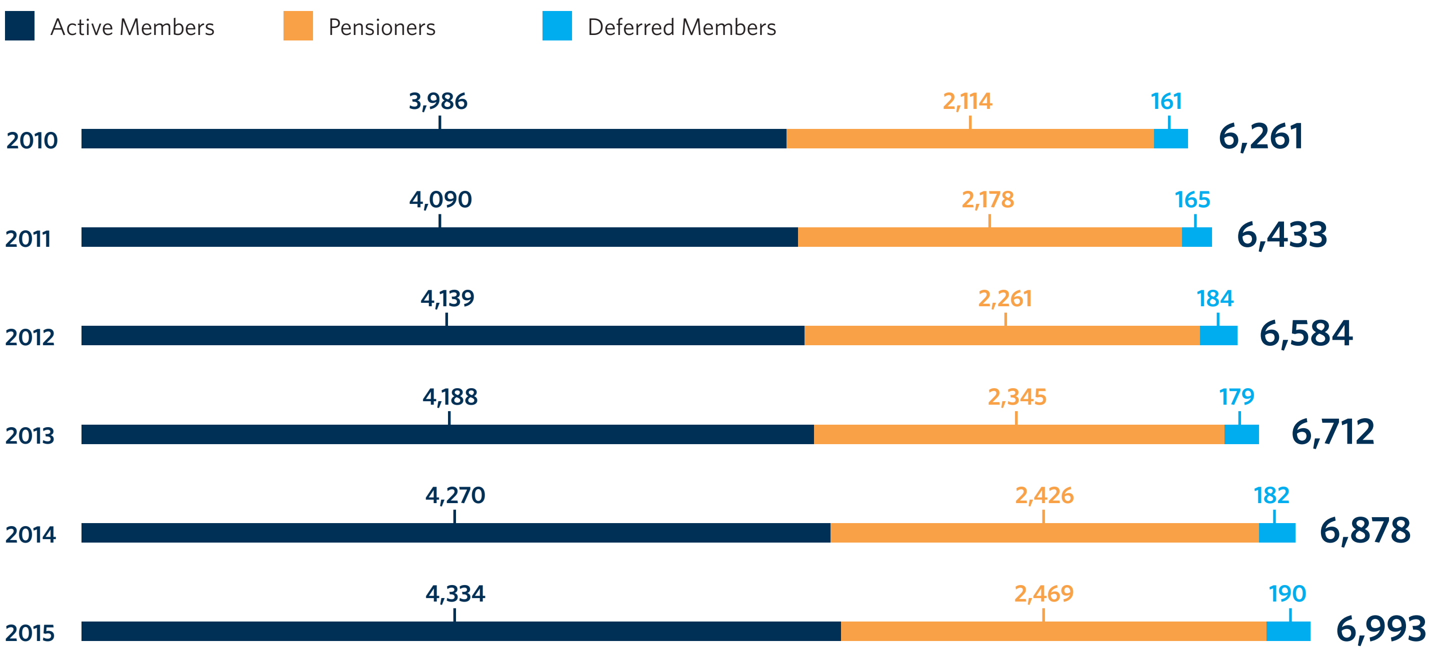
61	54	2%
Average age of all retirees in 2015	Average age at retirement	Percentage increase in membership over 2014

$3,658 Average monthly pension paid out (Dec. 2015)

