

Aon Hewitt
Investment Consulting

Performance Review and Investment Manager Evaluation

The City of Hamilton Master Trust

Period Ending 31 December 2014

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Executive Summary

Commentary and Recommendations

As of 31 December 2014

Mandate	Comments	Recommendations
Total Fund	<ul style="list-style-type: none"> ▪ The Total Fund's Q4 return of 2.0% was 30 basis points below the benchmark return. ▪ Below-Index returns within global equities and bonds more than offset strong Canadian equities results. Asset allocation had a slight negative impact. ▪ Funded status decreased by \$28.8 million as liabilities increased by \$29.1 million while assets only increased by \$0.3 million. As a result, the funded ratio decreased to 68.4% from 72.7% at 30 September 2014. The bond allocation as of 31 December 2014 was within the range determined acceptable for the current ratio of 68%, therefore, the asset mix does not require rebalancing. ▪ On 27 November 2014, there were new SIP&P regulation requirements announced. Please see Appendix F for more details. 	<ul style="list-style-type: none"> ▪ Continue to monitor. ▪ Consider a course of action to comply with the new SIP&P requirements.
Guardian	<ul style="list-style-type: none"> ▪ Guardian's Q4 return of 1.0% was 250 basis points above the Index return. Stock selection within the Energy, Materials and Financials sector was the main driver of outperformance. ▪ Caren Fields, Associate Portfolio Manager, Canadian Equities, left the firm to pursue other opportunities. 	<ul style="list-style-type: none"> ▪ No action required.
Letko	<ul style="list-style-type: none"> ▪ Letko's Q4 return of 2.6% was 410 basis points above the Index return and ranked in the 5th percentile compared to its peers. ▪ Both sector allocation and stock selection added value. Strong stock picks with the Materials and Industrials sectors as well as an underweight in Energy had the largest positive impact. 	<ul style="list-style-type: none"> ▪ No action required.
Aberdeen	<ul style="list-style-type: none"> ▪ Aberdeen's Q4 return of -0.3% underperformed the Index return by 5%. ▪ An underweight to the U.S. market and overweight to Emerging Markets as well as an overweight to the Energy sector and stock selection within this sector were the main detractors of performance. ▪ The Global Equity team has continued to execute the same investment process for over 10 years at Aberdeen and generated outperformance since its inception. We have found the Global Equity team to be well-resourced, experienced and the portfolio managers of good quality. The team is also supported by an extensive regional analyst resource. Historical performance for the strategy was strong until 2013, when both Emerging Markets and higher 'quality' companies (a key bias in Aberdeen's portfolios) underperformed. Performance has continued to underperform and we are currently reviewing the Fund. Aberdeen's equity assets under management have grown significantly in the last couple of years and we continue to closely monitor the impact on this strategy's capacity. 	<ul style="list-style-type: none"> ▪ Continue to monitor.

Executive Summary

Commentary and Recommendations

As of 31 December 2014

Brandes	<ul style="list-style-type: none"> ▪ Brandes returned 1.9% over the quarter, which was 280 basis points below the Index return. ▪ Stock selection, especially within the Consumer Discretionary and Energy sectors, hurt performance. 	<ul style="list-style-type: none"> ▪ Continue to monitor.
GMO	<ul style="list-style-type: none"> ▪ GMO's Q4 return underperformed the Index by 330 basis points. ▪ Overall, both selection and allocation detracted value. 	<ul style="list-style-type: none"> ▪ No action required.
TDAM	<ul style="list-style-type: none"> ▪ TDAM's long bond portfolio's Q4 return of 4.9% was 40 basis points below the Index return. ▪ A below-Index duration during a period where long term yields decreased had a negative impact. ▪ Satish Rai, Chief Investment Officer, TDAM and Senior Vice President, TD Bank Group, retired in January 2015. Bruce Cooper, formerly Vice Chair, TDAM assumed the role of Chief Investment Officer of TDAM effective January 2015. 	<ul style="list-style-type: none"> ▪ No action required.

Latest Thinking

During the last quarter, we have produced papers on the following topics. Although these topics may not be directly applicable to your Fund, they may be of general interest and provide some insight into Aon Hewitt's global research. For copies of the papers, or for more details, please contact your Aon Hewitt Investment Consultant.

Topic	Summary
<p>Sustainable Investing – Opportunity or Obstacle?</p>	<p>Is the future of institutional investing sustainable? Should pension plans, foundations and endowments include sustainable investing policies in their investment policy statements? What do stakeholders think about sustainable investing? How can we access sustainable investing strategies? These are all questions that Canadian fiduciaries are asking. The answers are unique to each investor.</p> <p>A short paper discusses the definition of sustainable investing, the presence of such funds in Canada, as well as details on divestment and implementation.</p>
<p>Opportunistic Strategies for Navigating a Changing Credit Landscape</p>	<p>The global financial crisis continues to cast a long shadow on the credit markets, causing structural shifts in the way many businesses and consumers obtain credit. As banks cut back on lending, certain industries, individual companies and consumer groups previously reliant on bank financing have found their access to credit hampered.</p> <p>We believe that a diversified, global approach to credit that incorporates a variety of strategies poised to benefit from dislocations caused by this trend offers investors the potential to earn attractive returns in an otherwise low-yielding environment.</p> <p>This paper provides a background on the situation which has developed over the past few years and details the various funds that are able to take advantage of the current environment.</p>
<p>A Holistic Approach to Equity Investing</p>	<p>Many institutional investors are increasing their allocations to alternative investments, including hedge funds and private equity. The capital markets offer a combination of low expected returns and heightened risks in the current market environment, prompting a search for new solutions.</p> <p>We continue to see reduced upside in global equity markets as well as significant risks to be recognized and managed – in this environment, investors are attracted to approaches with the potential to earn continued strong returns and thrive outside a bull market.</p> <p>A detailed paper discusses the benefits of equity alternatives and why you should consider them as part of your wider equity allocation.</p>

Latest Thinking

Topic	Summary
Opportunistic Deep Value Investing: A Multi-Asset Class Approach	<p>In recent years, the capital markets offered an abundance of "deep value" investing opportunities that subsequently yielded outsized returns relative to broad equity and bond market benchmarks. Despite the rich opportunity set, for a variety of reasons many investors did not participate in these high-performing investments. We embarked on our research of deep-value investing with these investors in mind, hoping to lay a foundation for approaching these investments in advance of the next deep-value investing cycle and to broaden the use of this strategy in portfolios where it is appropriate.</p> <p>This detailed paper highlights the benefits of deep value investing, when it may be appropriate to invest in these strategies, the main drawbacks and risks and how these can be mitigated as well as our abilities to help find solutions for your specific fund.</p>

Executive Summary

Trailing Period Performance

As of 31 December 2014

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Fund	330,530	100.0	2.0 (62)	12.0 (23)	12.5 (83)	11.8 (59)	8.9 (47)	9.0 (52)	6.7 (65)
Benchmark			2.3 (55)	13.7 (1)	11.7 (91)	10.6 (93)	7.9 (75)	8.4 (67)	6.7 (66)
Value Added			-0.3	-1.7	0.8	1.2	1.0	0.6	0.0
Canadian Equities	96,471	29.2	2.0 (9)	11.9 (43)	18.4 (15)	18.0 (5)	10.6 (14)	11.4 (17)	10.0 (11)
Guardian (including cash)	34,463	10.4	1.0 (27)	13.0 (27)	13.4 (75)	13.5 (50)	7.6 (44)	9.1 (47)	8.2 (53)
S&P/TSX Composite			-1.5 (68)	10.6 (59)	11.8 (86)	10.2 (91)	5.1 (82)	7.5 (80)	7.6 (69)
Value Added			2.5	2.4	1.6	3.3	2.5	1.6	0.6
Letko (including cash)	62,007	18.8	2.6 (5)	11.5 (49)	21.1 (3)	20.2 (2)	12.1 (4)	12.5 (7)	11.1 (3)
S&P/TSX Composite			-1.5 (68)	10.6 (59)	11.8 (86)	10.2 (91)	5.1 (82)	7.5 (80)	7.6 (69)
Value Added			4.1	0.9	9.3	10.0	7.0	5.0	3.5
Global Equities	99,207	30.0	0.6 (93)	10.2 (80)	18.0 (91)	16.2 (92)	11.9 (82)	10.8 (83)	3.1 (100)
Aberdeen	44,263	13.4	-0.3 (97)	10.6 (79)	15.9 (95)	15.2 (94)	11.7 (83)	-	-
MSCI World (Net) (CAD)			4.7 (54)	14.4 (41)	24.4 (49)	20.5 (61)	14.1 (52)	12.4 (54)	5.7 (75)
Value Added			-5.0	-3.8	-8.5	-5.3	-2.4	-	-
Brandes	15,211	4.6	1.9 (86)	15.1 (32)	27.4 (19)	21.6 (40)	15.0 (40)	13.2 (42)	4.3 (93)
MSCI World (Net) (CAD)			4.7 (54)	14.4 (41)	24.4 (49)	20.5 (61)	14.1 (52)	12.4 (54)	5.7 (75)
Value Added			-2.8	0.7	3.0	1.1	0.9	0.8	-1.4
GMO	39,733	12.0	1.4 (90)	8.6 (89)	18.7 (89)	16.7 (90)	12.5 (76)	-	-
MSCI World (Net) (CAD)			4.7 (54)	14.4 (41)	24.4 (49)	20.5 (61)	14.1 (52)	12.4 (54)	5.7 (75)
Value Added			-3.3	-5.8	-5.7	-3.8	-1.6	-	-
Bonds	130,176	39.4	3.2	14.8	3.1	3.9	5.3	5.6	5.5
TDAM Long Bonds	68,181	20.6	4.9 (61)	16.8 (66)	5.0 (59)	-	-	-	-
FTSE TMX Long Term Bond			5.3 (24)	17.5 (26)	5.0 (57)	5.1 (68)	8.2 (53)	9.0 (53)	7.4 (50)
Value Added			-0.4	-0.7	0.0	-	-	-	-
TDAM Real Return Bonds	61,924	18.7	1.4	13.0	0.0	-	-	-	-
FTSE TMX Real Return Bond			1.3	13.2	-0.8	0.4	4.6	5.9	5.7
Value Added			0.1	-0.2	0.8	-	-	-	-
Operating Account	4,676	1.4							

Parentheses contain percentile rankings.

Executive Summary

Trailing Period Performance

As of 31 December 2014

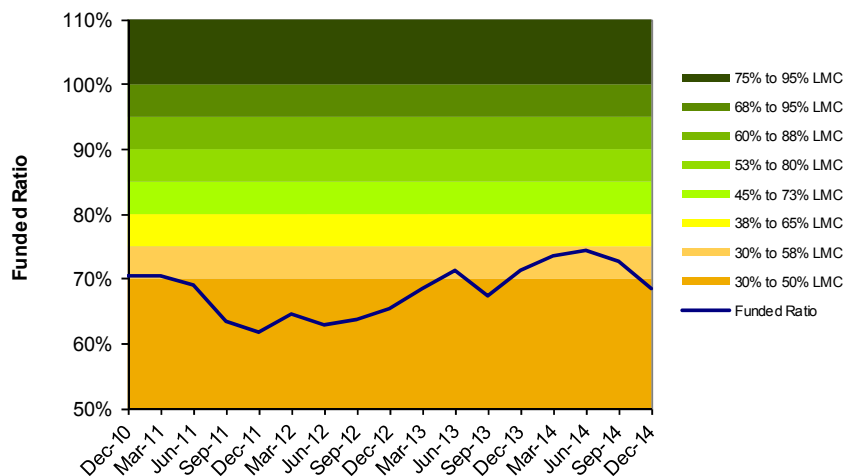
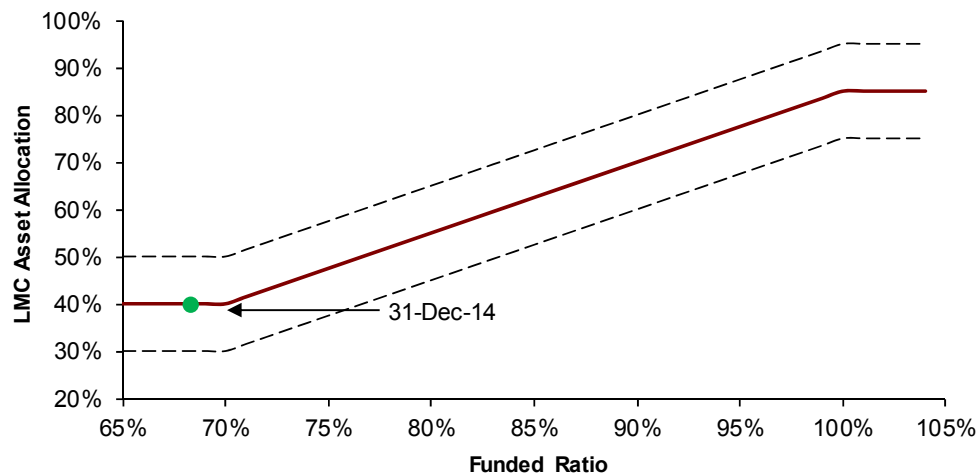
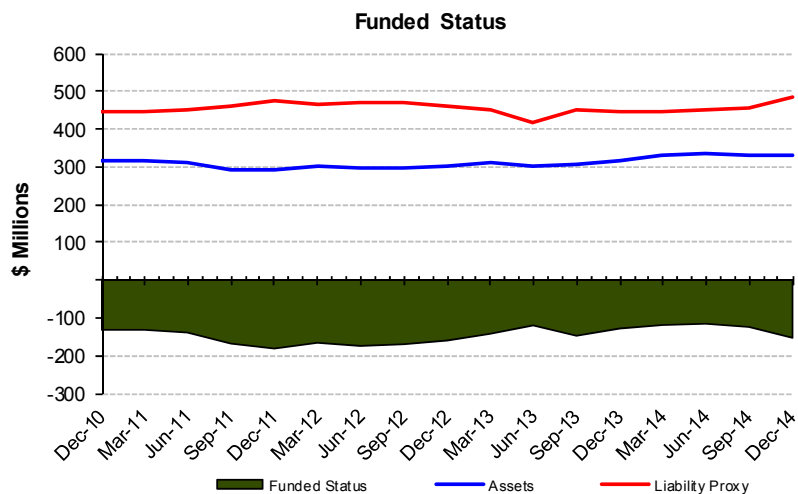
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Fund	12.0 (23)	13.0 (97)	10.5 (30)	0.5 (34)	9.6 (70)	14.3 (88)	-17.3 (58)	2.5 (37)	14.0 (23)	12.2 (49)	9.3 (78)
Benchmark	13.7 (1)	9.7 (98)	8.3 (71)	0.4 (35)	10.3 (56)	16.6 (52)	-16.4 (48)	3.8 (21)	12.0 (61)	12.4 (47)	9.8 (65)
Value Added	-1.7	3.3	2.2	0.1	-0.7	-2.3	-0.9	-1.3	2.0	-0.2	-0.5
Canadian Equities	11.9 (43)	25.3 (11)	17.1 (3)	-9.1 (45)	14.8 (76)	32.0 (54)	-29.8 (29)	9.4 (40)	21.1 (13)	23.1 (56)	13.0 (80)
Guardian (including cash)	13.0 (27)	13.8 (95)	13.7 (16)	-8.3 (36)	15.3 (70)	27.5 (89)	-30.0 (31)	10.9 (34)	20.8 (14)	18.5 (84)	11.7 (91)
S&P/TSX Composite	10.6 (59)	13.0 (97)	7.2 (77)	-8.7 (41)	17.6 (29)	35.1 (46)	-33.0 (59)	9.8 (38)	17.3 (52)	24.1 (50)	14.5 (62)
Value Added	2.4	0.8	6.5	0.4	-2.3	-7.6	3.0	1.1	3.5	-5.6	-2.8
Letko (including cash)	11.5 (49)	31.5 (2)	18.4 (1)	-9.1 (45)	14.3 (77)	32.8 (53)	-26.5 (13)	8.3 (49)	19.1 (33)	25.6 (39)	14.4 (64)
S&P/TSX Composite	10.6 (59)	13.0 (97)	7.2 (77)	-8.7 (41)	17.6 (29)	35.1 (46)	-33.0 (59)	9.8 (38)	17.3 (52)	24.1 (50)	14.5 (62)
Value Added	0.9	18.5	11.2	-0.4	-3.3	-2.3	6.5	-1.5	1.8	1.5	-0.1
Global Equities	10.2 (80)	26.4 (94)	12.6 (71)	-0.1 (20)	6.6 (61)	1.5 (97)	-29.4 (71)	-12.9 (90)	24.1 (30)	4.9 (87)	7.5 (50)
Aberdeen	10.6 (79)	21.4 (98)	13.7 (61)	2.0 (10)	-	-	-	-	-	-	-
MSCI World (Net) (CAD)	14.4 (41)	35.2 (53)	13.3 (65)	-3.2 (43)	5.9 (70)	10.4 (72)	-25.8 (48)	-7.5 (61)	19.6 (65)	6.7 (71)	6.4 (64)
Value Added	-3.8	-13.8	0.4	5.2	-	-	-	-	-	-	-
Brandes	15.1 (32)	41.0 (19)	10.9 (86)	-2.9 (38)	6.2 (66)	1.5 (97)	-29.4 (71)	-12.9 (90)	27.0 (14)	4.0 (91)	9.5 (31)
MSCI World (Net) (CAD)	14.4 (41)	35.2 (53)	13.3 (65)	-3.2 (43)	5.9 (70)	10.4 (72)	-25.8 (48)	-7.5 (61)	19.6 (65)	6.7 (71)	6.4 (64)
Value Added	0.7	5.8	-2.4	0.3	0.3	-8.9	-3.6	-5.4	7.4	-2.7	3.1
GMO	8.6 (89)	29.7 (82)	12.7 (70)	0.7 (15)	-	-	-	-	-	-	-
MSCI World (Net) (CAD)	14.4 (41)	35.2 (53)	13.3 (65)	-3.2 (43)	5.9 (70)	10.4 (72)	-25.8 (48)	-7.5 (61)	19.6 (65)	6.7 (71)	6.4 (64)
Value Added	-5.8	-5.5	-0.6	3.9	-	-	-	-	-	-	-
Bonds	14.8	-7.4	5.5	9.5	7.1	7.7	4.7	3.5	4.1	7.0	7.2
TDAM Long Bonds	16.8 (66)	-5.7 (54)	-	-	-	-	-	-	-	-	-
FTSE TMX Long Term Bond	17.5 (26)	-6.2 (86)	5.2 (86)	18.1 (23)	12.5 (57)	5.5 (90)	2.7 (29)	3.4 (54)	4.1 (69)	13.8 (29)	10.3 (49)
Value Added	-0.7	0.5	-	-	-	-	-	-	-	-	-
TDAM Real Return Bonds	13.0	-11.5	-	-	-	-	-	-	-	-	-
FTSE TMX Real Return Bond	13.2	-13.1	2.9	18.3	11.1	14.5	0.4	1.6	-2.9	15.2	17.5
Value Added	-0.2	1.6	-	-	-	-	-	-	-	-	-

Parentheses contain percentile rankings.

Executive Summary

Funded Status and Glide Path Information

As of 31 December 2014



Snapshot (Wind-Up)

	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14
Market value of assets (\$ Millions)	\$328.6	\$334.2	\$330.2	\$330.5
Liability proxy (\$ Millions)	\$447.5	\$449.7	\$454.1	\$483.2
Funded status (\$ Millions)	(\$118.9)	(\$115.5)	(\$123.9)	(\$152.7)
Funded ratio	73.4%	74.3%	72.7%	68.4%
Current LMC Asset Allocation	33.0%	37.2%	38.2%	39.4%

Rebalancing

- The rebalancing strategy for this plan requires that assets be rebalanced to the target allocation (indicated by the red line) whenever the LMC Asset Allocation falls outside of the range deemed acceptable for a given funded ratio (indicated by the dashed lines).
- Because the LMC Asset Allocation as of December 31, 2014 is within the range determined acceptable for the current funded ratio (68%), the asset mix does not require rebalancing.

Capital Markets Performance

Capital Market Performance

Major Capital Markets' Returns

As of 31 December 2014

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Canadian Equity								
S&P/TSX Composite	-1.5	10.6	10.6	11.8	10.2	5.1	7.5	7.6
Foreign Equity								
S&P 500 (CAD)	8.8	23.9	23.9	32.3	25.7	20.1	17.8	7.3
S&P 500 (USD)	4.9	13.7	13.7	22.7	20.4	15.6	15.5	7.7
MSCI EAFE (Net) (CAD)	-0.1	3.7	3.7	16.5	15.9	8.8	7.5	4.1
MSCI World (Net) (CAD)	4.7	14.4	14.4	24.4	20.5	14.1	12.4	5.7
Real Estate								
REALpac / IPD Canada Property Index	1.5	5.9	5.9	8.4	10.3	11.6	11.5	11.2
Fixed Income								
FTSE TMX Universe Bond	2.7	8.8	8.8	3.7	3.7	5.1	5.4	5.3
FTSE TMX Long Term Bond	5.3	17.5	17.5	5.0	5.1	8.2	9.0	7.4
FTSE TMX 91-Day T-Bill	0.2	0.9	0.9	1.0	1.0	1.0	0.9	1.9
Consumer Price Index								
Canadian CPI, unadjusted	-1.0	1.5	1.5	1.4	1.2	1.5	1.6	1.7

Canadian Equities

During the last quarter, the S&P/TSX Composite Index lost 1.5%, mainly driven down by the Energy and Materials sectors. These two sectors, which comprise in total over 32% of the Index, posted losses of 15.8% and 7.1%, respectively. The three best performers last quarter were Consumer Staples (20.2%), Information Technology (15.6%), and Health Care (15.3%). For the past twelve months the Index gained 10.6%, led by Consumer Staples (49.1%), Information Technology (35.1%) and Health Care (30.3%). Energy (-4.8%) and Materials (-2.6%) were the only sectors posting losses for the year.