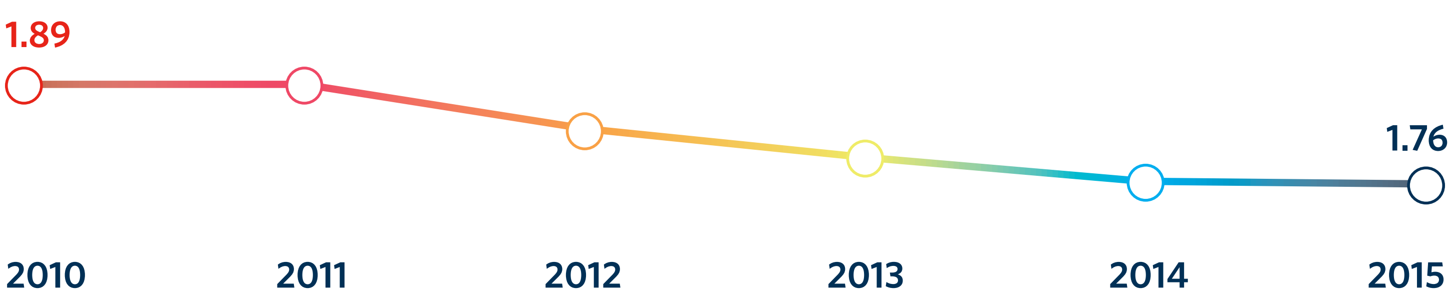
AVERAGE YEARS OF SERVICE OF ACTIVE MEMBERS

10.0	**11.0**	**10.0**	**10.1**
2010	2011, 2012	2013	2014, 2015

MEMBERSHIP TRENDS



RATIO OF ACTIVE MEMBERS TO PENSIONERS



BENEFIT ADMINISTRATION CONTINUED

MEMBERSHIP BY EMPLOYER

2,146
City of Calgary

1,848
City of Edmonton

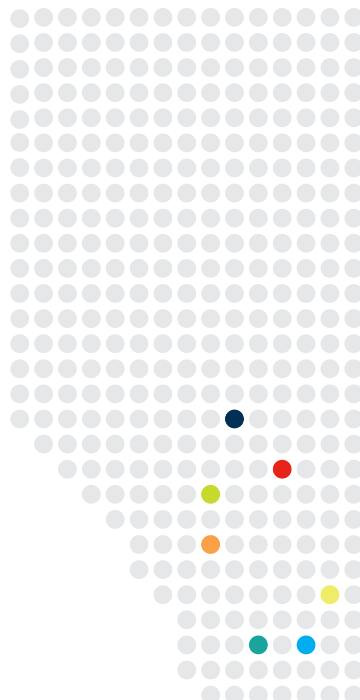
169
City of Lethbridge

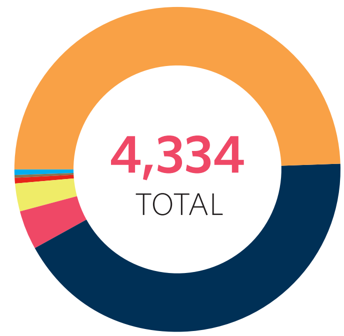
115
City of Medicine Hat

28
City of Camrose

15
City of Lacombe

13
Town of Taber





City of Calgary	49.5%
City of Edmonton	42.6%
City of Lethbridge	3.9%
City of Medicine Hat	2.6%
City of Camrose	0.6%
City of Lacombe	0.4%
Town of Taber	0.3%

CONTRIBUTIONS TO SFPP

Employer Contributions	49.2%
Member Contributions	46.3%
Transfer from Other Plans	0.3%
Province of Alberta - Pre 1992 UFL Contribution	4.2%

In 2015, total contributions to SFPP were **$125,154,000**

PAYMENTS FROM SFPP

Pension Benefits	**87.6%**
Refunds to Members	**10.4%**
Member Service Expenses	**2.0%**