U.S. Equities

The S&P 500 Index (USD) returned 4.9% for the quarter and 13.7% for the past twelve months. The depreciation of the Canadian dollar versus the U.S. dollar increased the return for Canadian investors by 3.9% for the quarter and 10.2% for the past twelve months. During the last quarter, the three top performing sectors were Utilities (13.2%), Consumer Discretionary (8.7%), and Consumer Staples (8.2%). The three weakest sectors were Energy (-10.7%), Telecommunication Services (-4.2%), and Materials (-1.8%). For the past twelve months the top three performing sectors were Utilities (29.0%), Health Care (25.3%), and Information Technology (20.1%), while the three worst performing sectors were Energy (-7.8%), Telecommunication Services (3.0%), and Materials (6.9%).

Non-North American Equities

The MSCI EAFE (CAD) Index lost 0.1% in the most recent quarter. Consumer Discretionary (6.4%) and Information Technology (3.1%) were the best performing sectors, while the Financial sector, which comprises a quarter of the Index, was almost flat (0.3%). The worst performing sectors were Energy (-16.1%), Health Care (-1.9%), and Materials (-1.8%). The Index had a return of 3.7% for the past twelve months. The top performing sectors were Health Care (15.7%), Utilities (12.9%), and Information Technology (8.2%), while the bottom three were Energy (-11.0%), Materials (-2.7%), and Telecommunication Services (-0.3%).

Fixed Income

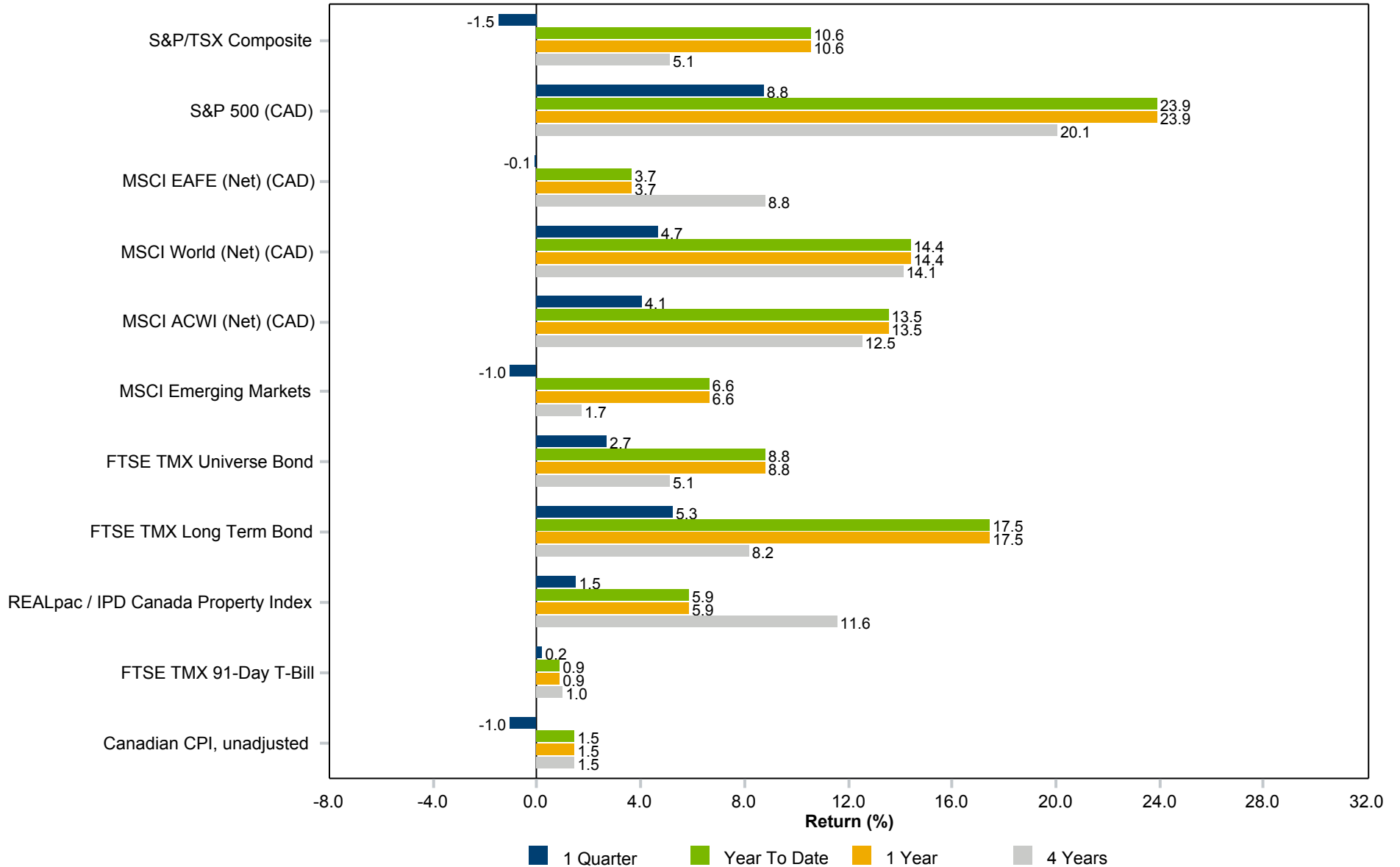
The Canadian bond market, as measured by the FTSE TMX Universe Bond Index, gained 2.7% over the last quarter and 8.8% for the past twelve months. During the last quarter, bond market returns were positive across all sectors, with the best returns earned in provincial bonds (3.9%) and in municipal bonds (3.4%). Money market (FTSE TMX 91-Day T-Bill Index) continued its pattern of low returns as the Bank of Canada left the Bank Rate unchanged.

Returns for periods greater than one year are annualized.

Capital Market Performance

Comparative Performance

As of 31 December 2014



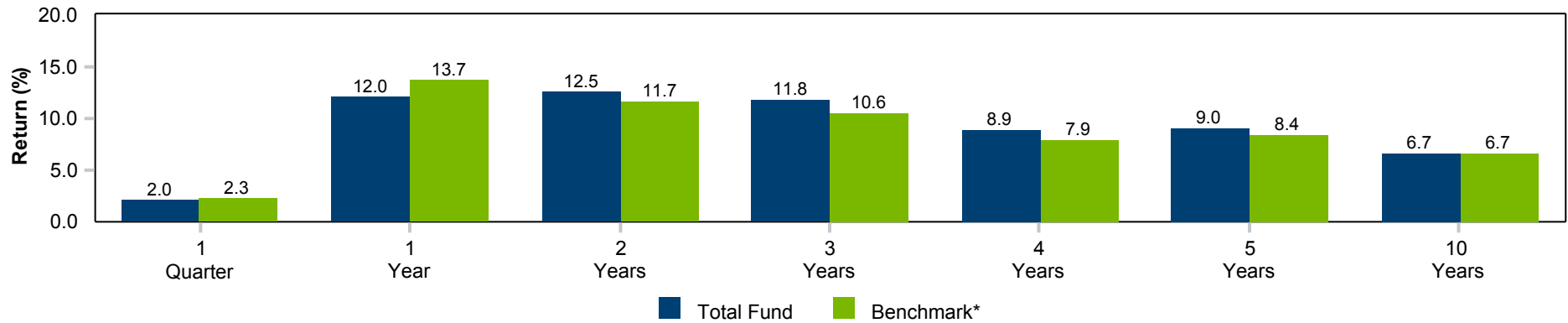
Total Fund Analysis

Total Fund

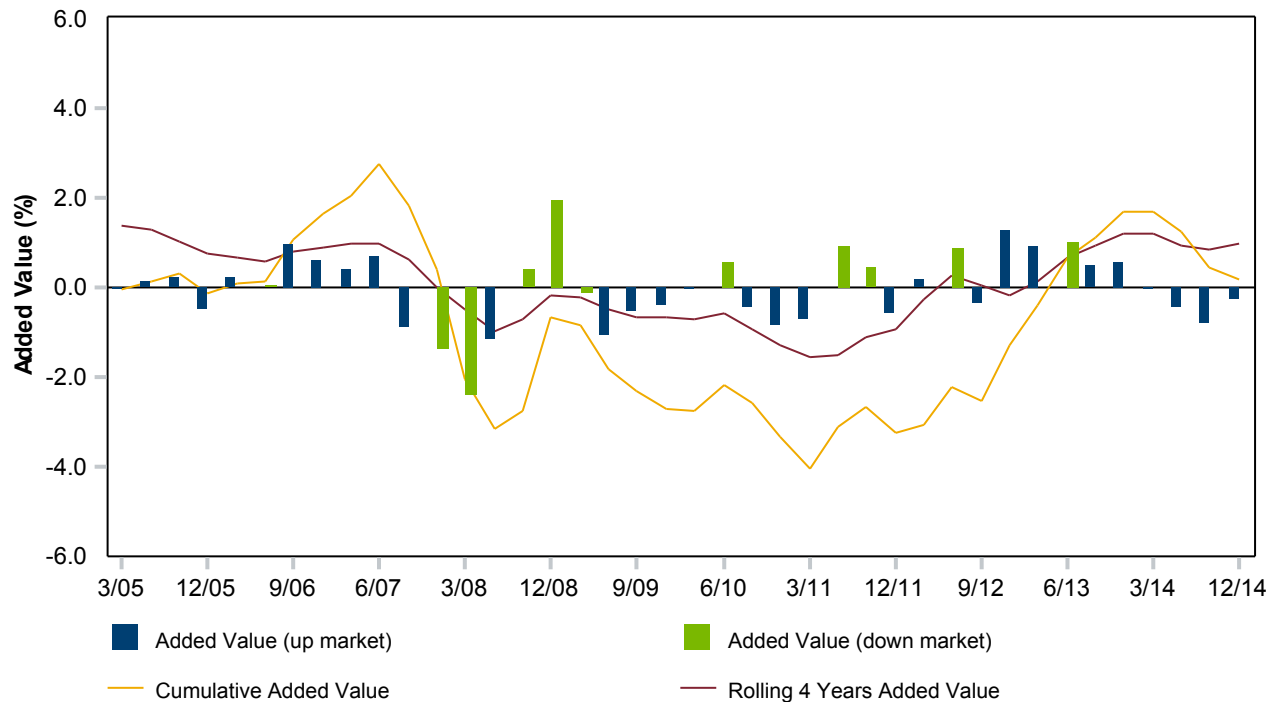
Total Fund Performance Summary

As of 31 December 2014

Return Summary



Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	29	97.7
Down Markets	11	93.4
Batting Average		
Up Markets	29	44.8
Down Markets	11	72.7
Overall	40	52.5

Quarter

The Total Fund return of 2.0% trailed the benchmark return by 30 basis points.

Below-Index results within global equities and bonds more than offset the strong outperformance within Canadian equities. An overweight in Canadian equities and the Fund's cash exposure also had a negative impact.

Longer Periods

Despite the Total Fund's recent underperformance over the last year, the Total Fund return had met or surpassed the benchmark return in all other longer periods shown above.

* See Appendix A for benchmark components.

Total Fund

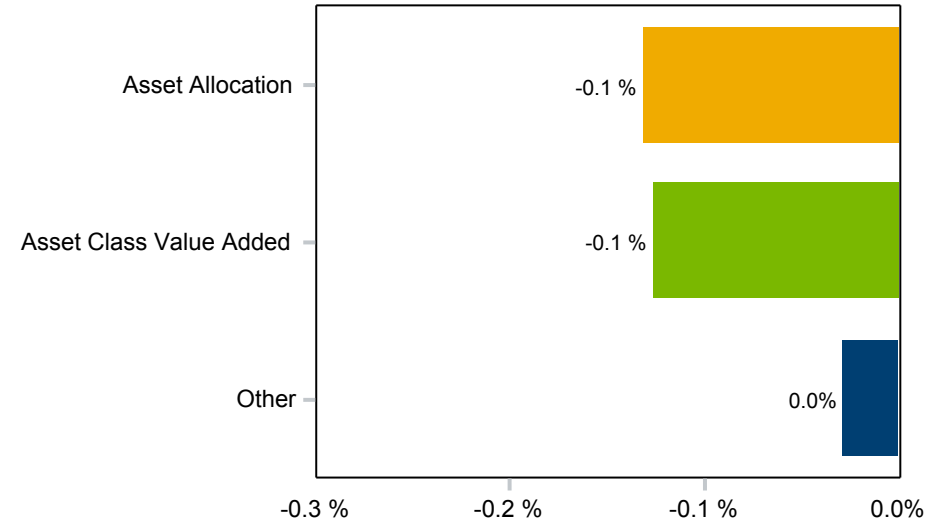
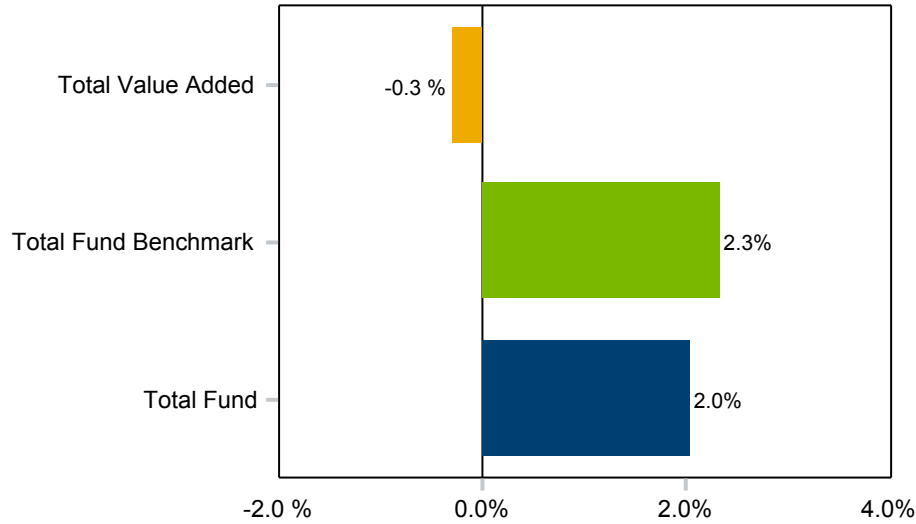
Total Fund Performance Attribution

1 Quarter Ending 31 December 2014

Total Fund vs. Benchmark

Total Fund Performance

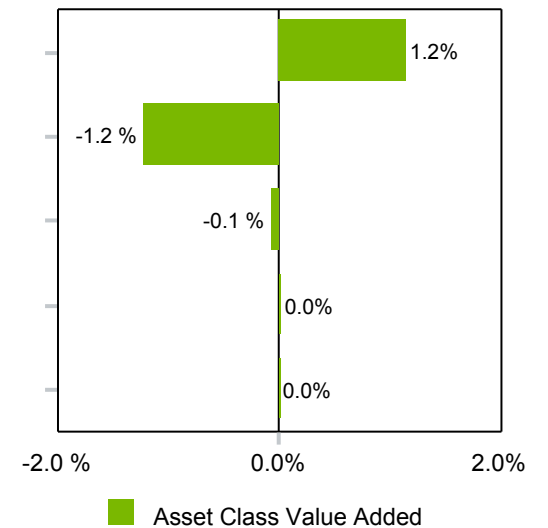
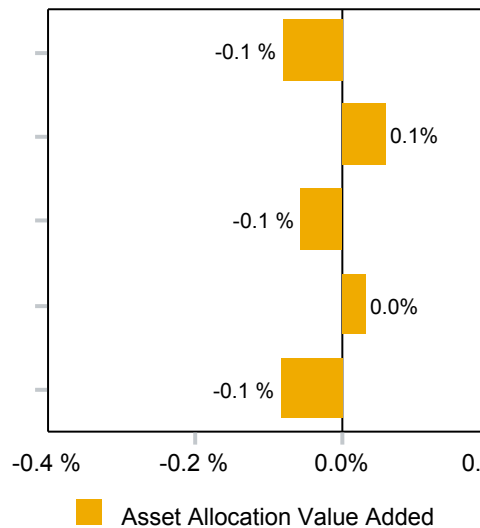
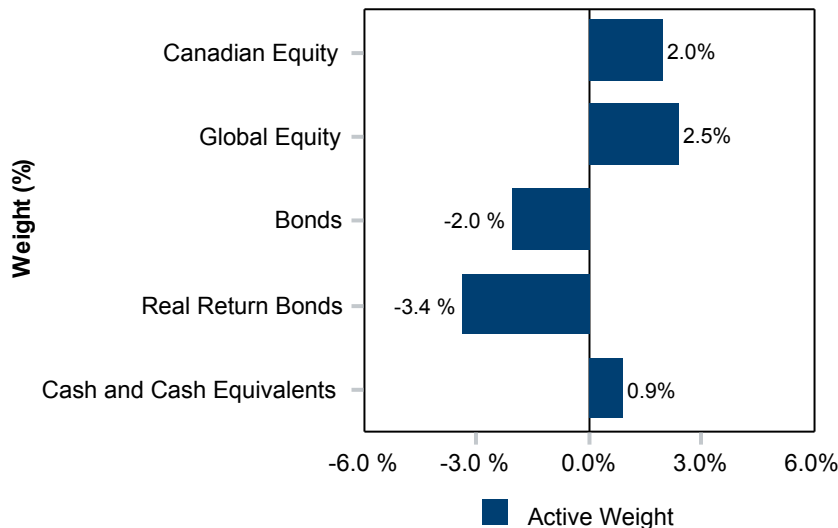
Total Value Added: -0.3 %



1 Quarter

Total Asset Allocation: -0.1 %

Total Asset Class Value Added: -0.1 %



Total Fund

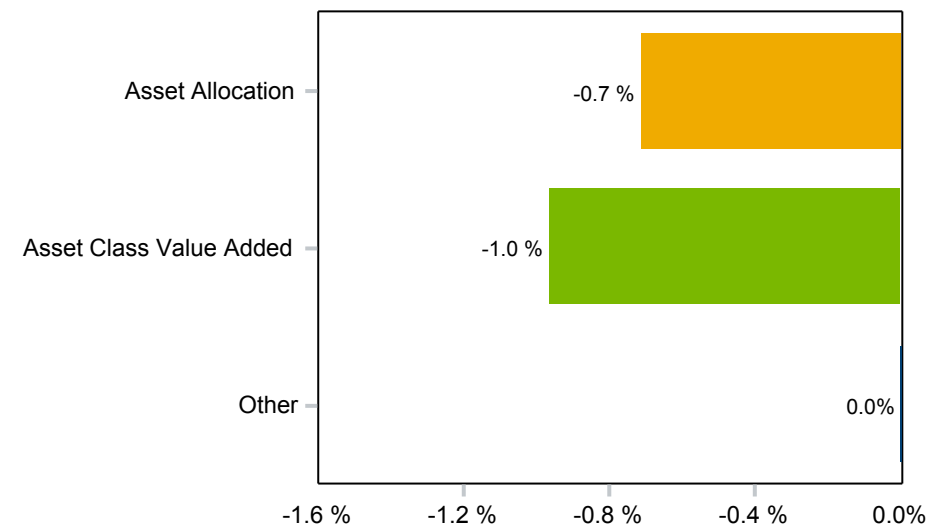
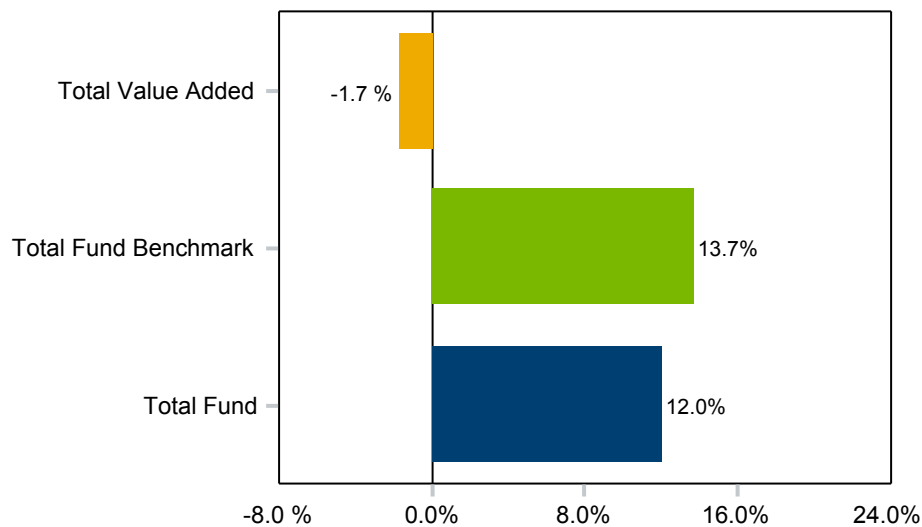
Total Fund Performance Attribution