In 2015, total payments from SFPP were **115,328,000**

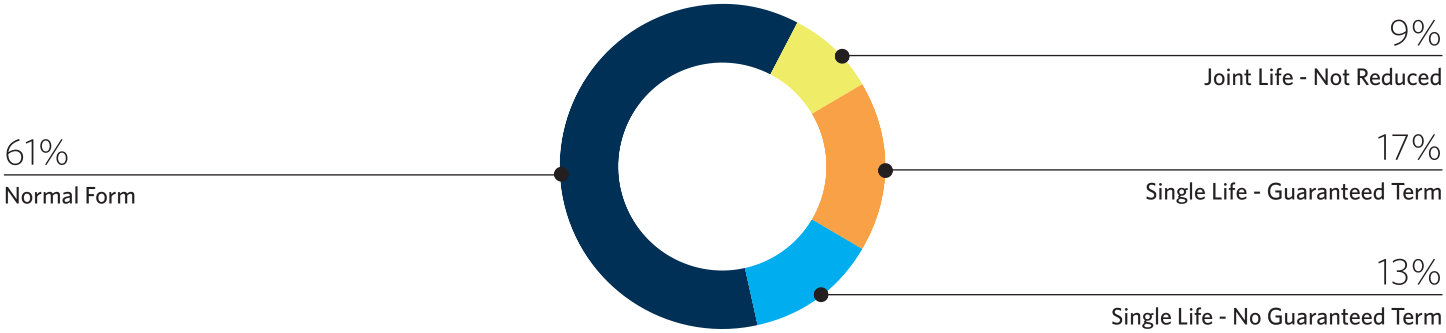
PENSIONERS AND BENEFIT PAYMENTS

The number of former employees and their spouses receiving a pension from the SFPP increased by 1.8%, rising to 2,469 in 2015 from 2,426 in 2014. Spousal pensions account for 15% of all pensions in payment. During the year, the total payments of benefits to pensioners rose by 7.0% to $99,769,000 in 2015 from $93,212,000 in 2014.

SFPP PENSIONER PROFILE

	2015	2014	Dollar Value ($) Per Month	Member Pensions
Number of new pensioners	90	106	1 to 999	89
Average service (years)	27.5	27.8	1,000 to 1,999	564
Average age of retirees	61	57	2,000 to 2,999	1077
Average pension	$3,658	$3,552	3,000 to 3,999	629
			4,000 and over	251
* Total as of May 2016				**TOTAL 2,610***

CURRENT PENSION CHOICES IN PAYMENT



BENEFIT ADMINISTRATION CONTINUED

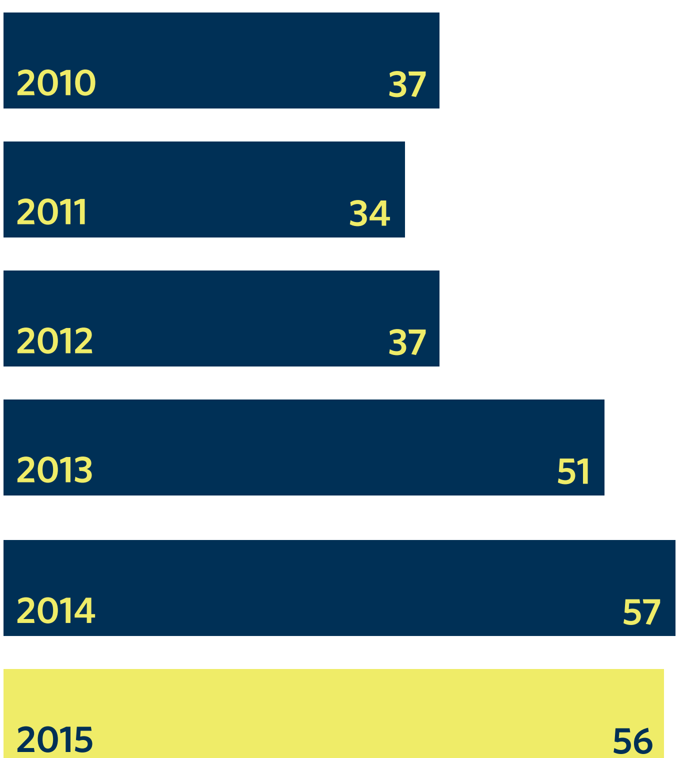
COST-OF-LIVING ADJUSTMENT (COLA) TO PENSIONS

As of January 1, 2015, the Board approved post-2000 COLA to pensions in pay and deferred pensions at 30% (the full target amount) of the increase in the Alberta Consumer Price Index (ACPI). For service up to the end of 2000, COLA is guaranteed at 60% of ACPI.

TERMINATED AND DEFERRED MEMBERS

Termination benefits amounting to $12.0 million (2014: $10.1 million) were paid during the year to or on behalf of former members of SFPP.

VOLUME OF TERMINATION PAYOUTS



SFPP MEMBER SERVICES AND PLAN EXPENSES

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

SFPP's share of APS' costs were almost $2,327,000 in 2015. Based on average membership, SFPP's per member service expense is $333 which includes APS' operating costs, Board costs and other professional fees.