1 Year Ending 31 December 2014

Total Fund vs. Benchmark

Total Fund Performance

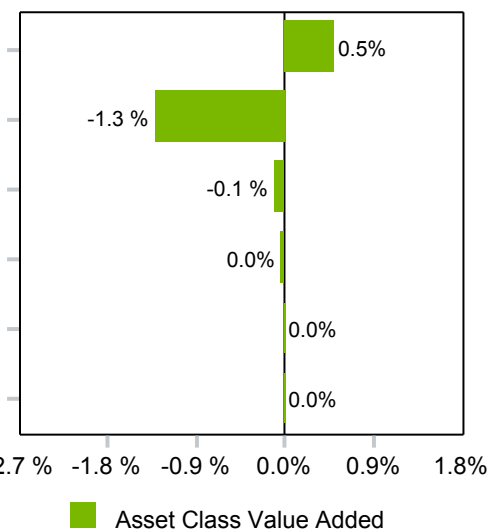
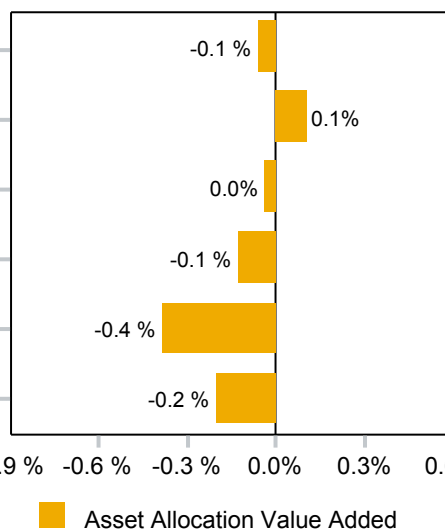
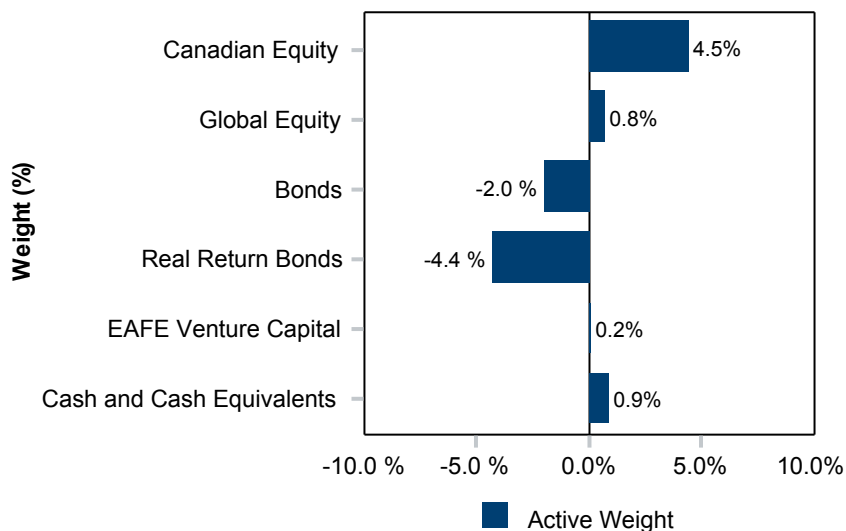
Total Value Added: -1.7 %



1 Year

Total Asset Allocation: -0.7 %

Total Asset Class Value Added: -1.0 %



Total Fund

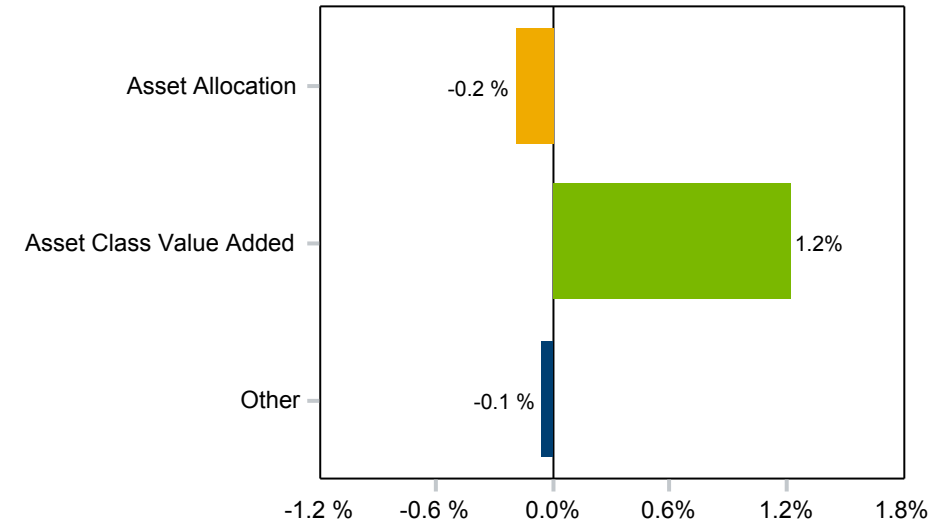
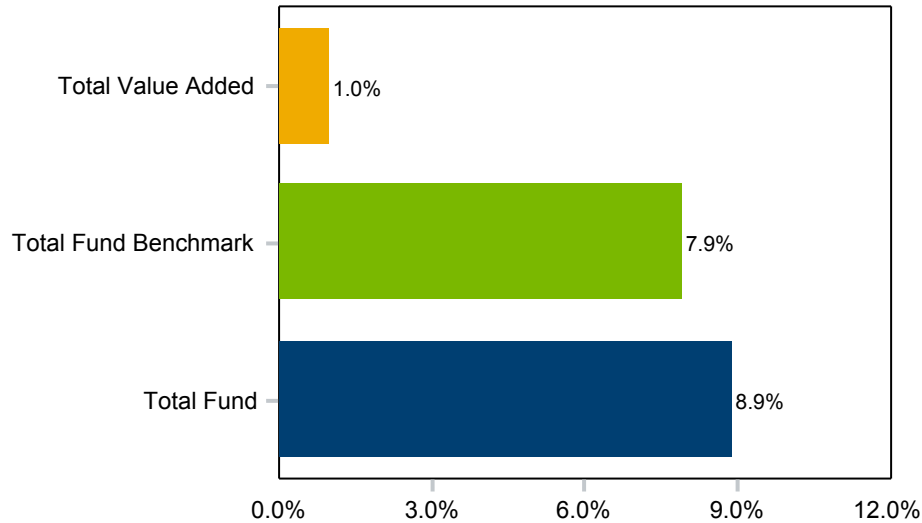
Total Fund Performance Attribution

4 Years Ending 31 December 2014

Total Fund vs. Benchmark

Total Fund Performance

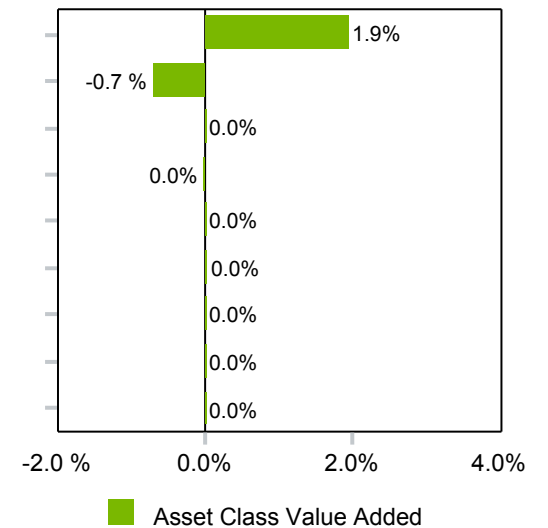
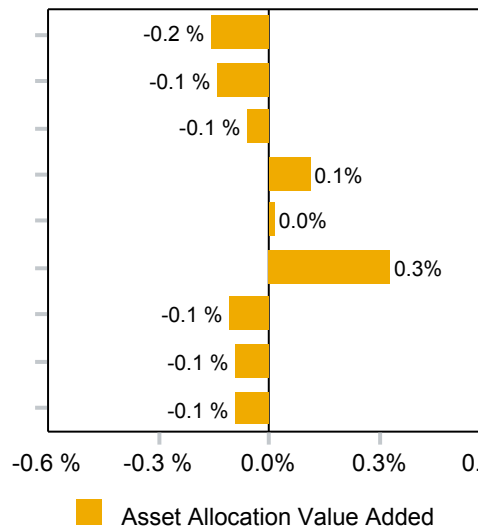
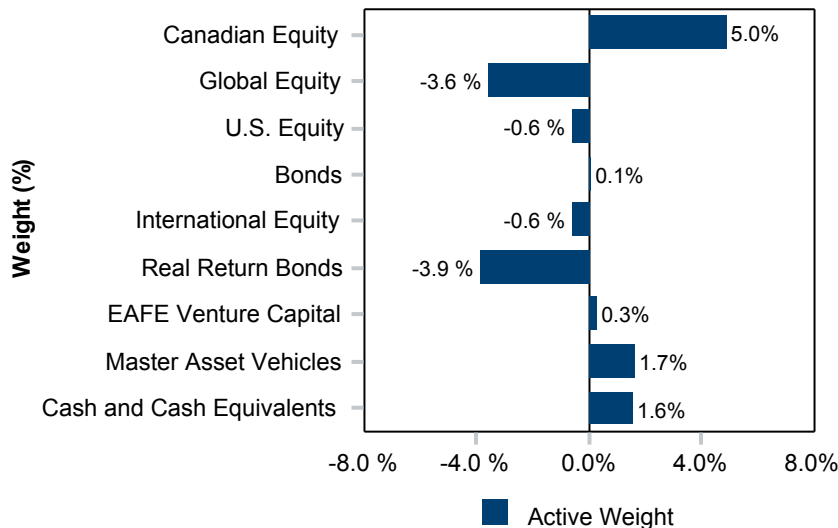
Total Value Added: 1.0%



4 Years

Total Asset Allocation: -0.2%

Total Asset Class Value Added: 1.2%

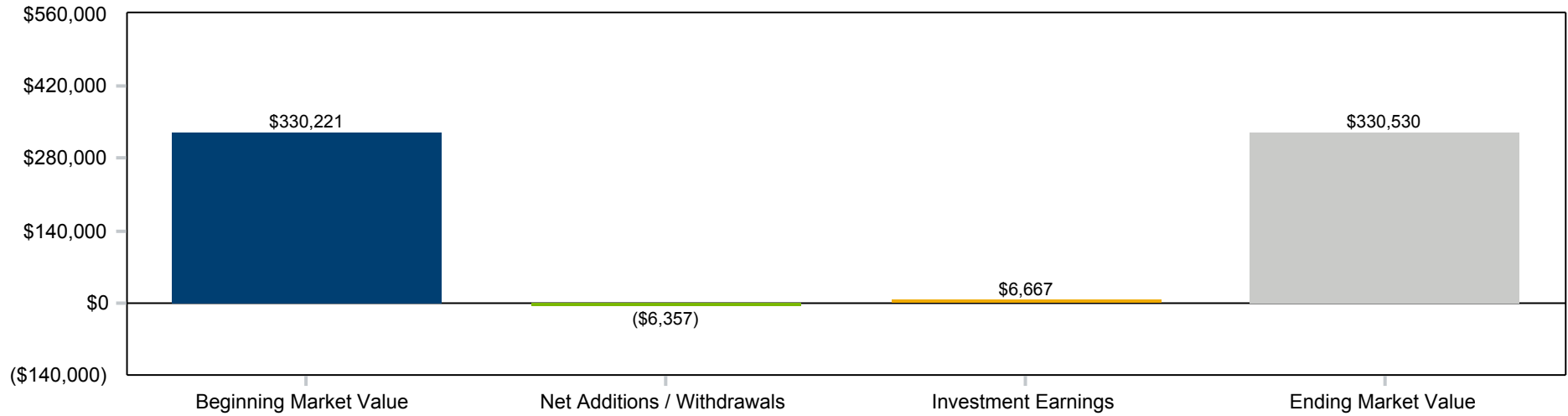


Total Fund

Total Fund Asset Summary

As of 31 December 2014

Change in Market Value (\$000)
From 1 October 2014 to 31 December 2014



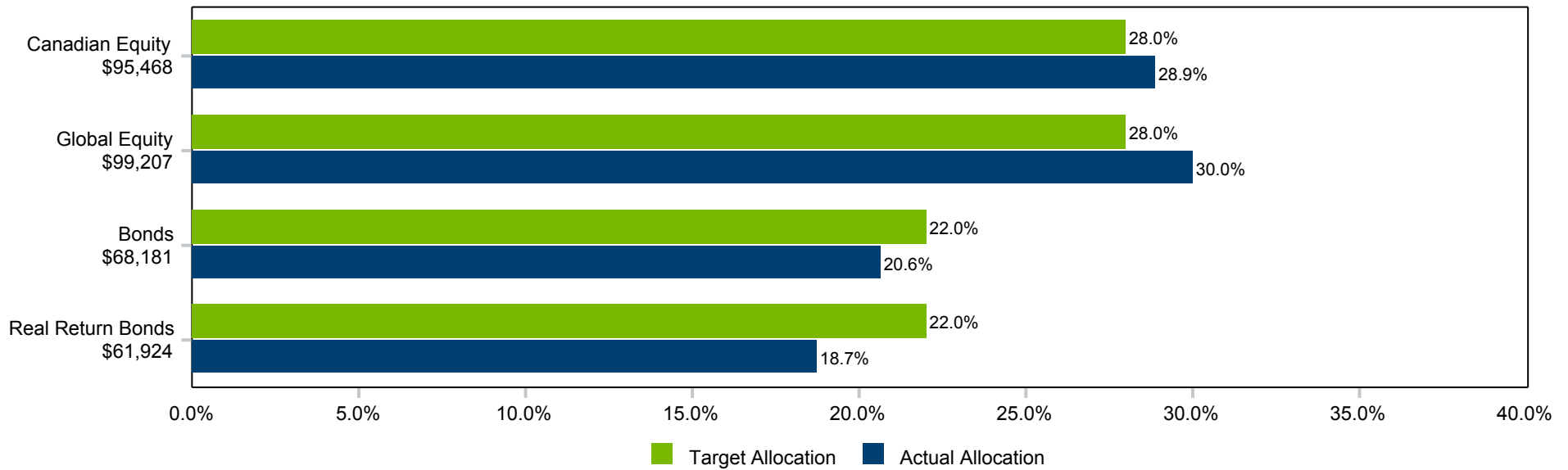
Summary of Cash Flows (\$000)

	1 Quarter	Year To Date	1 Year	4 Years
Total Fund				
Beginning Market Value	330,221	316,336	316,336	314,918
+/- Net Cash Flows	-6,357	-22,979	-22,979	-90,823
+/- Income	9,381	14,836	14,836	50,267
+/- Capital Gains / Losses	-2,714	22,337	22,337	56,168
= Ending Market Value	330,530	330,530	330,530	330,530

Total Fund

Asset Allocation Compliance

As of 31 December 2014 (\$000)



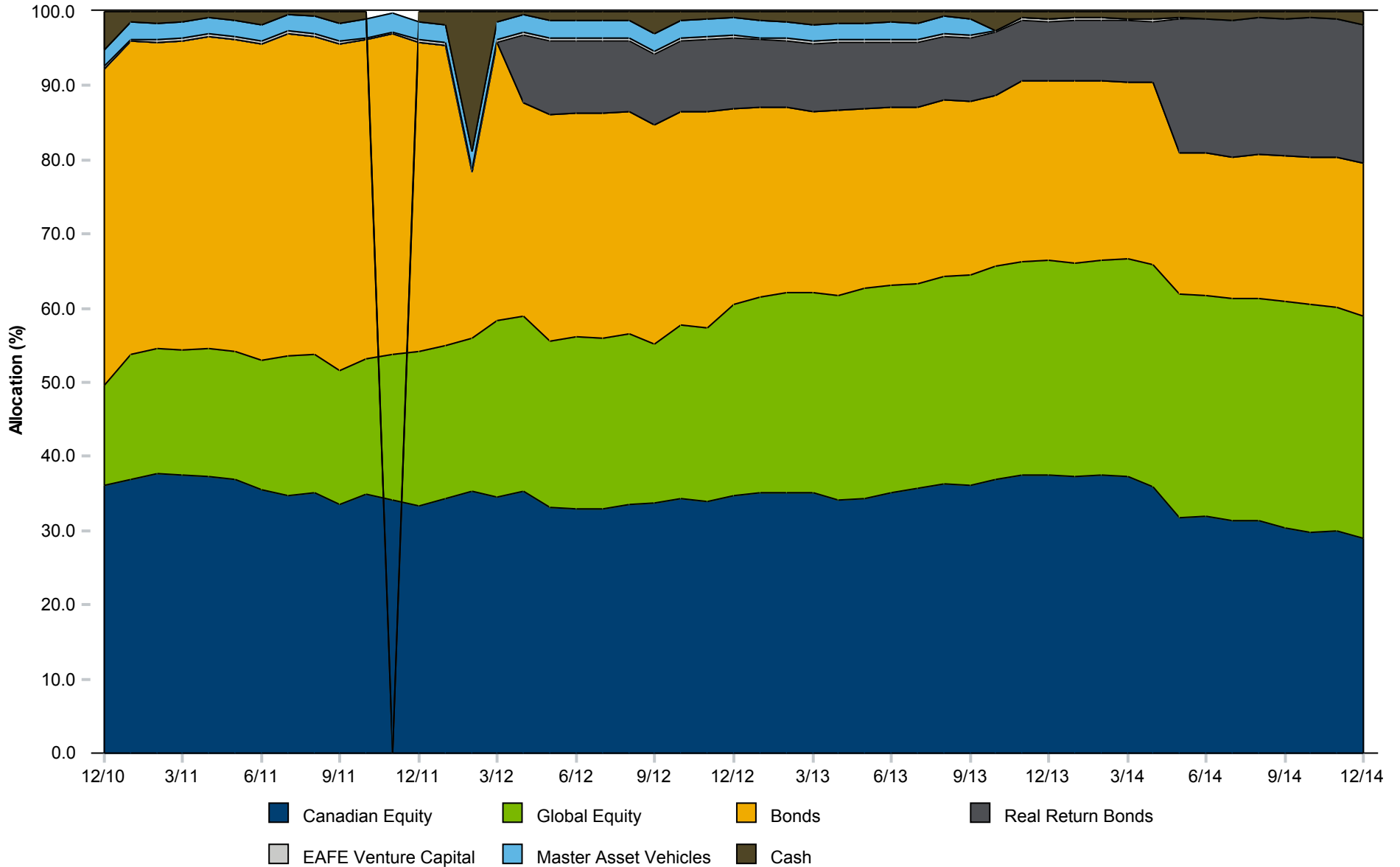
	Market Value (\$000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	330,530	100.0	100.0	0.0		
Canadian Equity	95,468	28.9	28.0	0.9	23.0	33.0
Global Equity	99,207	30.0	28.0	2.0	23.0	33.0
Bonds	68,181	20.6	22.0	-1.4	17.0	27.0
Real Return Bonds	61,924	18.7	22.0	-3.3	17.0	27.0