SFPP EXPENSES

	2015	2014
APS Corporate Operating Costs	$1,611,000	$1,606,000
Board and Plan-specific Costs, including Actuarial and Investment Consulting	$716,000	$726,000
Total Plan Operating Costs	**$2,327,000**	**$2,332,000**
Expenses per Member	$ 333	$ 339

LOOKING AHEAD TO 2016

In 2016, APS plans to:

- Complete the implementation of the COMPASS platform delivered by the Next Generation Project. This is an enhanced pension administration system that will make managing pensions simpler. It will allow APS to get SFPP members accurate information more efficiently while maintaining quality standards and remaining a low cost service provider.
- Introduce a new online retirement wizard which will allow retiring SFPP members to apply for their pension more easily without repetitive paper forms.
- Introduce a corporate goal to pay pensions within 30 days of SFPP member's preferred pension commencement date at least 75% of the time.
- Provide all SFPP members with a new member identifier number for use from membership through to retirement. This identifier can be used to access member and pensioner information online, over the phone and in person.
- Provide employers with a new portal that provides greater control of information and increased flexibility and choice of data submission formats.

SPECIAL FORCES 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 Special Forces Pension Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Forces 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 Special Forces 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
May 5, 2016
Edmonton, Alberta

Statement of Financial Position

As at December 31, 2015

	($ thousands) 2015	2014
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 2,496,904	$ 2,276,016
Contributions receivable		
Employers	2,684	2,418
Employees	2,500	2,238
Province of Alberta	576	411
Accounts receivable	1,102	828
Receivable for investment sales	2,844	-
Total Assets	2,506,610	2,281,911
Liabilities		
Accounts payable	543	619
Liability for investment purchases	2,844	318
Total Liabilities	3,387	937
Net assets available for benefits	$ 2,503,223	$ 2,280,974
Pension obligation and deficit		
Pension obligation (Note 5)	$ 2,664,865	$ 2,471,973
Deficit (Note 6)	(161,642)	(190,999)
Pension obligation and deficit	$ 2,503,223	$ 2,280,974

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
	Plan Fund	Indexing Fund	Total	Total
Increase in assets				
Contributions (Note 7)	$ 118,717	$ 6,437	$ 125,154	$ 118,690
Investment income (Note 8)	221,016	6,633	227,649	256,369
COLA transfer increase (decrease) (Note 15)	2,200	(2,200)	-	-
	341,933	10,870	352,803	375,059
Decrease in assets				
Benefit payments (Note 10)	113,001	-	113,001	104,737
Investment expenses (Note 11)	14,796	430	15,226	13,127
Administrative expenses (Note 12)	2,327	-	2,327	2,332
	130,124	430	130,554	120,196
Increase in net assets	211,809	10,440	222,249	254,863
Net assets available for benefits at beginning of year	2,212,130	68,844	2,280,974	2,026,111
Net assets available for benefits at end of year	$ 2,423,939	$ 79,284	$ 2,503,223	$ 2,280,974

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2015

($ thousands)

	2015			2014
	Pre-1992	Post-1991	Total	Total
Increase in pension obligation				
Interest accrued on opening pension obligation	$ 51,575	$ 106,811	$ 158,386	$ 152,955
Benefits earned	-	84,179	84,179	72,640
Net increase due to actuarial assumptions changes (Note 5a)	16,444	49,042	65,486	139,633
	68,019	240,032	308,051	365,228
Decrease in pension obligation				
Benefits, transfers and interest	61,597	53,562	115,159	106,686
Net experience gains (Note 5c)	-	-	-	33,150
	61,597	53,562	115,159	139,836
Net increase in pension obligation	6,422	186,470	192,892	225,392
Pension obligation at beginning of year	818,655	1,653,318	2,471,973	2,246,581
Pension obligation at end of year (Note 5)	$ 825,077	$ 1,839,788	$ 2,664,865	$ 2,471,973

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 and remuneration of board members)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Special Forces 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 *Special Forces Pension Plan* Alberta Regulation 369/93, 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 police officers employed by participating employers in Alberta. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0584375. 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 Special Forces 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

Plan Fund

Contributions and investment earnings are expected to fund all benefits payable under the Plan from the Plan Fund. The Board, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years. The last actuarial valuation for funding purposes was prepared as at December 31, 2013.