Total Fund

Historical Asset Allocation by Segment

4 Years Ending 31 December 2014

Total Fund

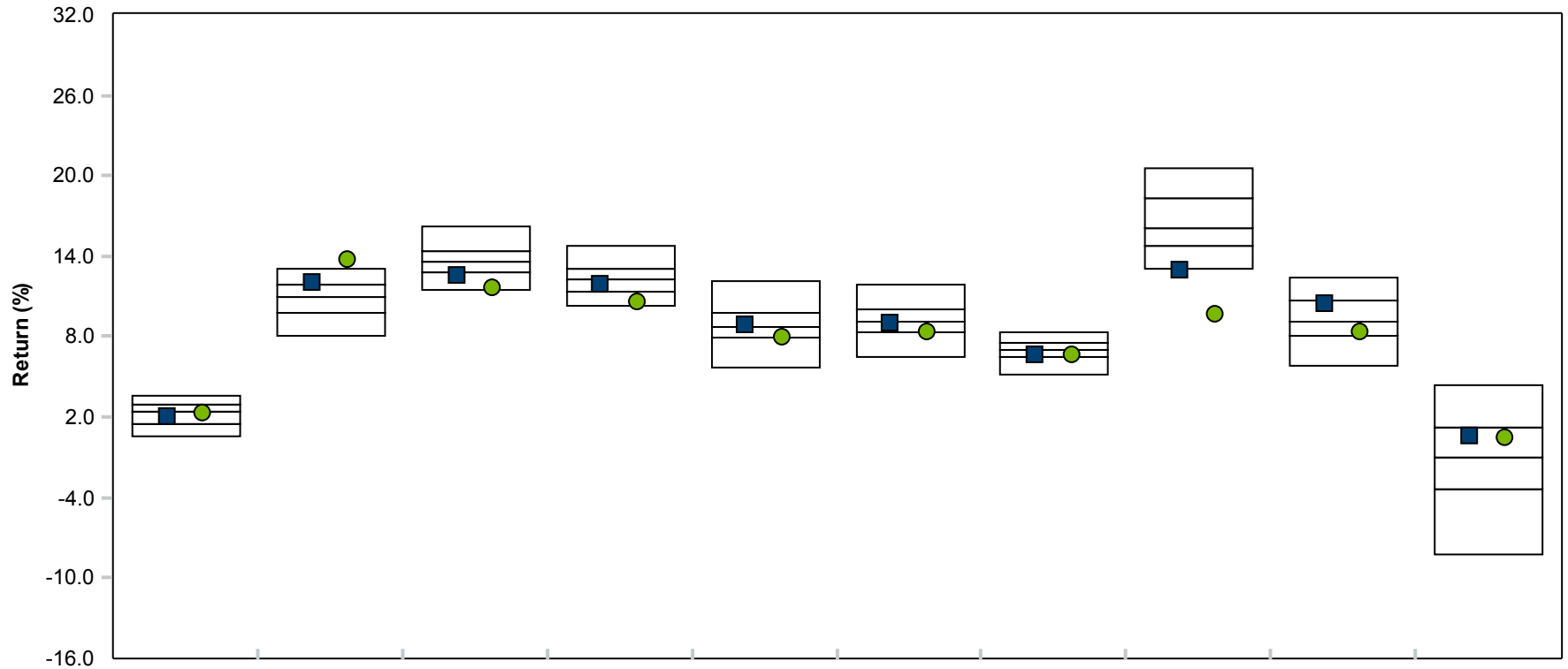


Total Fund

Peer Group Analysis

As of 31 December 2014

Balanced Funds



	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	1 Year Ending Dec-2013	1 Year Ending Dec-2012	1 Year Ending Dec-2011
■ Total Fund	2.0 (62)	12.0 (23)	12.5 (83)	11.8 (59)	8.9 (47)	9.0 (52)	6.7 (65)	13.0 (97)	10.5 (30)	0.5 (34)
● Benchmark	2.3 (55)	13.7 (1)	11.7 (91)	10.6 (93)	7.9 (75)	8.4 (67)	6.7 (66)	9.7 (98)	8.3 (71)	0.4 (35)
5th Percentile	3.6	13.1	16.3	14.8	12.1	11.8	8.3	20.6	12.4	4.3
1st Quartile	2.9	11.9	14.3	13.1	9.7	10.0	7.6	18.3	10.7	1.2
Median	2.4	10.9	13.6	12.3	8.7	9.1	7.0	16.1	9.1	-1.0
3rd Quartile	1.5	9.8	12.8	11.3	7.9	8.3	6.5	14.7	8.1	-3.4
95th Percentile	0.5	8.1	11.5	10.3	5.7	6.4	5.2	13.1	5.8	-8.2
Population	47	47	47	47	47	46	42	51	60	65

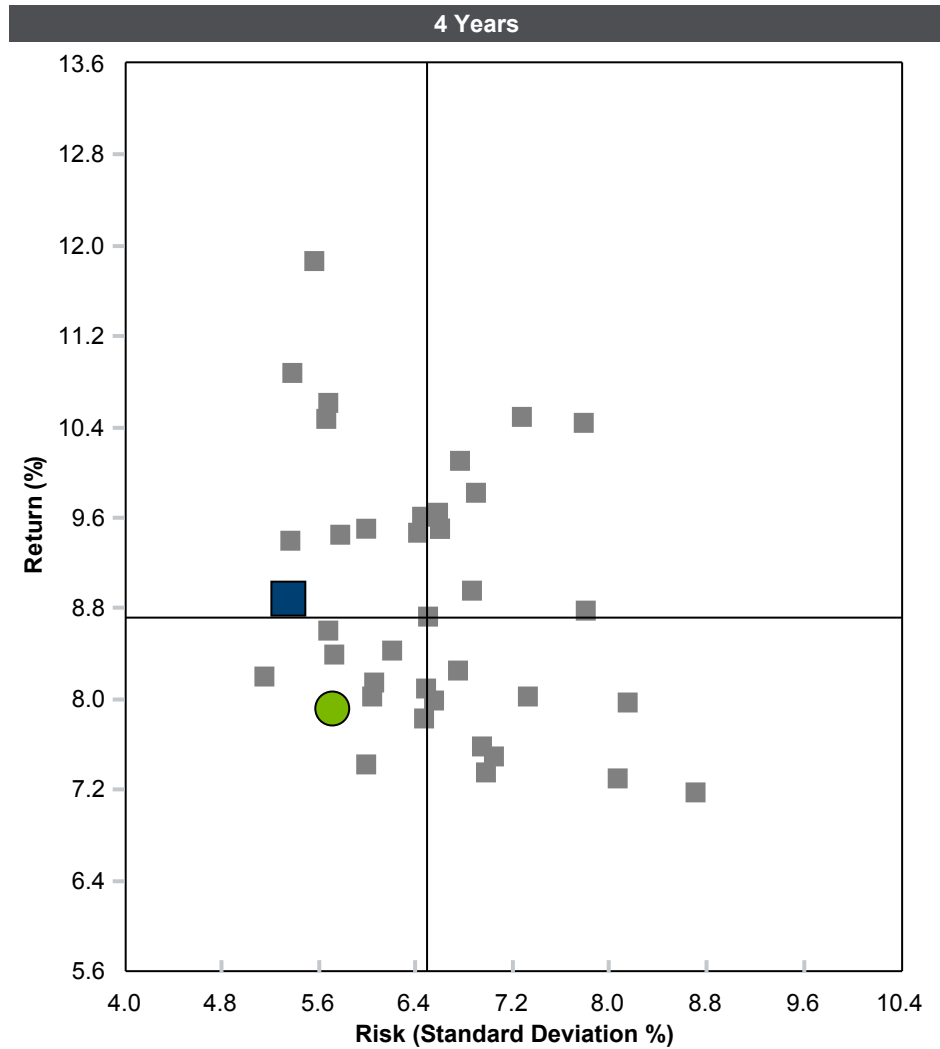
Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

Total Fund

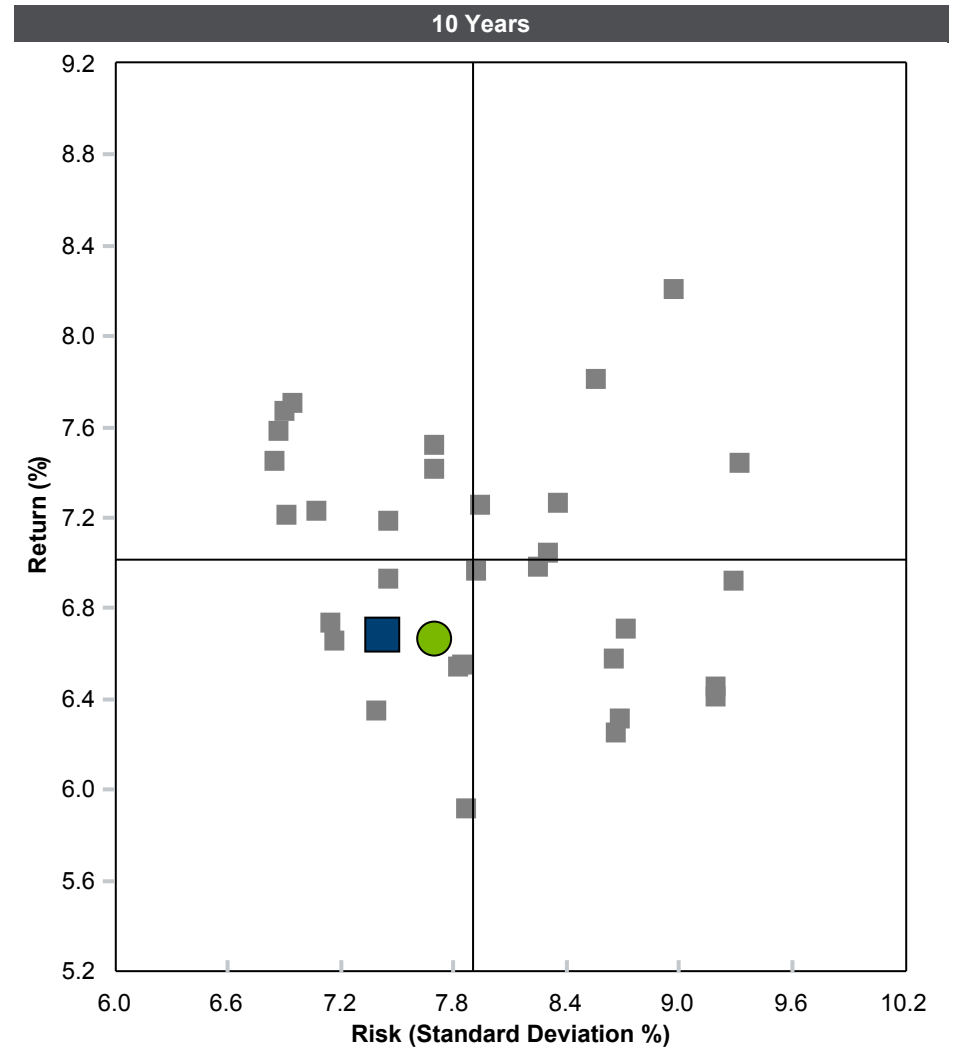
Peer Group Scattergram

Periods Ending 31 December 2014

Balanced Funds



	Return	Standard Deviation
■ Total Fund	8.9	5.4
● Benchmark	7.9	5.7
— Median	8.7	6.5



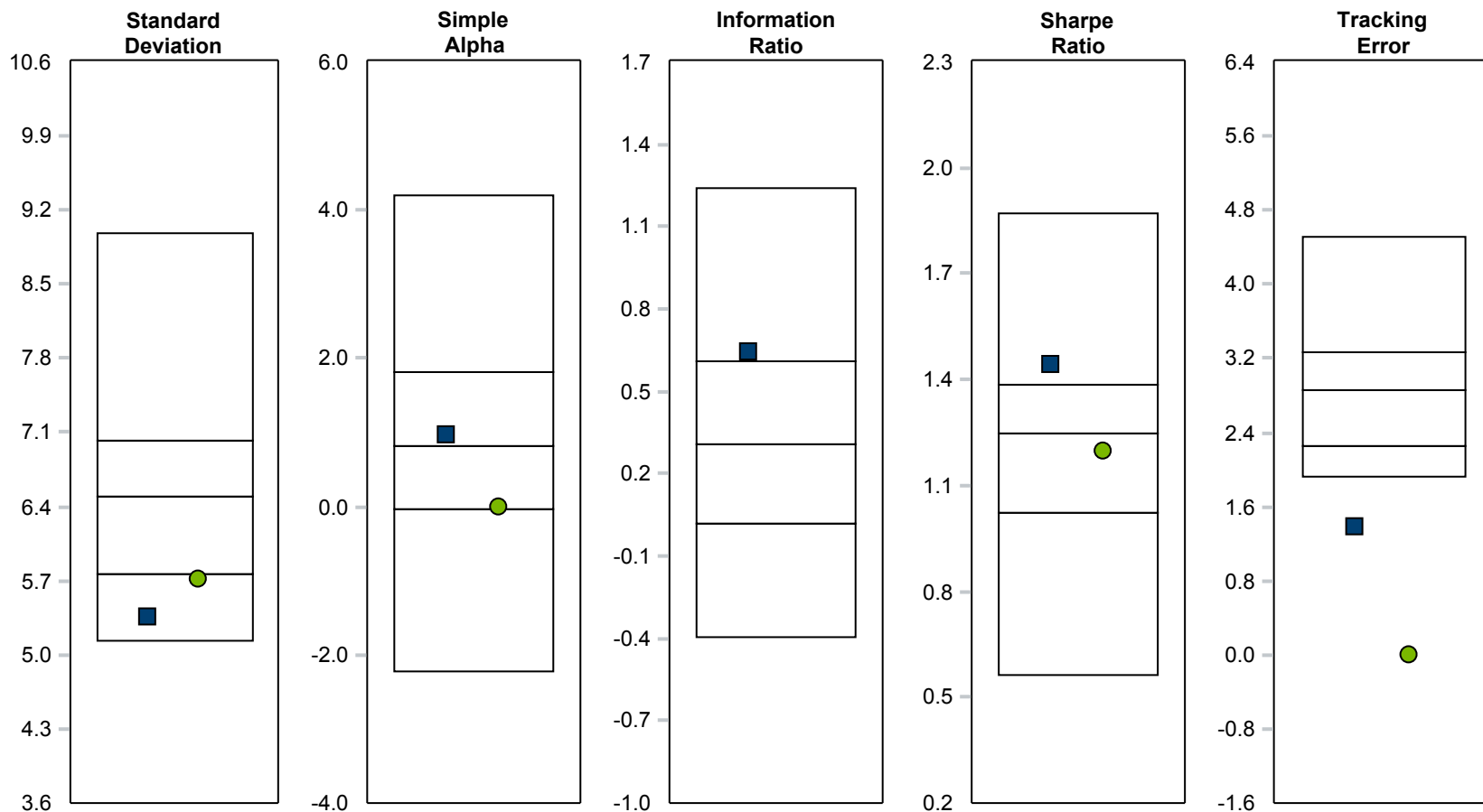
	Return	Standard Deviation
■ Total Fund	6.7	7.4
● Benchmark	6.7	7.7
— Median	7.0	7.9

Source: Aon Hewitt Manager Universe

Total Fund

Peer Group Analysis - Performance Statistics

As of 31 December 2014



	4 Years	4 Years	4 Years	4 Years	4 Years
■ Total Fund	5.4 (92)	1.0 (47)	0.6 (21)	1.4 (22)	1.4 (100)
● Benchmark	5.7 (77)	0.0 (75)	N/A	1.2 (53)	0.0 (100)
5th Percentile	9.0	4.2	1.2	1.9	4.5
1st Quartile	7.0	1.8	0.6	1.4	3.3
Median	6.5	0.8	0.3	1.2	2.9
3rd Quartile	5.8	0.0	0.0	1.0	2.3
95th Percentile	5.1	-2.2	-0.4	0.6	1.9

Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

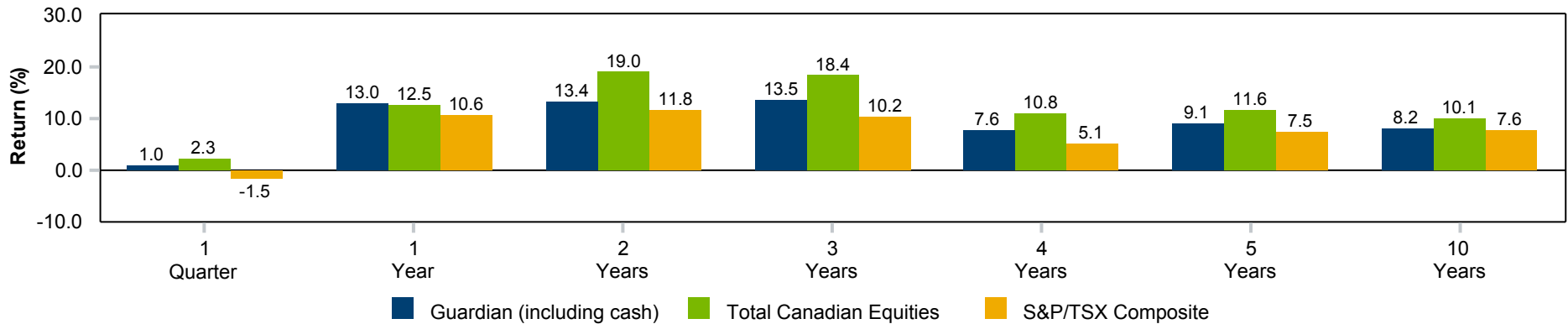
Asset Class Analysis

Canadian Equity

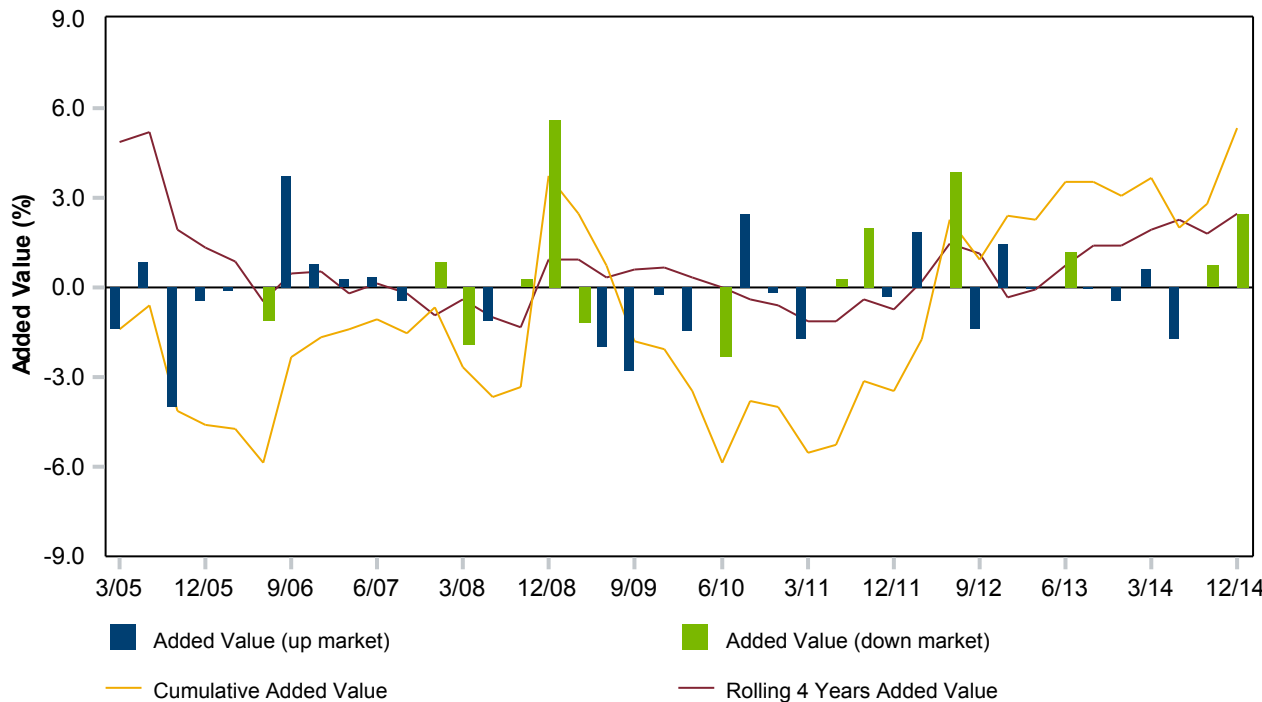
Guardian Performance Summary

As of 31 December 2014

Return Summary



Guardian Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	27	95.5
Down Markets	13	87.5
Batting Average		
Up Markets	27	37.0
Down Markets	13	69.2
Overall	40	47.5

Quarter

Guardian's Q4 return of 1.0% was 250 basis points above the Index return.

Stock selection, particularly within the Energy, Materials and Financials sectors, was the main driver of outperformance. Sector allocation had a slight positive impact as an underweight in Energy, the worst performing sector, was partially offset by an underweight in the Health Care sector.

Canadian Equity

Guardian Portfolio Characteristics

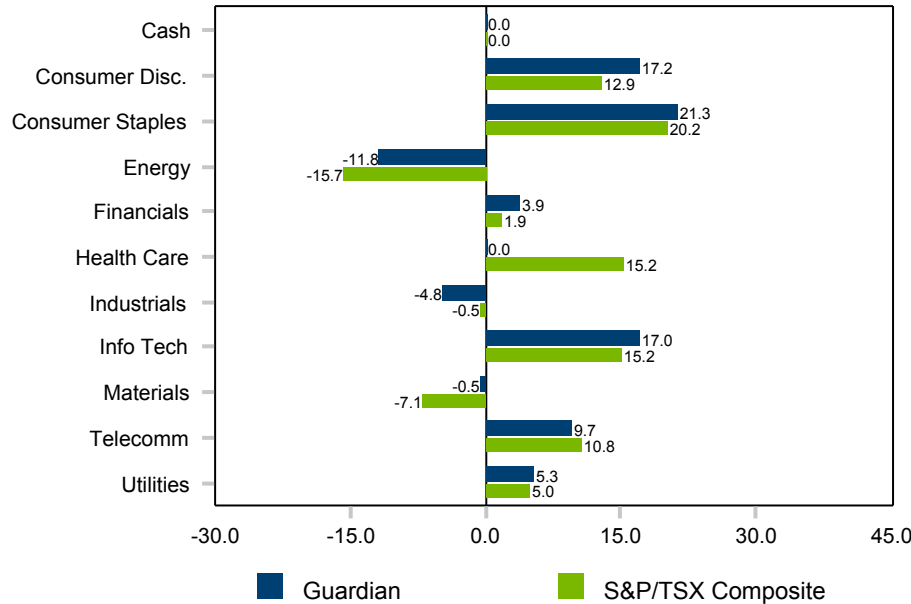
As of 31 December 2014

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	30,355	32,563
Median Mkt. Cap (\$M)	14,344	2,369
Price/Earnings ratio	17.4	16.6
Price/Book ratio	2.2	2.2
5 Yr. EPS Growth Rate (%)	12.7	13.8
Current Yield (%)	2.8	2.9
Debt to Equity	1.3	1.4
Number of Stocks	35	250

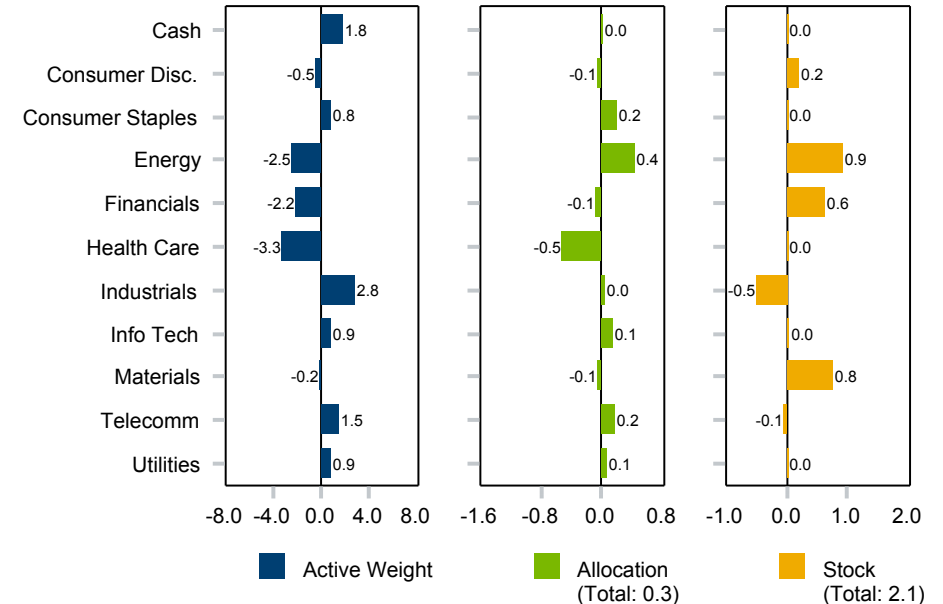
Manager Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Royal Bank of Canada	5.88	6.34	-0.46	1.19
Toronto-Dominion Bank	5.37	5.61	-0.24	1.30
Bank of Nova Scotia	4.86	4.42	0.44	-3.35
Brookfield Asset Management	4.05	1.82	2.23	16.16
Intact Financial	3.95	0.60	3.35	16.33
Enbridge	3.70	2.78	0.92	12.19
George Weston Ltd	3.44	0.26	3.18	14.18
CAE	3.29	0.22	3.07	11.57
Magna International	3.26	1.43	1.83	18.85
Manulife Financial	3.25	2.26	0.99	3.70

% of Portfolio 41.05 25.74

Sector Returns (%)



Sector Performance Attribution (%)

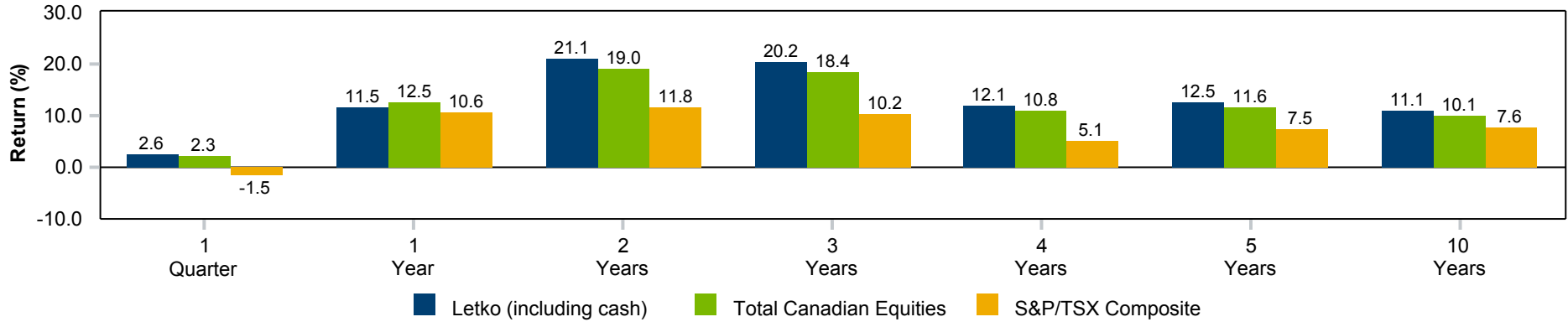


Canadian Equity

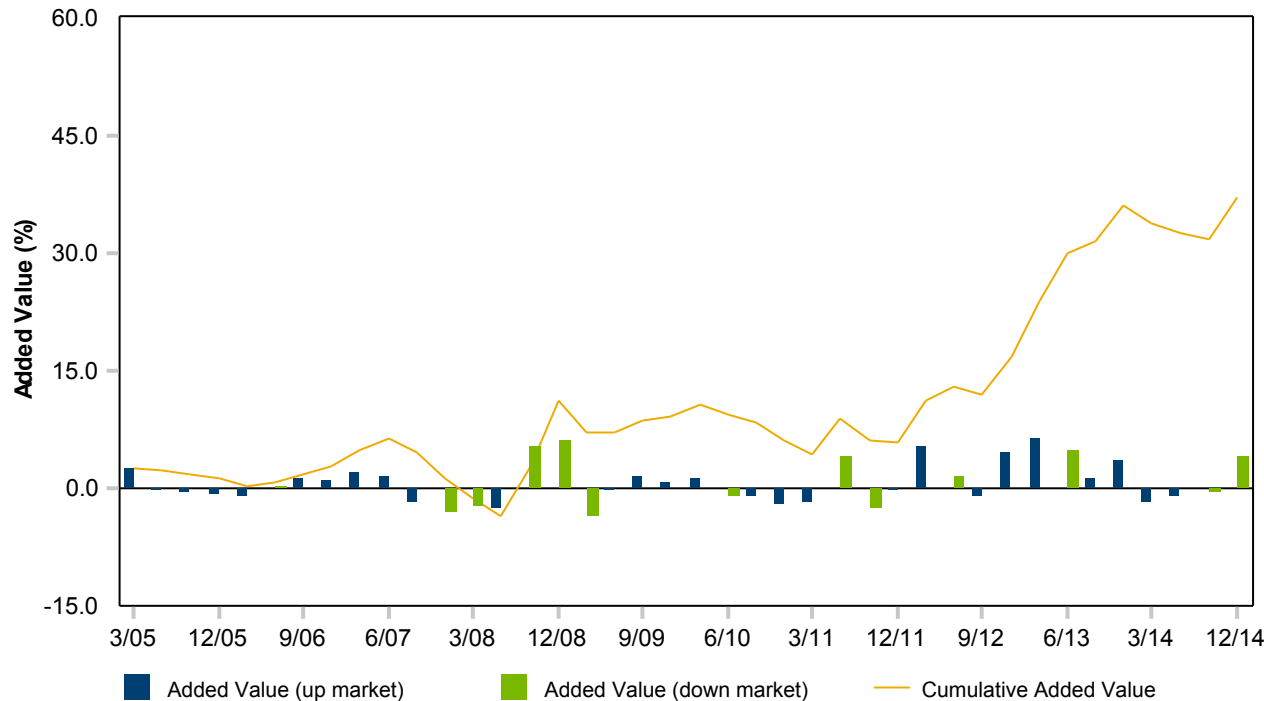
Letko Performance Summary

As of 31 December 2014

Return Summary



Letko Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	27	109.9
Down Markets	13	84.0
Batting Average		
Up Markets	27	48.1
Down Markets	13	53.8
Overall	40	50.0

Quarter

Letko's Q4 return outperformed the Index by 410 basis points.

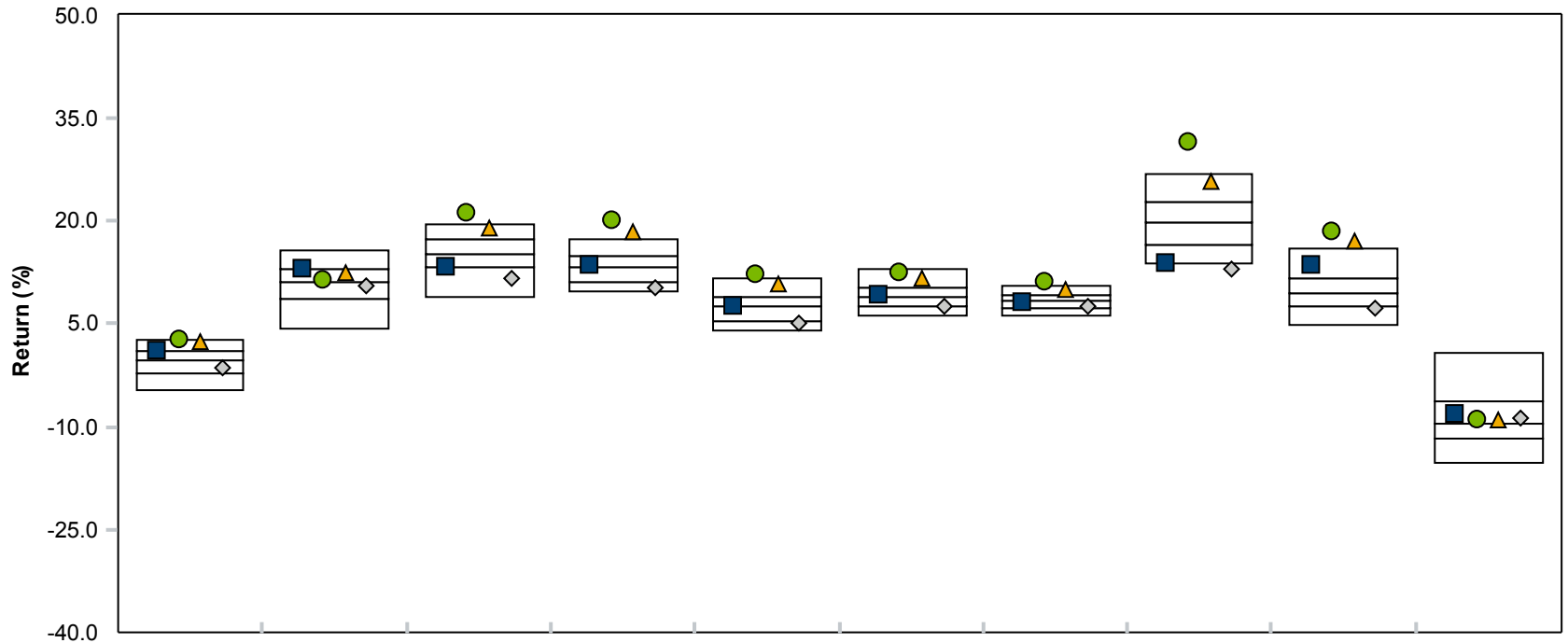
Sector allocation added the most value due to an underweight in the poor performing Energy sector. Overweights in the Consumer Discretionary and Telecom sectors also had a positive impact. Stock selection was also positive, mainly due to strong stock picks within the Materials and Industrials sectors.

Canadian Equity

Peer Group Analysis

As of 31 December 2014

Canadian Equity



	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	1 Year Ending Dec-2013	1 Year Ending Dec-2012	1 Year Ending Dec-2011
■ Guardian	1.0 (27)	13.0 (27)	13.4 (75)	13.5 (50)	7.6 (44)	9.1 (47)	8.2 (53)	13.8 (95)	13.7 (16)	-8.3 (36)
● Letko	2.6 (5)	11.5 (49)	21.1 (3)	20.2 (2)	12.1 (4)	12.5 (7)	11.1 (3)	31.5 (2)	18.4 (1)	-9.1 (45)
▲ Total Canadian Equities	2.3 (8)	12.5 (30)	19.0 (7)	18.4 (4)	10.8 (11)	11.6 (15)	10.1 (11)	25.8 (9)	17.2 (3)	-9.1 (45)
◆ S&P/TSX Composite	-1.5 (68)	10.6 (59)	11.8 (86)	10.2 (91)	5.1 (82)	7.5 (80)	7.6 (69)	13.0 (97)	7.2 (77)	-8.7 (41)
5th Percentile	2.6	15.6	19.6	17.2	11.6	13.1	10.6	27.0	15.9	0.7
1st Quartile	1.1	13.1	17.3	15.0	8.9	10.4	9.3	22.9	11.8	-6.3
Median	-0.2	11.2	15.3	13.4	7.5	8.9	8.4	19.9	9.5	-9.5
3rd Quartile	-2.2	8.5	13.3	11.2	5.5	7.7	7.4	16.7	7.6	-11.6
95th Percentile	-4.7	4.2	9.0	9.8	4.2	6.2	6.2	13.8	4.7	-15.3
Population	89	89	89	89	89	88	73	92	97	100

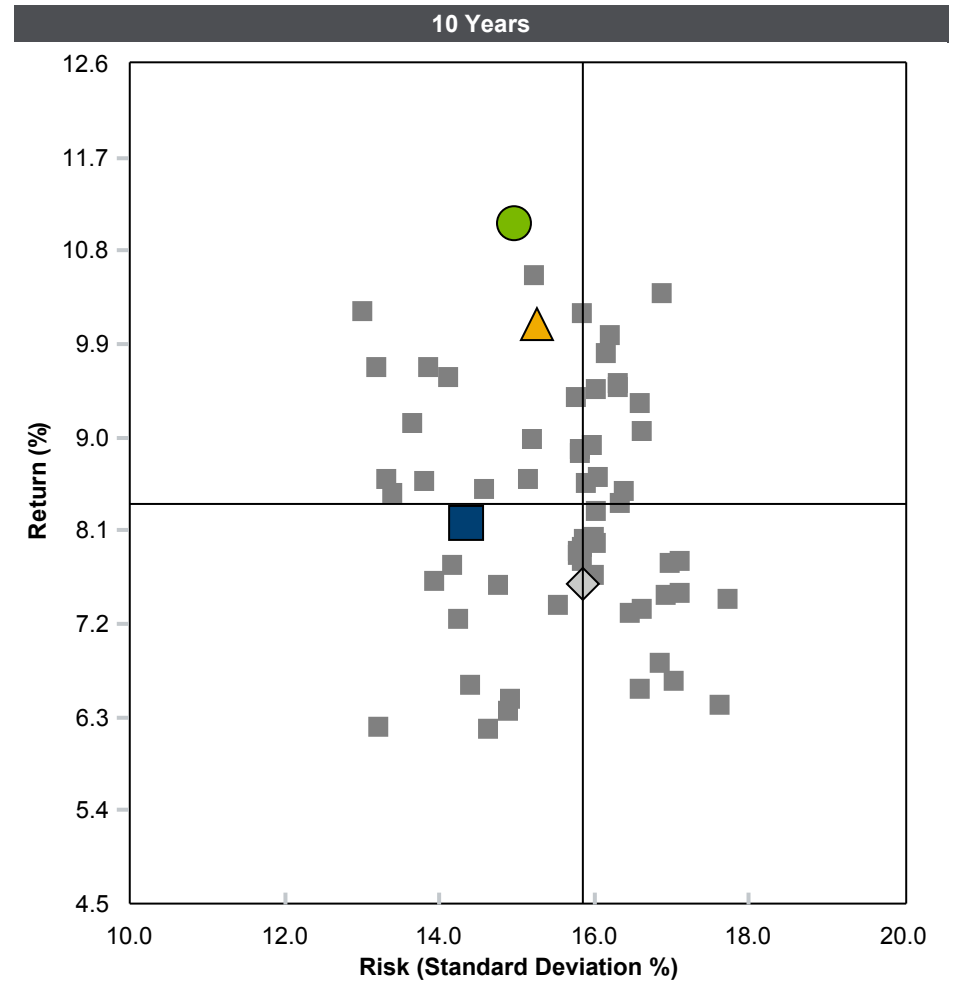
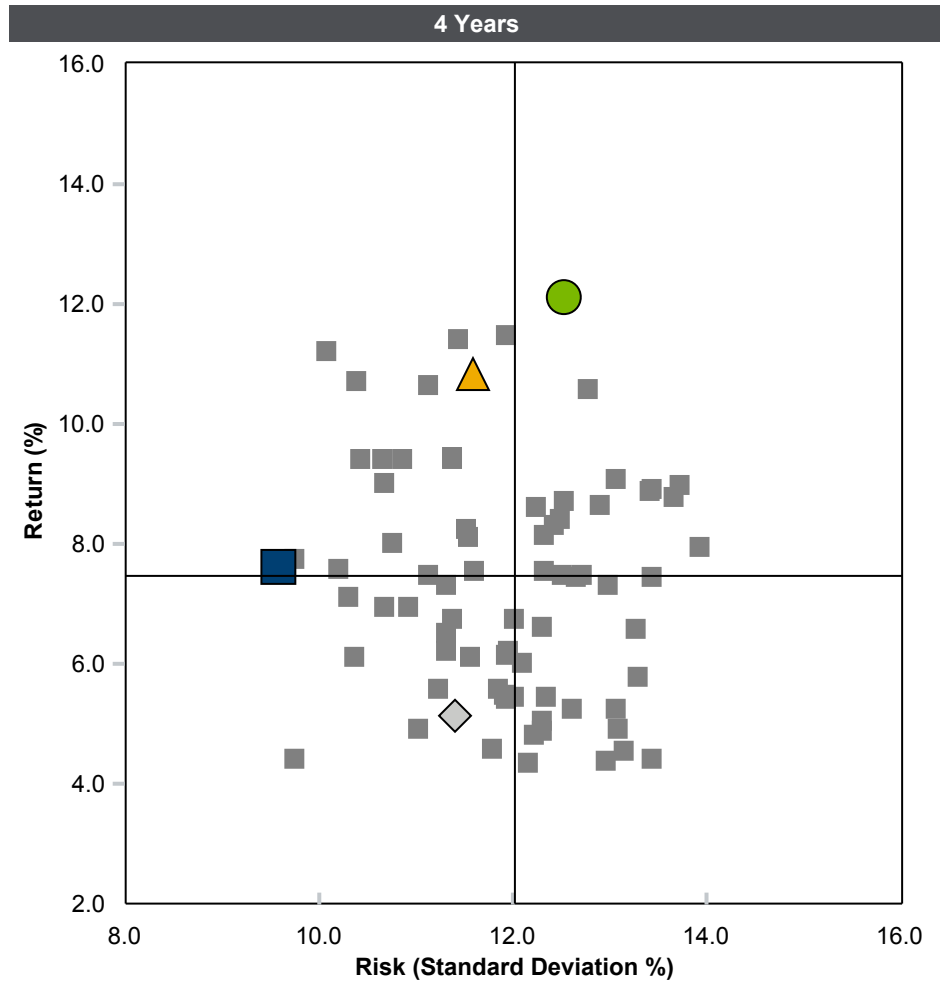
Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

Canadian Equity

Peer Group Scattergram

Periods Ending 31 December 2014

Canadian Equity



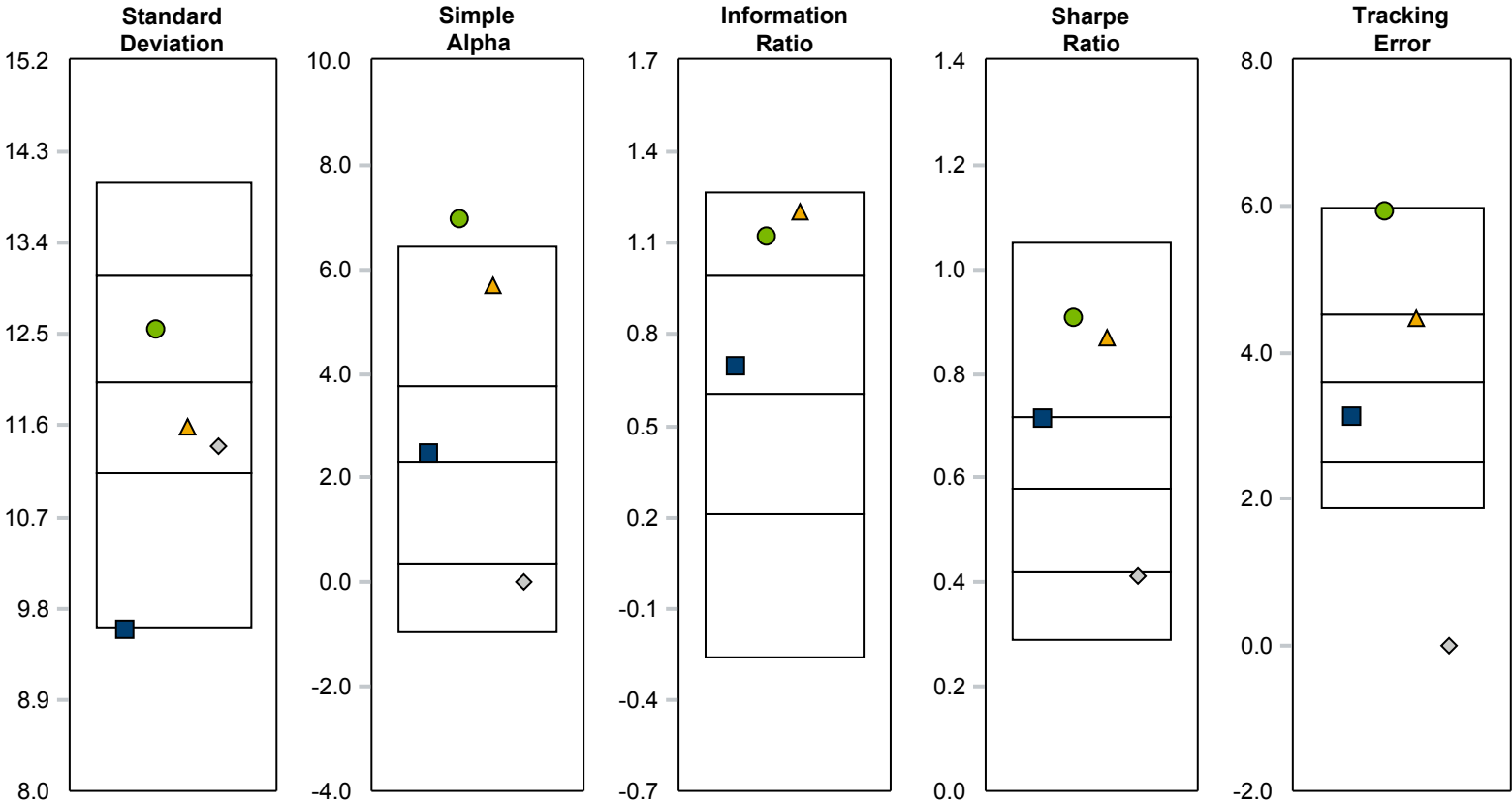
	Return	Standard Deviation
Guardian	7.6	9.6
Letko	12.1	12.5
Total Canadian Equities	10.8	11.6
S&P/TSX Composite	5.1	11.4
— Median	7.5	12.0