The unfunded liability for service prior to December 31, 1991 is being financed by additional contributions from the Province of Alberta, employers and employees. Additional contributions are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 2015 were 1.25% of pensionable salary for the Province of Alberta, and 0.75% each for employers and employees.

Employees and employers are responsible for fully funding service after 1991. The current service contribution rates for employers are 1.1% higher than the rates of employees. The contribution rates in effect at December 31, 2015 for current service and post-1991 actuarial deficiency were 13.05% of pensionable salary for employers and 11.95% for employees. Of this, contribution rates towards current service were 10.26% of pensionable salary for employers and 9.16% for employees. Contributions towards the post-1991 actuarial deficiency were 2.79% of pensionable salary each for both employers and employees.

The total contribution rates in effect at December 31, 2015 were 14.55% of pensionable salary for employers and 13.45% for employees and includes contributions towards COLA of 0.75% each (refer to the Indexing Fund below) and the pre-1992 unfunded liability of 0.75% each.

Indexing Fund

Benefit payment increases for post-1991 COLA (see Note 1i) are funded by contributions to another fund called the Indexing Fund from employers and employees and earnings from investments. The rates in effect at December 31, 2015 were 0.75% of pensionable salary each for employers and employees. COLA rates and benefits are set by the Board. Subject to the *Employment Pension Plans Act*, the Indexing Fund may receive surpluses of the Plan Fund respecting service after 1991.

c) RETIREMENT BENEFITS

The Plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the average YMPE over the same five consecutive year period and 2.0% on the salary above YMPE, subject to the maximum pension benefit limit allowed under the *Income Tax Act*. For members who retire before age 65, the pension will include a bridge benefit. This bridge is provided up to age 65, The bridge benefit is 0.6% for each year of pensionable service based on the average of the highest five consecutive years up to the YMPE.

d) DISABILITY BENEFITS

Pensions may be payable to members who become totally disabled and retire early with at least five years of pensionable service. Reduced pensions may be payable to members who become partially disabled and retire early with at least five years of pensionable service. Individuals who became members after June 30, 2007 and had no pensionable service prior to July 1, 2007 are not entitled to disability benefits.

e) DEATH BENEFITS

Benefits are payable on the death of a member before retirement. If the member had at least five years of service and there is a pension partner or dependent minor child, benefits may take the form of a survivor pension, or a lump sum payment. If the member has less than five years of pensionable service, the pension partner or beneficiary is entitled to receive death benefits in the form of a lump sum payment, and with respect to pre-1992 service there are additional benefits for dependent minor children.

f) TERMINATION BENEFITS, REFUNDS AND TRANSFERS

Members who terminate with at least five years of pensionable service and who are not immediately entitled to a pension may receive a refund of their contributions and interest on service prior to 1992 and the commuted value of their pension for service after 1991, with the commuted value being subject to locking-in provisions. Any optional service purchased wholly by the member is not included in the commuted value and is paid as contributions with interest. If the remaining member contributions fund more than 50% of the benefit, that excess is paid as a cash refund. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of pensionable service receive a refund of contributions and interest. The refunds are accounted for as benefit payments on the statement of changes in net assets available for benefits.

g) GUARANTEE

As long as there remains an unfunded liability for pre-1992 service, payment of all benefits arising from service before 1992 is guaranteed by the Province of Alberta. (Section 9.1(c) of the *Public Sector Pension Plans Act* Schedule 4).

h) OPTIONAL SERVICE AND TRANSFERS

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

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of commuted value for all service, or all contributions made by the member to the Plan.

i) COST-OF-LIVING ADJUSTMENTS (COLA)

Pensions payable by the Plan Fund for pre-1992 service 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.

For post-1991 service, the Board is responsible for setting COLA based on funds available in the Indexing Fund (see Note 15). COLA at 60% has been granted on service up to December 31, 2000. Effective January 1, 2015, COLA at 30% (January 2014: 30%) of the Alberta Consumer Price Index was applied to the portion of Plan pensions in pay, and deferred pensions, relating to pensionable service after December 31, 2000.