	Return	Standard Deviation
Guardian	8.2	14.4
Letko	11.1	15.0
Total Canadian Equities	10.1	15.3
S&P/TSX Composite	7.6	15.9
— Median	8.4	15.9

Source: Aon Hewitt Manager Universe

Peer Group Analysis - Performance Statistics

As of 31 December 2014



	4 Years	4 Years	4 Years	4 Years	4 Years
■ Guardian	9.6 (96)	2.5 (44)	0.7 (46)	0.7 (26)	3.1 (58)
● Letko	12.5 (35)	6.9 (4)	1.1 (18)	0.9 (10)	5.9 (6)
▲ Total Canadian Equities	11.6 (61)	5.7 (11)	1.2 (9)	0.9 (13)	4.5 (26)
◇ S&P/TSX Composite	11.4 (66)	0.0 (82)	N/A	0.4 (79)	0.0 (100)
5th Percentile	14.0	6.4	1.3	1.1	6.0
1st Quartile	13.1	3.8	1.0	0.7	4.5
Median	12.0	2.3	0.6	0.6	3.6
3rd Quartile	11.1	0.3	0.2	0.4	2.5
95th Percentile	9.6	-1.0	-0.3	0.3	1.9

Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

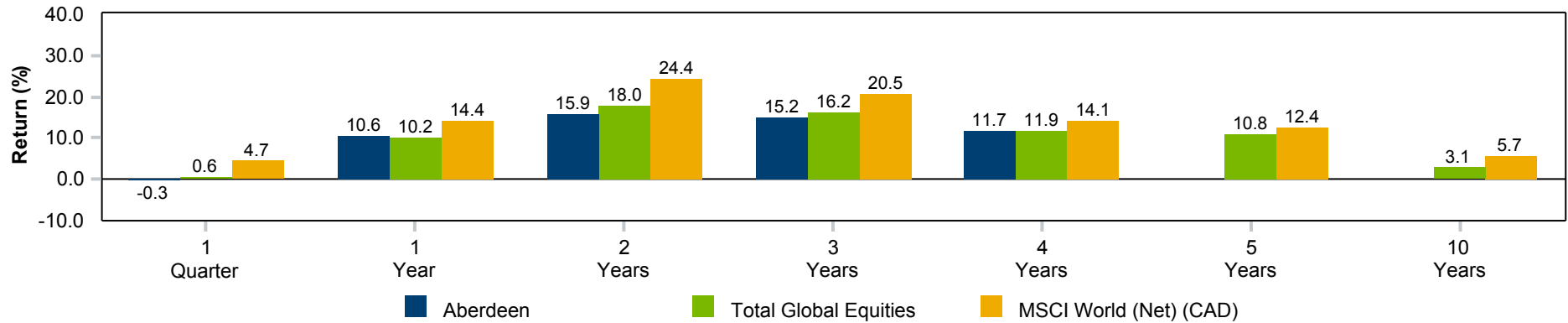


Global Equity

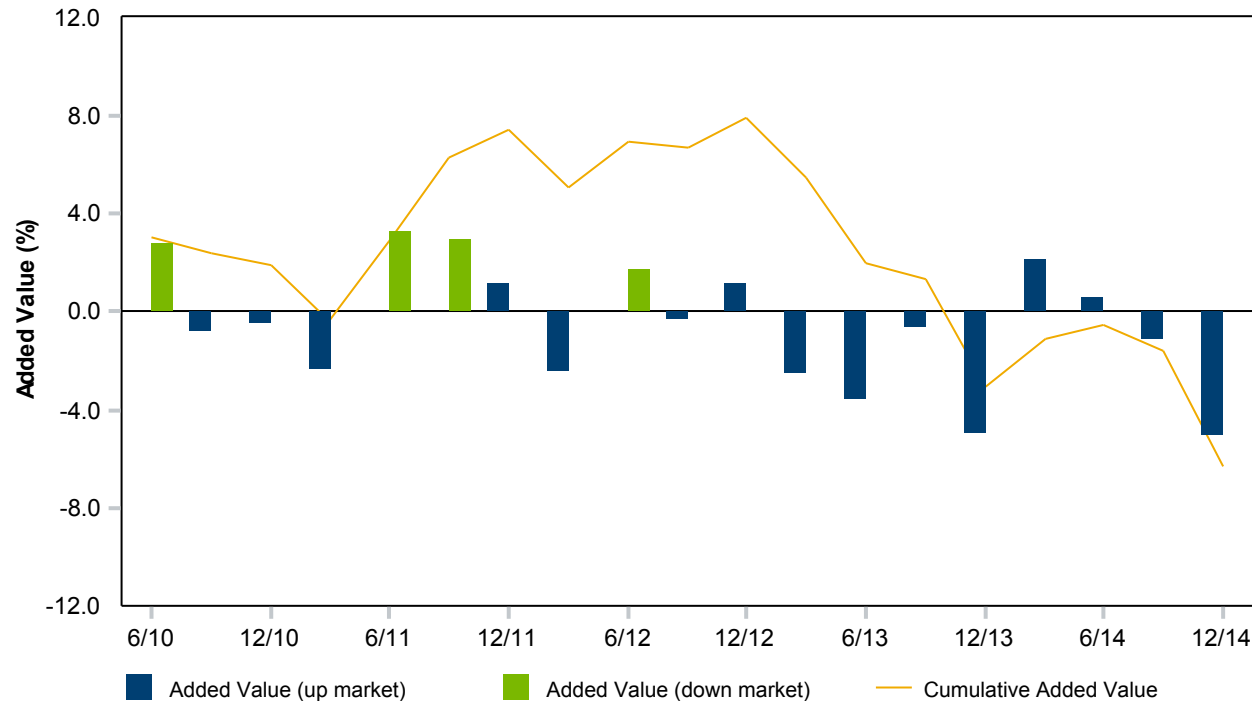
Aberdeen Performance Summary

As of 31 December 2014

Return Summary



Aberdeen Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	15	77.9
Down Markets	4	51.1
Batting Average		
Up Markets	15	26.7
Down Markets	4	100.0
Overall	19	42.1

Quarter

Aberdeen's return of -0.3% underperformed the Index return by a wide margin.

The majority of the Fund's underperformance was driven by an underweight to the U.S. market (and therefore USD) and overweight to Emerging Markets. Stock selection had a large negative impact as Aberdeen underperformed in 8 of the 10 sectors. In particular, stocks picks within the Energy, Financials and Health Care sectors detracted the most value. An overweight in the Energy, the worst performing sector, also had a large negative impact.

Global Equity

Aberdeen Portfolio Characteristics

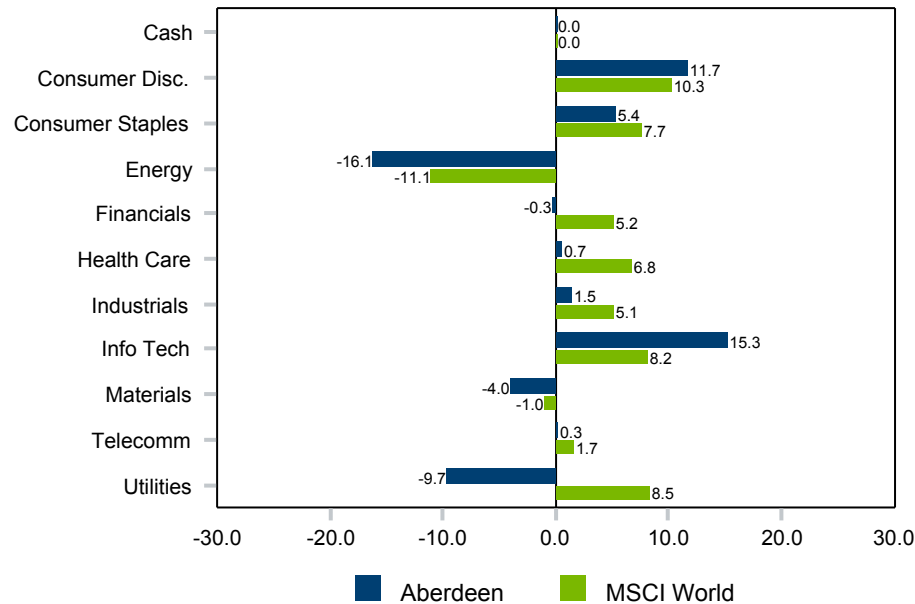
As of 31 December 2014

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	104,233	96,646
Median Mkt. Cap (\$M)	54,949	11,120
Price/Earnings ratio	15.4	17.6
Price/Book ratio	2.7	2.7
5 Yr. EPS Growth Rate (%)	12.5	14.3
Current Yield (%)	3.3	2.5
Debt to Equity	0.6	1.1
Number of Stocks	48	1,636

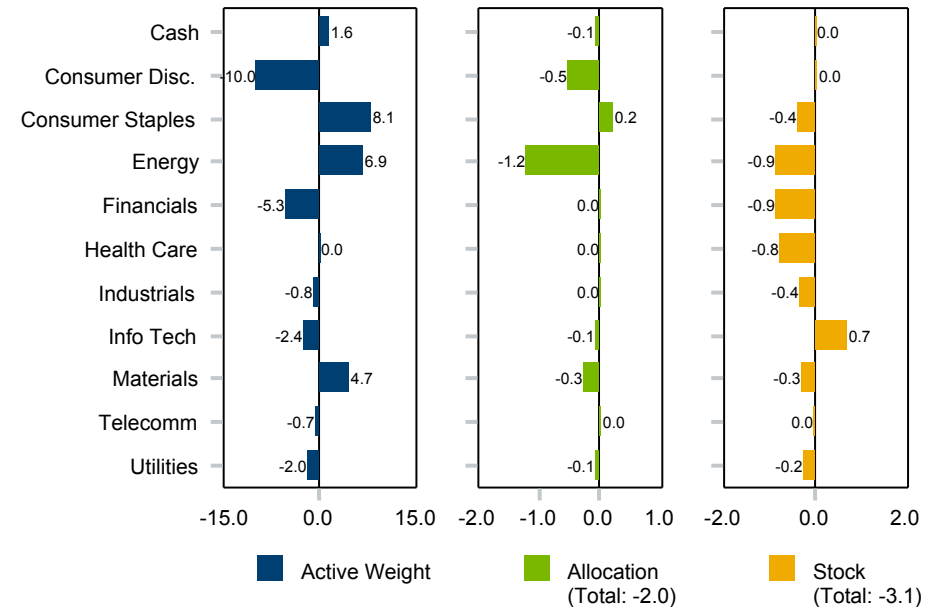
Manager Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CVS Caremark	4.01	0.34	3.67	25.78
Roche	3.79	0.58	3.21	-5.01
Johnson & Johnson	3.40	0.89	2.51	2.29
Taiwan Semiconductor	3.20	0.00	3.20	14.89
Novartis	3.17	0.65	2.52	2.06
Philip Morris	3.12	0.38	2.74	2.39
Oracle	3.01	0.48	2.53	22.07
EOG Resources	2.98	0.15	2.83	-3.49
British American Tobacco	2.98	0.31	2.67	0.16
Banco Bradesco	2.83	0.00	2.83	-0.79

% of Portfolio 32.49 3.78

Sector Returns (%)



Sector Performance Attribution (%)

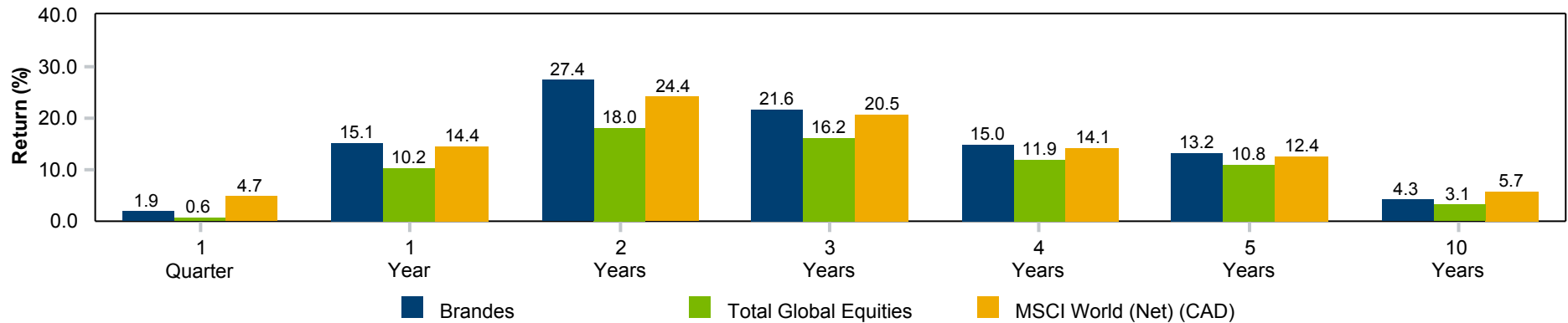


Global Equity

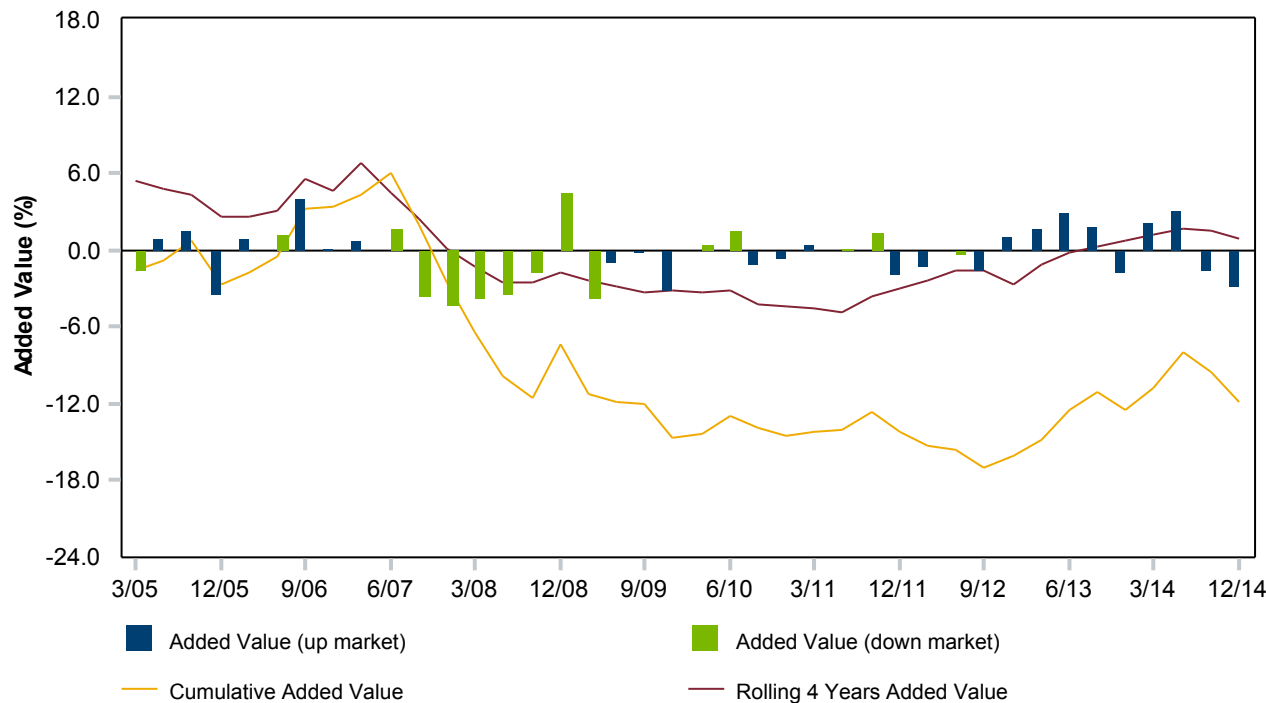
Brandes Performance Summary

As of 31 December 2014

Return Summary



Brandes Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	25	100.5
Down Markets	15	116.0
Batting Average		
Up Markets	25	52.0
Down Markets	15	46.7
Overall	40	50.0

Quarter

Brandes posted a return of 1.9%, trailing the Index return by 280 basis points.

Poor stock selection within the Consumer Discretionary, Energy, Health Care and Telecom sectors was responsible for the underperformance. The portfolio's cash exposure also had a negative impact. On a regional basis, an underweight to the top performing U.S. and exposure to Emerging Markets also hurt performance.

Global Equity

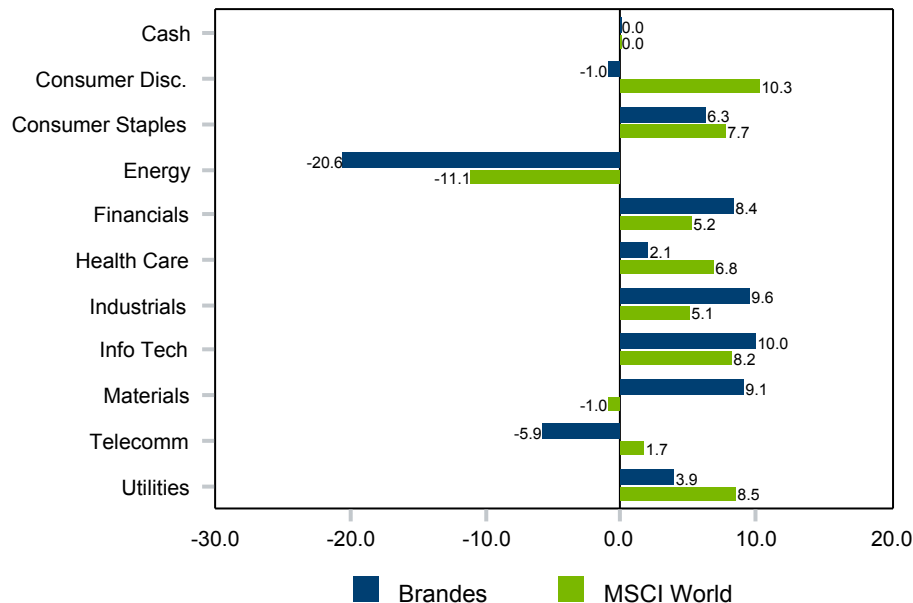
Brandes Portfolio Characteristics

As of 31 December 2014

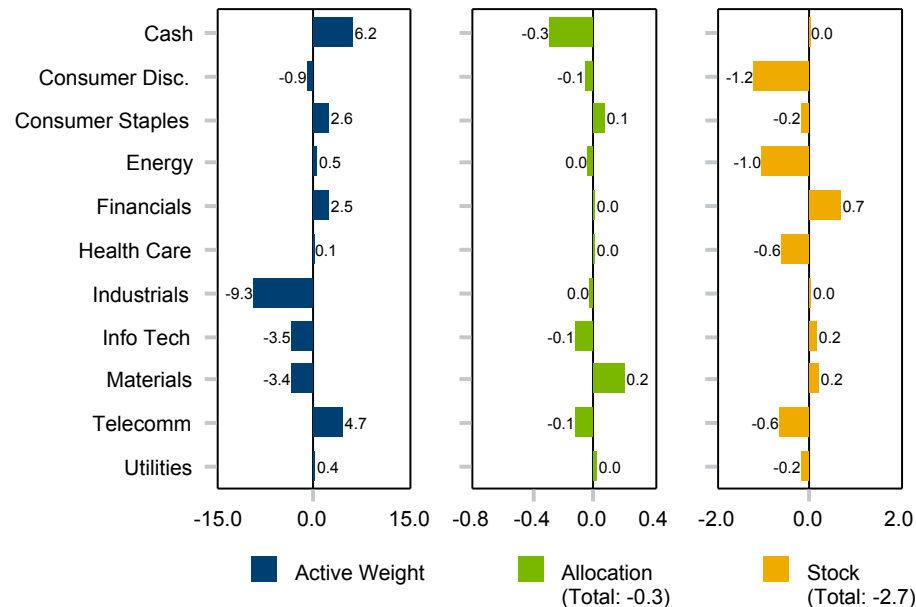
Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	70,976	96,646
Median Mkt. Cap (\$M)	41,087	11,120
Price/Earnings ratio	14.4	17.6
Price/Book ratio	2.0	2.7
5 Yr. EPS Growth Rate (%)	7.1	14.3
Current Yield (%)	3.5	2.5
Debt to Equity	1.1	1.1
Number of Stocks	61	1,636