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 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 investments. Uncertainty arises because:

i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and

ii) the estimated fair values of the Plan's private investments, hedge funds, real estate and timberland investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the valuation of the Plan's pension obligation, private investments, hedge funds, 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 statement of changes in pension obligation in the year when actual results are known. Differences between the estimated fair values and the amount ultimately realized for investments are included in net investment income in the year when the ultimate realizable values are known.

g) INCOME TAXES

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

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the 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**
Interest-bearing securities					
Cash and short-term securities	$ -	$ 26,400	$ -	$ 26,400	$ 16,807
Bonds, mortgages and private debt and loans	-	488,970	93,737	582,707	566,223
	-	515,370	93,737	609,107	583,030
Equities					
Canadian	299,077	66,383	-	365,460	370,792
Global developed	399,714	76,755	263,734	740,203	682,708
Private	-	-	80,142	80,142	75,685
Emerging markets	97,340	2,457	-	99,797	94,576
Global small cap equity	77,326	-	-	77,326	67,603
	873,457	145,595	343,876	1,362,928	1,291,364
Inflation sensitive					
Real estate	-	-	249,207	249,207	181,072
Infrastructure	-	-	83,471	83,471	67,151
Real return bonds	-	113,953	-	113,953	74,996
Timberland	-	-	41,129	41,129	37,465
	-	113,953	373,807	487,760	360,684
Strategic, tactical and currency investments *	-	6,670	30,439	37,109	40,938
Total investments	$ 873,457	$ 781,588	$ 841,859	$ 2,496,904	$ 2,276,016

* This asset class is not listed separately 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.

- ***Level 1*** - fair value is based on quoted prices in an active market. This level includes publicly traded listed equity investments totalling $873,457 (2014: $831,757).
- ***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 $781,588 (2014: $782,847). 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 $841,859 (2014: $661,412).

Reconciliation of Level 3 Fair Value Measurements:

	($ thousands)	
	2015	**2014**
Balance, beginning of year	$ 661,412	$ 482,187
Investment income *	109,756	43,911
Purchases of Level 3 pooled fund units	156,406	202,235
Sale of Level 3 pooled fund units	(85,715)	(66,921)
Balance, end of year	$ 841,859	$ 661,412

* Investment income includes unrealized gains of $77,586 (2014: $1,054)

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:

- ***Interest-bearing securities:*** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.

- ***Equities:*** Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.

- ***Inflation sensitive:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. The fair value of timberland investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.

- ***Strategic, tactical 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. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. 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	Long-term Policy Weight	Actual Asset Mix December 31, 2015		Actual Asset Mix December 31, 2014	
		($ thousands)	*%*	*($ thousands)*	*%*
Interest-bearing securities					
Money market (cash and short-term securities)	1%	$ 26,400	1.1	$ 16,807	0.7
Fixed income (bonds and mortgages)	24%	582,707	23.3	566,223	24.9
Equities	50%	1,362,928	54.6	1,291,364	56.7
Inflation sensitive	25%	487,760	19.5	360,684	15.9
Strategic, tactical and currency	(a)	37,109	1.5	40,938	1.8
		$ 2,496,904	100.0	$ 2,276,016	100.0

a) In accordance with the SIP&G, AIMCo may invest up to 5% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays limited to a notional amount of 3% 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-)	90.6%	90.1%
Speculative Grade (BB+ or lower)	0.0%	0.2%
Unrated	9.4%	9.7%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

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

The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2015, the Plan's share of securities loaned under this program is $113 million (2014: $135 million) and collateral held totals $120 million (2014: $143 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 40% of the Plan's investments, or $993 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (20%) and the Euro (4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.0% (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	$ 500	$ (50)	$ 490	$ (49)
Euro	97	(10)	66	(7)
Japanese yen	77	(8)	53	(5)
British pound	65	(6)	61	(6)
Chilean peso	35	(3)	3	-
Hong Kong dollar	34	(3)	30	(3)
Swiss franc	27	(3)	25	(3)
Other foreign currencies (below 1%)	159	(16)	152	(15)
Total foreign currency investments	$ 994	$ (99)	$ 880	$ (88)

c) Interest Rate Risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 3.2% (2014: 2.9%).

d) Price Risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 6.1% (2014: 6.4%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) Liquidity Risk