Manager Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
GDF Suez	2.53	0.10	2.43	-0.21
BP	2.51	0.36	2.15	-8.38
GlaxoSmithKline	2.50	0.31	2.19	-1.66
Citigroup	2.43	0.50	1.93	8.19
Imperial Tobacco Group	2.35	0.13	2.22	6.08
CRH	2.20	0.05	2.15	9.12
Express Script	2.10	0.19	1.91	24.19
Microsoft	2.10	1.10	1.00	4.46
Deutsche B. AG, Frankfurth A.M.	2.09	0.04	2.05	10.21
Nissan Motor Co Ltd	2.08	0.07	2.01	-6.28
% of Portfolio	22.89	2.85		

Sector Returns (%)



Sector Performance Attribution (%)

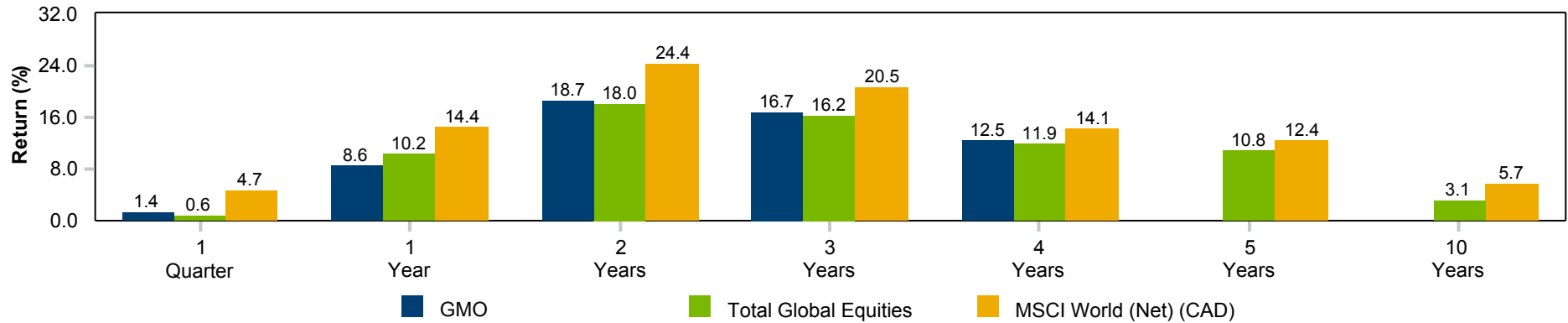


Global Equity

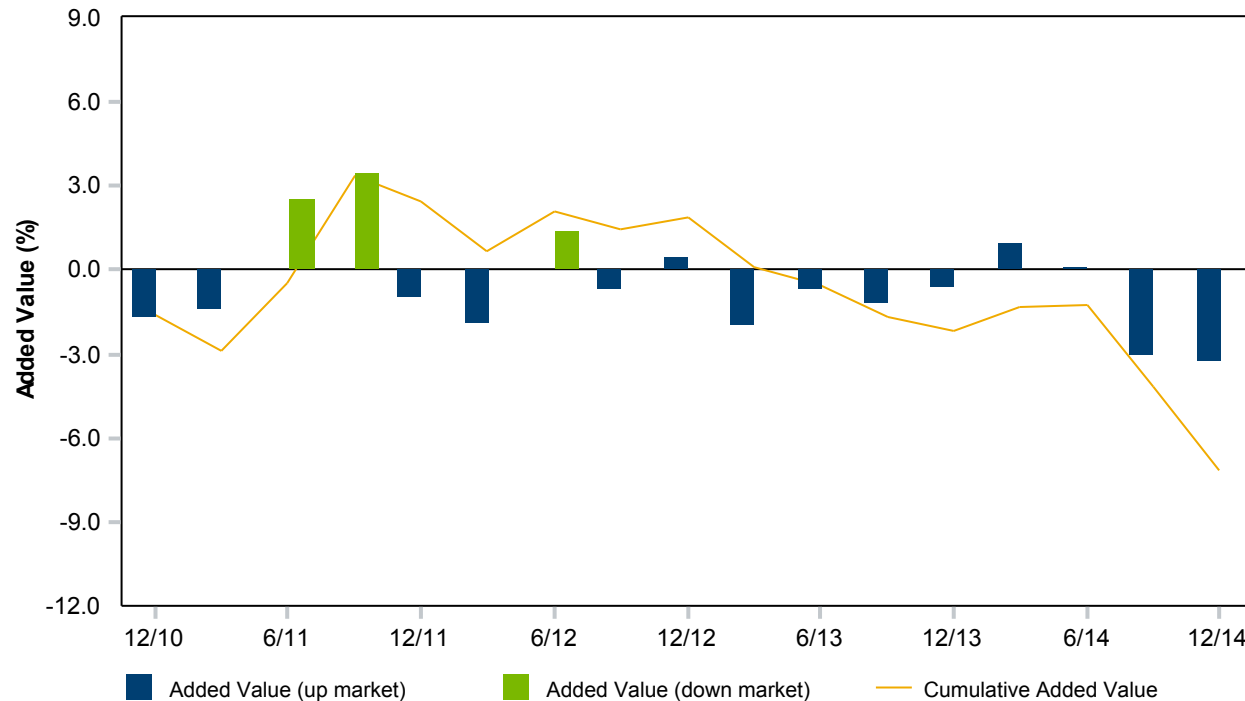
GMO Performance Summary

As of 31 December 2014

Return Summary



GMO Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	14	78.9
Down Markets	3	45.4
Batting Average		
Up Markets	14	21.4
Down Markets	3	100.0
Overall	17	35.3

Quarter

GMO returned 1.4%, which underperformed the Index return.

This is a fund-of-funds strategy. We show sector performance attribution for illustrative purposes on the following page, however, this does not reflect GMO's investment process.

Below-Index results within the U.S., International and Emerging Markets portfolios had a negative impact. GMO's position in Emerging Markets, Europe and Japan also detracted value. GMO's allocation to U.S. high quality stocks added value.

Global Equity

GMO Portfolio Characteristics

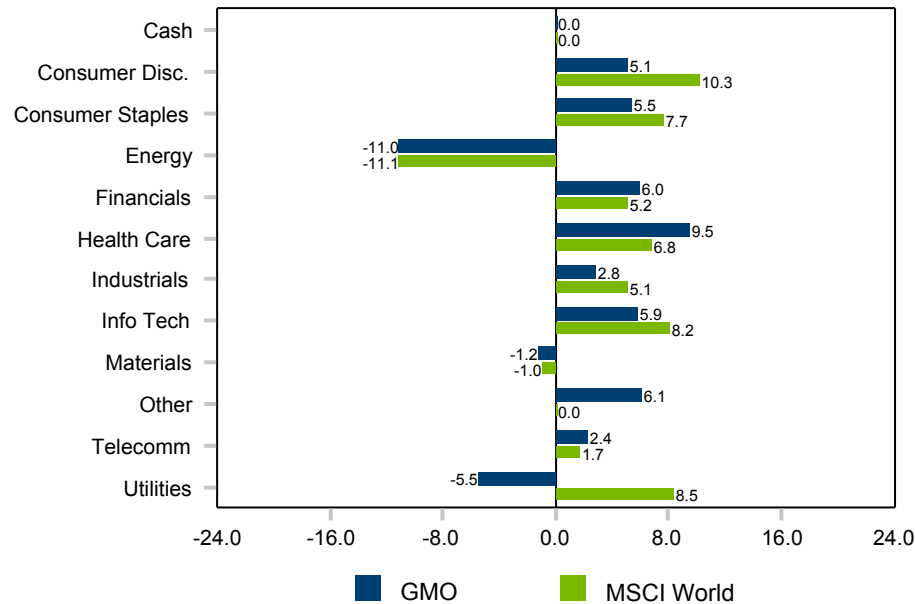
As of 31 December 2014

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	94,154	96,646
Median Mkt. Cap (\$M)	7,070	11,120
Price/Earnings ratio	14.6	17.6
Price/Book ratio	2.3	2.7
5 Yr. EPS Growth Rate (%)	11.4	14.3
Current Yield (%)	3.3	2.5
Debt to Equity	0.7	1.1
Number of Stocks	896	1,636

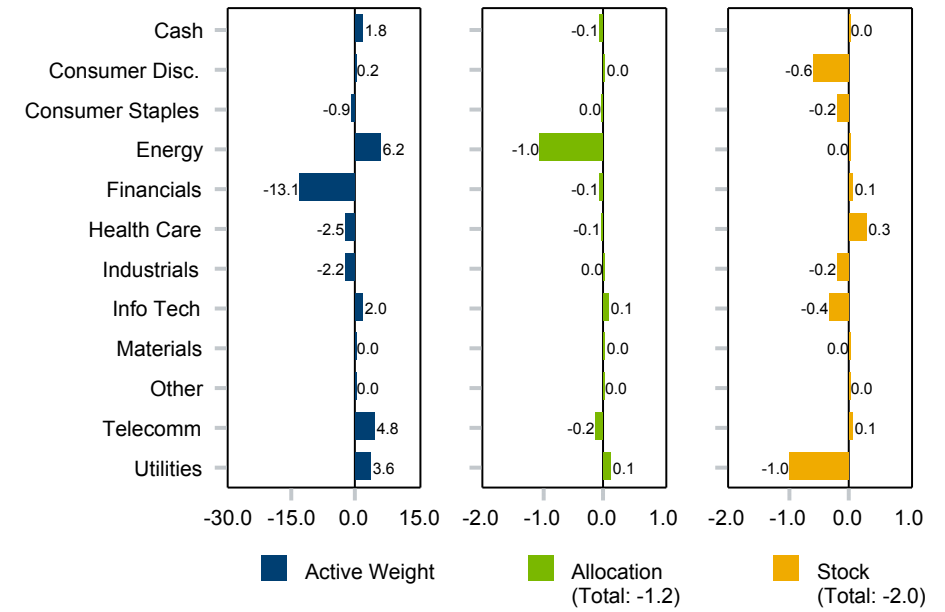
Manager Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Express Script	2.09	0.19	1.90	24.19
Total	1.90	0.33	1.57	-16.70
Philip Morris	1.71	0.38	1.33	2.39
Amazon.com	1.70	0.37	1.33	-0.29
Microsoft	1.67	1.10	0.57	4.46
Oracle	1.67	0.48	1.19	22.07
Apple	1.53	2.00	-0.47	13.99
Google	1.38	0.45	0.93	-6.57
Exxon Mobil	1.36	1.19	0.17	2.56
Johnson & Johnson	1.35	0.89	0.46	2.29

% of Portfolio 16.36 7.38

Sector Returns (%)



Sector Performance Attribution (%)

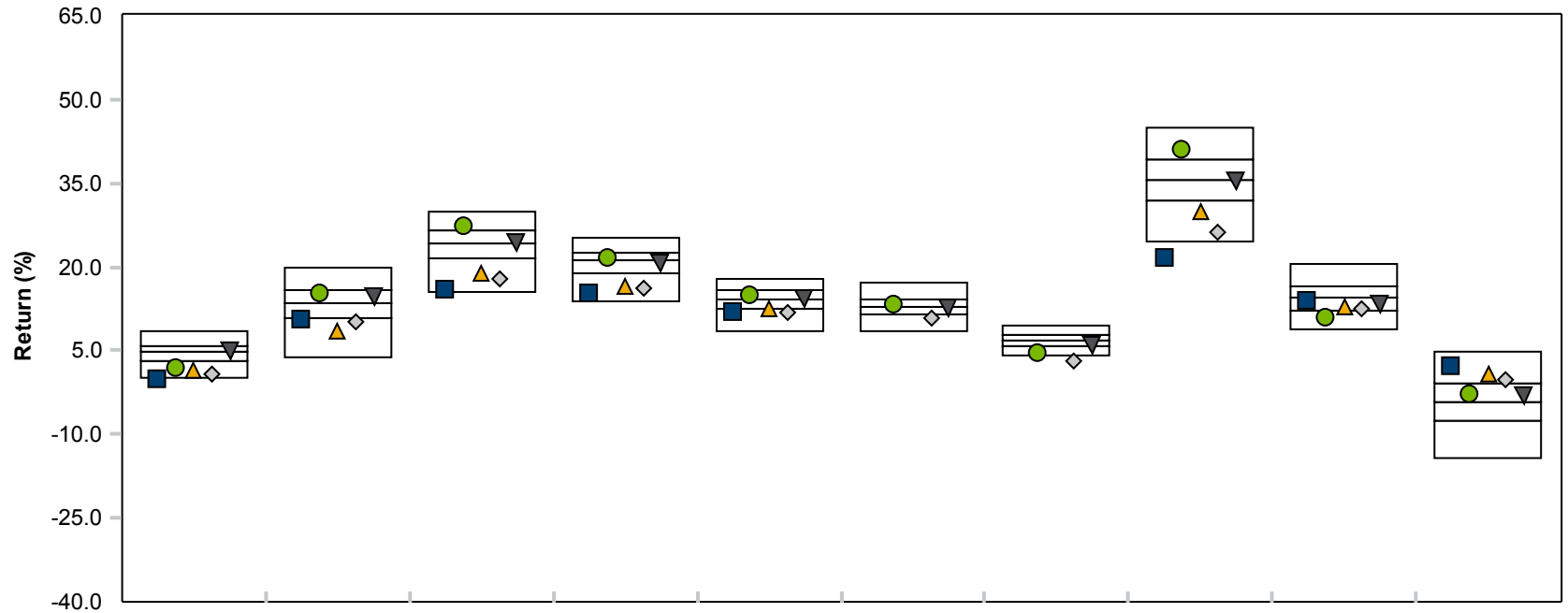


Global Equity

Peer Group Analysis

As of 31 December 2014

Global Equity



	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	1 Year Ending Dec-2013	1 Year Ending Dec-2012	1 Year Ending Dec-2011
■ Aberdeen	-0.3 (97)	10.6 (79)	15.9 (95)	15.2 (94)	11.7 (83)	N/A	N/A	21.4 (98)	13.7 (61)	2.0 (10)
● Brandes	1.9 (86)	15.1 (32)	27.4 (19)	21.6 (40)	15.0 (40)	13.2 (42)	4.3 (93)	41.0 (19)	10.9 (86)	-2.9 (38)
▲ GMO	1.4 (90)	8.6 (89)	18.7 (89)	16.7 (90)	12.5 (76)	N/A	N/A	29.7 (82)	12.7 (70)	0.7 (15)
◆ Total Global Equities	0.6 (93)	10.2 (80)	18.0 (91)	16.2 (92)	11.9 (82)	10.8 (83)	3.1 (100)	26.3 (94)	12.6 (70)	-0.1 (20)
▼ MSCI World (Net) (CAD)	4.7 (54)	14.4 (41)	24.4 (49)	20.5 (61)	14.1 (52)	12.4 (54)	5.7 (75)	35.2 (53)	13.3 (65)	-3.2 (43)
5th Percentile	8.6	19.7	29.8	25.3	17.8	17.0	9.4	45.0	20.7	4.8
1st Quartile	5.9	15.9	26.4	22.6	15.9	14.3	7.8	39.4	16.7	-1.0
Median	4.8	13.5	24.2	21.0	14.2	12.8	6.8	35.6	14.6	-4.1
3rd Quartile	3.2	11.0	21.5	18.9	12.6	11.4	5.7	32.1	12.2	-7.5
95th Percentile	0.2	3.9	15.3	13.8	8.4	8.4	4.1	24.5	9.0	-14.4
Population	156	153	151	150	148	143	94	175	185	203

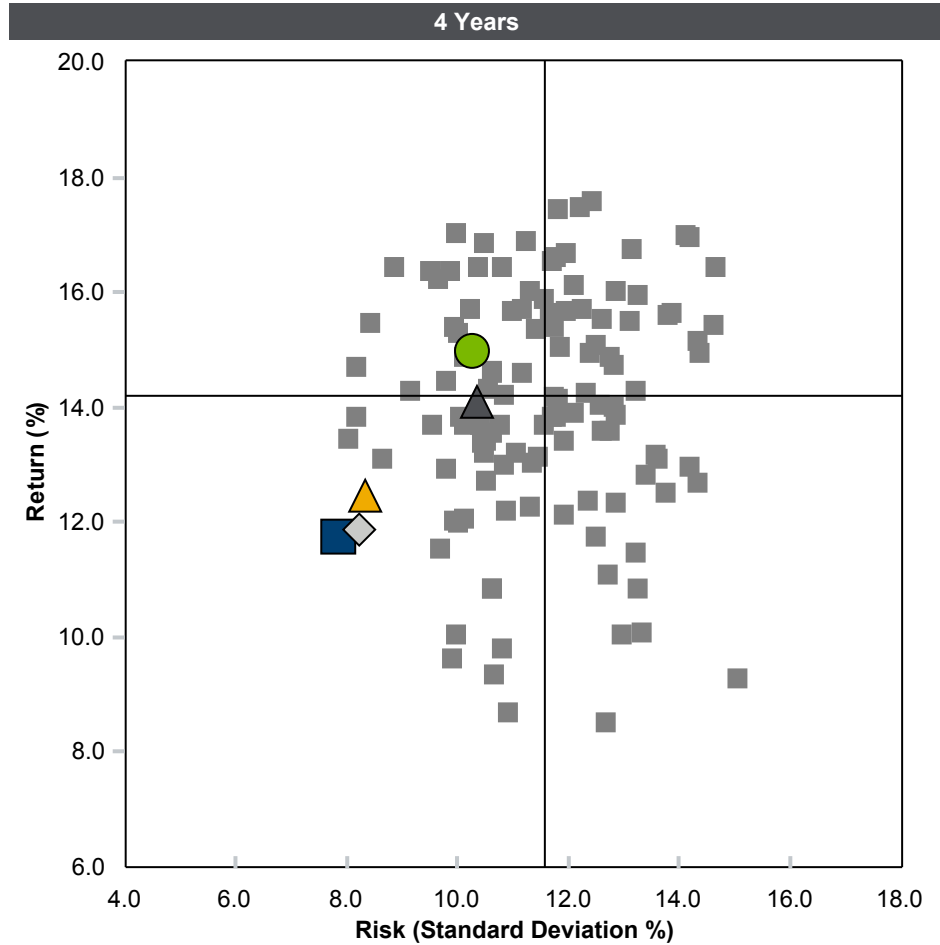
Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

Global Equity

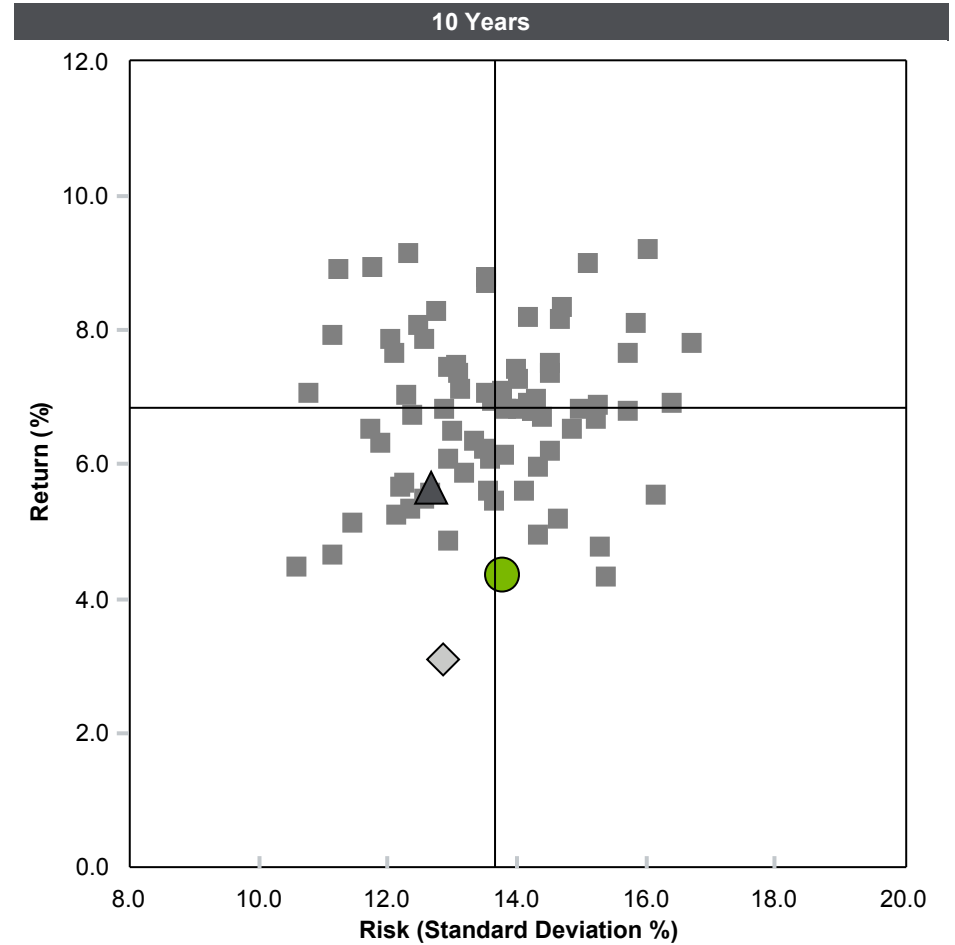
Peer Group Scattergram

Periods Ending 31 December 2014

Global Equity



	Return	Standard Deviation
■ Aberdeen	11.7	7.9
● Brandes	15.0	10.3
▲ GMO	12.5	8.3
◇ Total Global Equities	11.9	8.2
▲ MSCI World (Net) (CAD)	14.1	10.4
— Median	14.2	11.6