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

f) Use of Derivative Financial Instruments in Pooled Investment Funds

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

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	**2015**	**2014**
Contracts in favourable position (current credit exposure)	33	$ 10,787	$ 11,087
Contracts in unfavourable position	18	(24,937)	(5,964)
Net fair value of derivative contracts	51	$ (14,150)	$ 5,123

(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 $10,787 (2014: $11,087) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share *($ thousands)*	
Types of derivatives used in pools	**2015**	**2014**
Structured equity replication derivatives	$ (1,152)	$ 8,224
Foreign currency derivatives	(10,603)	(2,188)
Interest rate derivatives	(3,036)	(1,158)
Credit risk derivatives	641	245
Net fair value of derivative contracts	$ (14,150)	$ 5,123

(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 $6,378 (2014: $16,605) and deposits as collateral for derivative contracts totalled $1,531 (2014: $2,392).

NOTE 5 PENSION OBLIGATION

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2013 by Mercer (Canada) Limited and was then extrapolated to December 31, 2015.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $2,664,865 (2014: $2,471,973) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate and salary escalation rate. The discount rate is based on the average from a consistent modeled investment return, net of investment expenses, and an additive for diversification and rebalancing.

It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2015	2014
	%	
Discount rate	5.90	6.30
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.

An actuarial valuation of the Plan as at December 31, 2016 will be carried out. 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 2017.

b) 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	165,242	0.8
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	117,641	2.3
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1.0)	456,734	5.8

* The current service cost as a % of pensionable earnings as determined by the December 31, 2015 extrapolation is 20.63%.

** Contributions to the Indexing Fund are fixed and are not affected by assumed inflation.

c) NET EXPERIENCE GAINS

Net experience gains of $nil (2014: $33,150) reflect the results of the valuation as at December 31, 2013 extrapolated to December 31, 2015.

NOTE 6 DEFICIT

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

($ thousands)

	2015			2014
	Pre-1992	Post-1991	Total	Total
Deficit at beginning of year	$ (199,339)	$ 8,340	$ (190,999)	$ (220,470)
Increase in Plan Fund net assets available for benefits	7,361	204,448	211,809	242,021
Increase in Indexing Fund net assets	-	10,440	10,440	12,842
Net increase in pension obligation	(6,422)	(186,470)	(192,892)	(225,392)
Deficit at end of year	$ (198,400)	$ 36,758	$ (161,642)	$ (190,999)

($ thousands)

	2015			2014
	Pre-1992	Post-1991	Total	Total
Plan opening net assets available for benefits	$ 619,316	$ 1,661,658	$ 2,280,974	$ 2,026,111
Increase in Plan net assets available for benefits	7,361	214,888	222,249	254,863
Plan closing net assets available for benefits	$ 626,677	$ 1,876,546	$ 2,503,223	$ 2,280,974

This Plan deficiency is for accounting purposes and may differ from the Plan Fund deficiency for funding purposes (Note 16).

NOTE 7 CONTRIBUTIONS

($ thousands)

	2015	2014
Current service		
Employers	$ 46,319	$ 41,076
Employees	41,678	36,690
Unfunded liability		
Employers	14,953	16,922
Employees	14,953	16,922
Province of Alberta	5,280	5,001
Past service		
Employers	310	173
Employees	1,289	1,564
Transfers from other plans	372	342
	$ 125,154	$ 118,690

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
Interest-bearing securities	$ 22,484	$ 4,006	$ 26,490	$ 74,606
Equities				
Canadian	6,839	(35,308)	(28,469)	43,309
Foreign	122,980	45,423	168,403	110,123
Private	4,980	3,770	8,750	9,880
	134,799	13,885	148,684	163,312
Inflation Sensitive				
Real estate	10,104	10,894	20,998	13,876
Real return bonds	3,318	(1,114)	2,204	4,738
Infrastructure	876	17,082	17,958	5,471
Timberland	730	2,413	3,143	(902)
	15,028	29,275	44,303	23,183
Strategic, tactical and currency investments	11,134	(2,962)	8,172	(4,732)
	$ 183,445	$ 44,204	$ 227,649	$ 256,369

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 $12,061 and $38,879 respectively (2014: $38,115 and $13,852 respectively). Realized and unrealized gains and losses on currency hedges total $(8,400) and $1,664 respectively (2014: $522 and $(1,540) 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	7.1	12.2	13.3	9.3	2.2
Value added return (loss) by investment manager	2.2	(0.2)	1.2	2.3	0.8
Total return on investments [(a)]	**9.3**	**12.0**	**14.5**	**11.6**	**3.0**
Other sources [(b)]	0.4	0.6	1.3	1.3	0.8
Per cent change in net assets [(c)]	**9.7**	**12.6**	**15.8**	**12.9**	**3.8**
Per cent change in pension obligation [(c)]	**7.8**	**10.0**	**-**	**5.8**	**3.9**
Per cent of pension obligation supported by net assets	**94**	**92**	**90**	**78**	**73**

(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 10.0% (PBR: 8.8%), ten years is 6.8% (PBR: 6.5%) and twenty years is 7.6% (PBR: 7.4%). The Plan's actuary estiamtes the long-term net investment returns on assets for funding purposes to be 6.1% (2014: 6.1%)

(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	$ 99,769	$ 93,212
Disability benefits	234	341
Termination benefits	11,986	10,075
Death benefits	1,012	1,109
	$ 113,001	$ 104,737

NOTE 11 INVESTMENT EXPENSES

	($ thousands)	
	2015	**2014**
Amount charged by AIMCo for:		
Investment costs [(a)]	$ 10,729	$ 9,628
Performance based fees [(a)]	4,080	2,399
GST [(b)]	339	1,022
	15,148	13,049
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Plan reporting	78	78
Total investment expenses	$ 15,226	$ 13,127
Increase in expenses [(a)]	16.0%	29.5%
Increase in average investments under management	11.1%	14.1%
Increase (decrease) in value of investments attributed to AIMCo	2.2%	-0.2%
Investment expense as a percent of:		
Dollar earned	6.7%	5.1%
Dollar invested	0.6%	0.6%
Investment expenses per member	$ 2,177	$ 1,909

(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 23.1% (2014: 19.6%).

(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

General administration costs including Plan board costs were paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

	($ thousands)	
	2015	**2014**
General administration costs	$ 1,611	$ 1,606
Board costs	144	120
Actuarial fees	270	358
Other professional fees	302	248
	$ 2,327	$ 2,332
Member service expenses per member	$ 333	$ 339

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

NOTE 13 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 11 and member service expenses per Note 12 are $17,553 (2014: $15,459) or $2510 (2014: $2,248) per member and 0.70% (2014: 0.68%) of net assets under administration.

NOTE 14 REMUNERATION OF BOARD MEMBERS

Remuneration paid to or on behalf of the Board members, as approved by the Lieutenant Governor in Council, is as follows:

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

	2015	**2014**
The following amounts were paid:		
Remuneration		
Chair	$ 19,760	$ 23,902
Members	39,716	31,393
Travel, training and conference expenses		
Chair	4,882	4,493
Members	30,124	32,186

NOTE 15 TRANSFER FROM THE INDEXING FUND TO THE PLAN FUND

If the Board has set a COLA increase and the conditions have been met under the *Public Sector Pension Plans Act* (i.e. plan's actuary has certified that the indexing fund contains enough assets to cover the increase) the Minister shall, on the recommendation of the Board, transfer from the Indexing Fund to the Plan Fund the amount certified by the Plan's actuary to cover the cost-of-living increases for post-1991 service. For 2015 there was a transfer of $2,200 (2014: nil)

NOTE 16 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 $2,417,139 at December 31, 2015 (2014: $2,155,516), comprising of $602,775 (2014: $581,945) Pre-1992 and $1,814,364 (2014: $1,573,571) Post-1991.

In accordance with the *Public Sector Pension Plans Act*, the unfunded liability for post-1991 service as determined by actuarial funding valuation is financed by a special payment currently totalling 5.58% of pensionable salary shared equally between employees and employers (2.79% each) until December 31, 2023. The special payment is included in the rates in effect at December 31, 2015 (see Note 1b).

Effective January 1, 2011 awards of COLA at 30% of the Alberta Consumer Price Index will be applied to the portion of Plan pensions in pay, and deferred pensions, relating to pensionable service after December 31, 2000.

NOTE 17 COMPARATIVE FIGURES

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

NOTE 18 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.

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