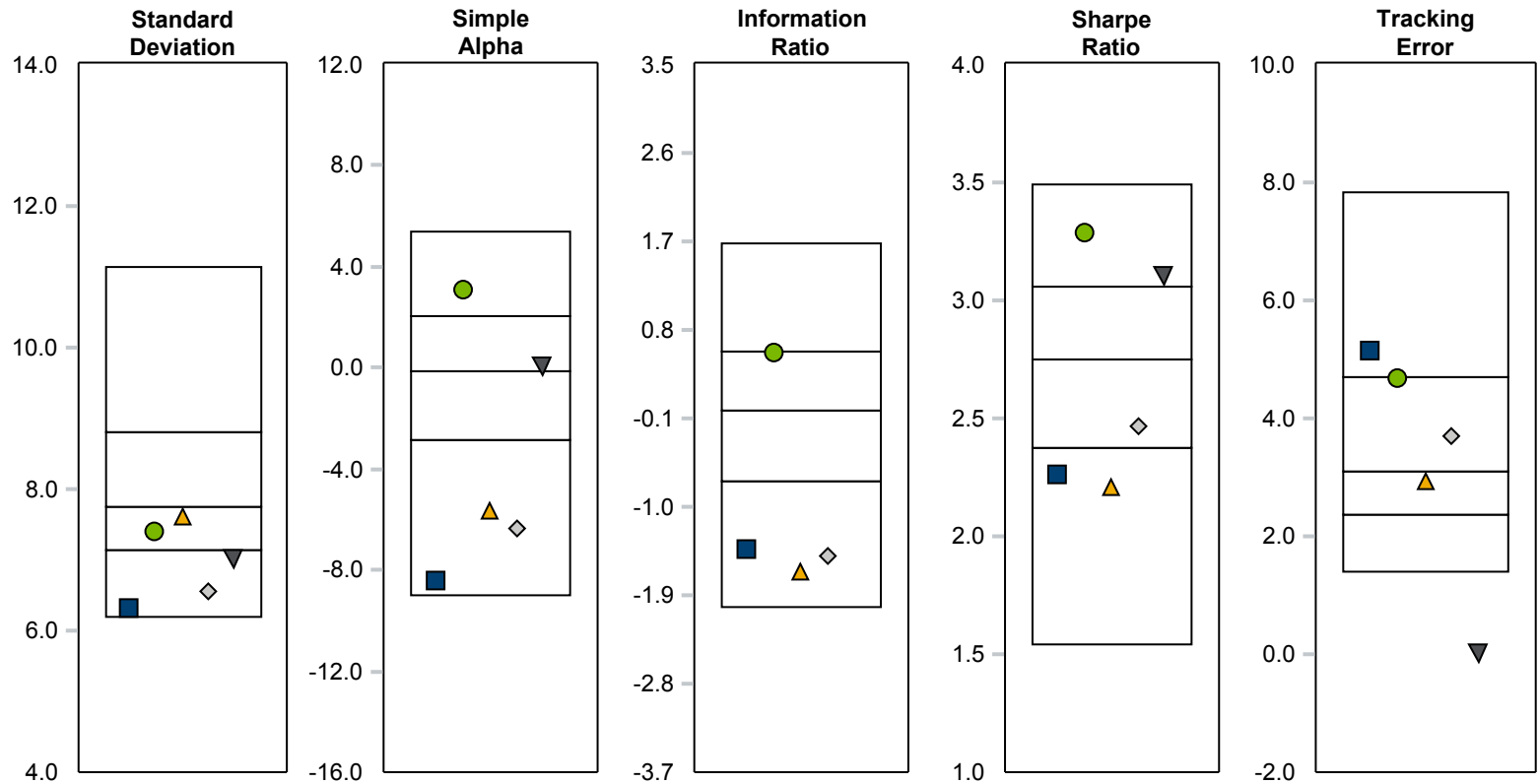
	Return	Standard Deviation
■ Aberdeen	N/A	N/A
● Brandes	4.3	13.8
▲ GMO	N/A	N/A
◇ Total Global Equities	3.1	12.8
▲ MSCI World (Net) (CAD)	5.7	12.7
— Median	6.8	13.6

Source: Aon Hewitt Manager Universe

Global Equity

Peer Group Analysis - Performance Statistics

As of 31 December 2014



	2 Years	2 Years	2 Years	2 Years	2 Years
■ Aberdeen	6.3 (95)	-8.5 (95)	-1.4 (94)	2.3 (84)	5.1 (20)
● Brandes	7.4 (65)	3.0 (19)	0.6 (27)	3.3 (13)	4.7 (26)
▲ GMO	7.6 (58)	-5.7 (89)	-1.7 (95)	2.2 (85)	2.9 (55)
◆ Total Global Equities	6.5 (92)	-6.4 (91)	-1.5 (94)	2.5 (69)	3.7 (37)
▼ MSCI World (Net) (CAD)	7.0 (80)	0.0 (49)	N/A	3.1 (24)	0.0 (100)
5th Percentile	11.1	5.4	1.7	3.5	7.8
1st Quartile	8.8	2.1	0.6	3.1	4.7
Median	7.8	-0.1	0.0	2.8	3.1
3rd Quartile	7.1	-2.9	-0.7	2.4	2.4
95th Percentile	6.2	-9.0	-2.0	1.5	1.4

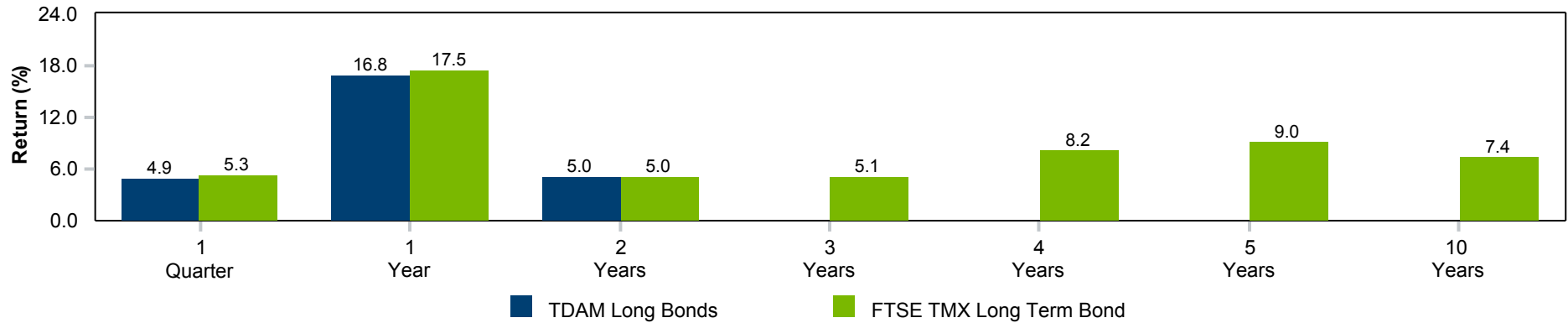
Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

Bonds

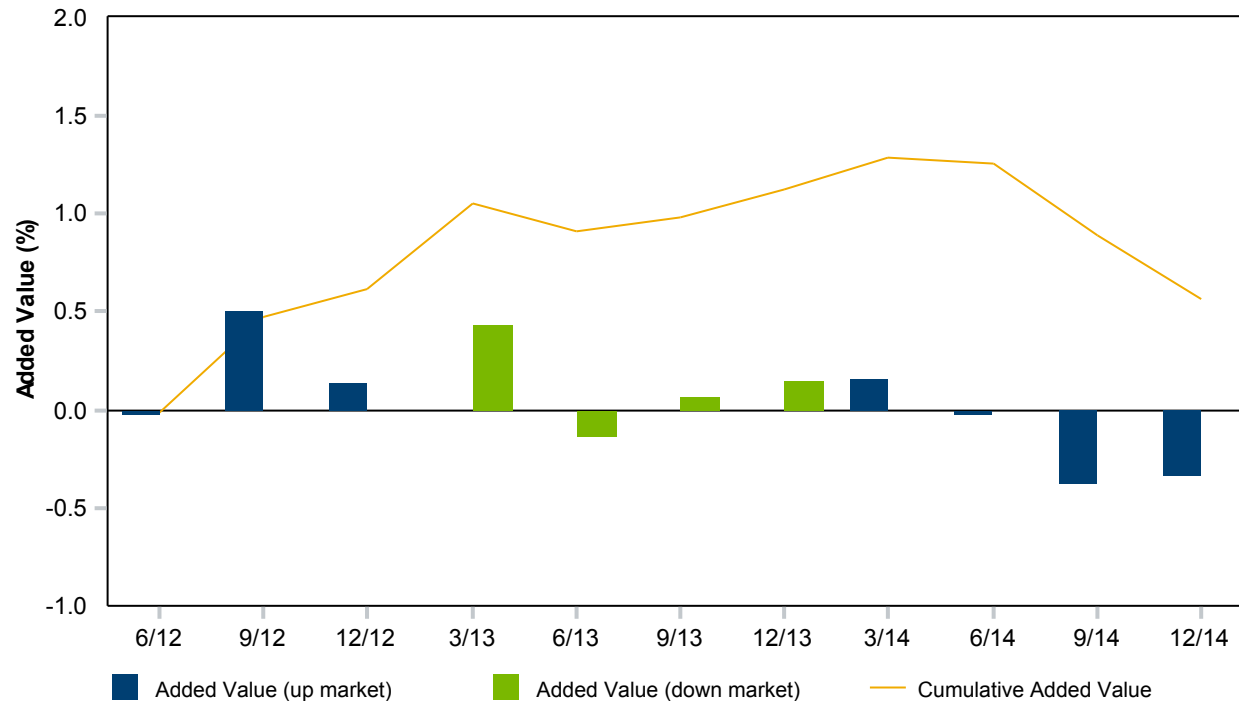
TDAM Long Bonds Performance Summary

As of 31 December 2014

Return Summary



TDAM Long Bonds Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	7	100.2
Down Markets	4	91.8
Batting Average		
Up Markets	7	42.9
Down Markets	4	75.0
Overall	11	54.5

Quarter

TDAM's return of 4.9% was 40 basis points lower than the Index return.

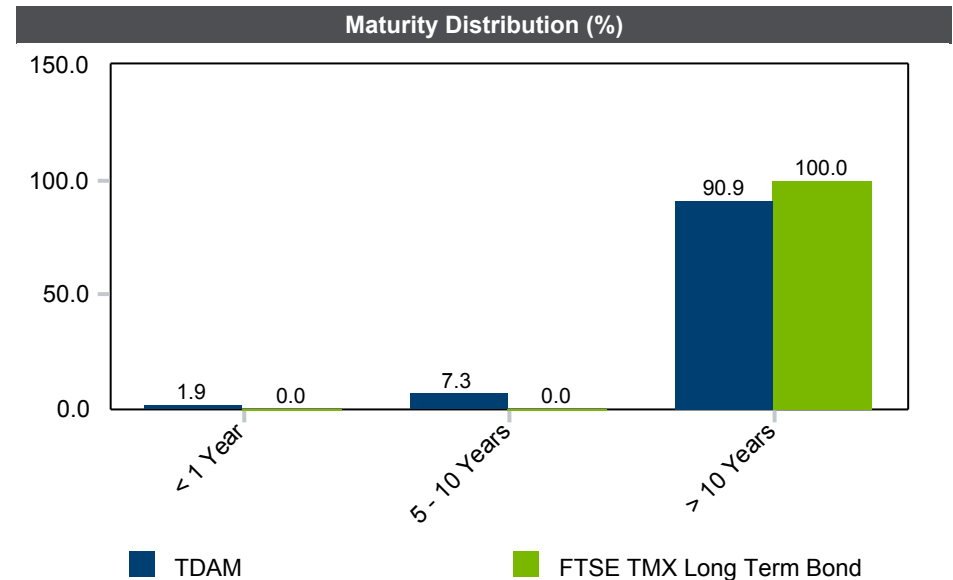
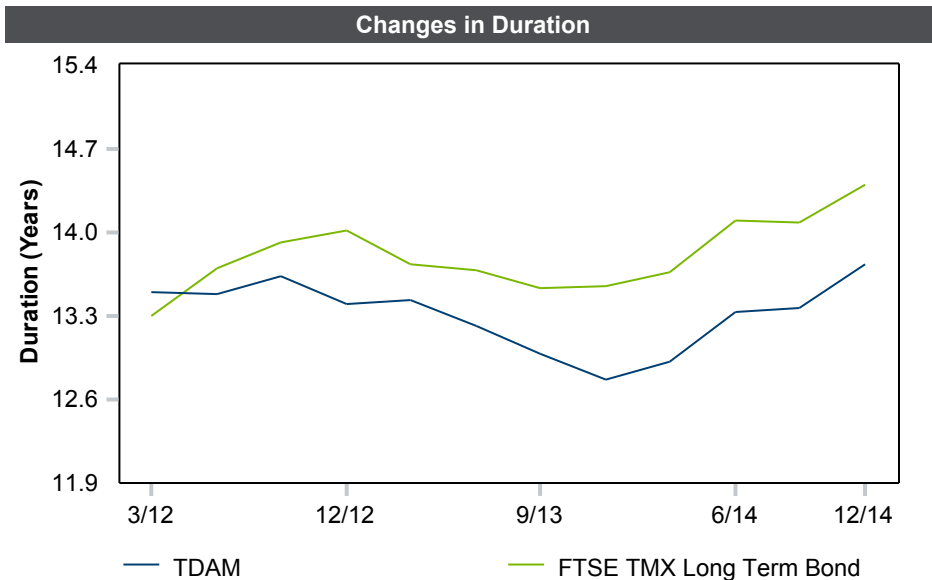
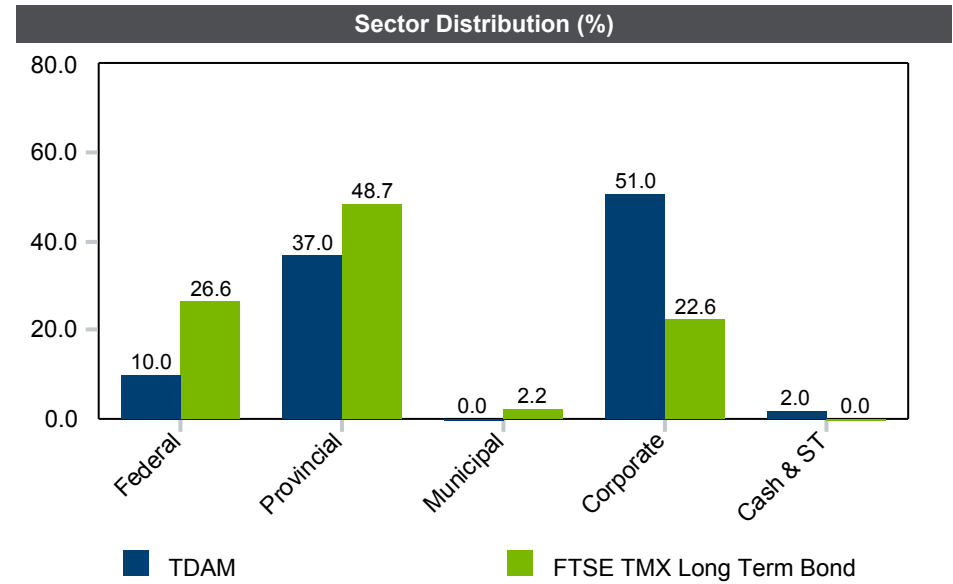
A below-Index duration hurt performance as longer term yields declined over the quarter. While an overweight in corporates added value, this was offset by relative weak corporate bond selection.

Bonds

TDAM Long Bond Fund Characteristics

As of 31 December 2014

Portfolio Characteristics		
	Portfolio	Benchmark
Modified Duration	13.7	14.4
Avg. Maturity	20.1	23.1
Avg. Quality	A+	AA-
Yield To Maturity (%)	3.3	3.2

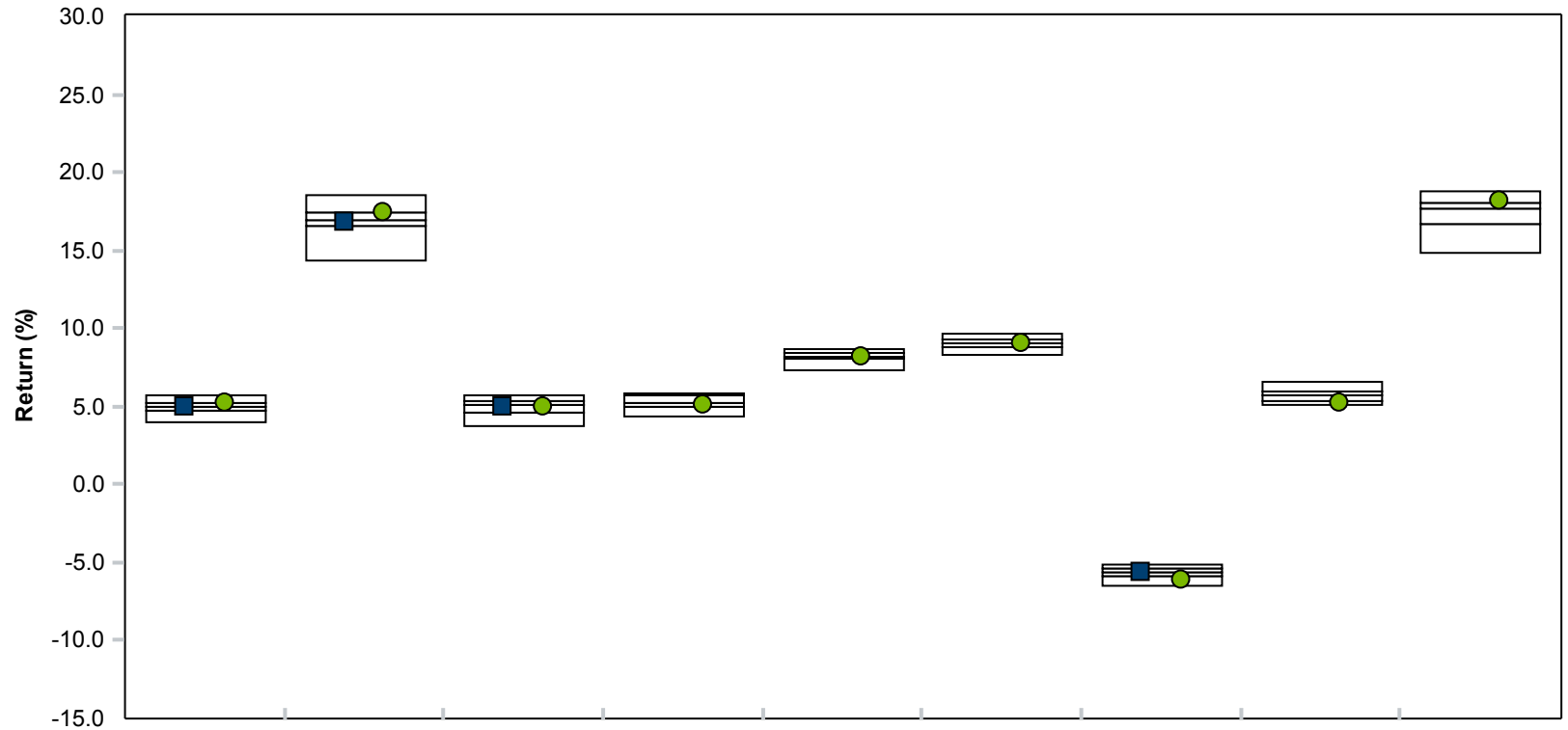


Bonds

Peer Group Analysis

As of 31 December 2014

Canadian Long Bond



	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	1 Year Ending Dec-2013	1 Year Ending Dec-2012	1 Year Ending Dec-2011
■ TDAM Long Bonds	4.9 (61)	16.8 (66)	5.0 (59)	N/A	N/A	N/A	-5.7 (54)	N/A	N/A
● FTSE TMX Long Term Bond	5.3 (24)	17.5 (26)	5.0 (57)	5.1 (68)	8.2 (53)	9.0 (53)	-6.2 (86)	5.2 (86)	18.1 (23)
5th Percentile	5.7	18.6	5.7	5.9	8.6	9.6	-5.1	6.6	18.7
1st Quartile	5.2	17.5	5.3	5.7	8.4	9.3	-5.4	5.9	18.1
Median	5.0	17.0	5.0	5.2	8.2	9.1	-5.7	5.7	17.6
3rd Quartile	4.7	16.6	4.6	5.0	8.1	8.8	-5.9	5.3	16.7
95th Percentile	4.0	14.3	3.8	4.3	7.4	8.3	-6.4	5.1	14.8
Population	23	23	22	22	21	20	22	24	23

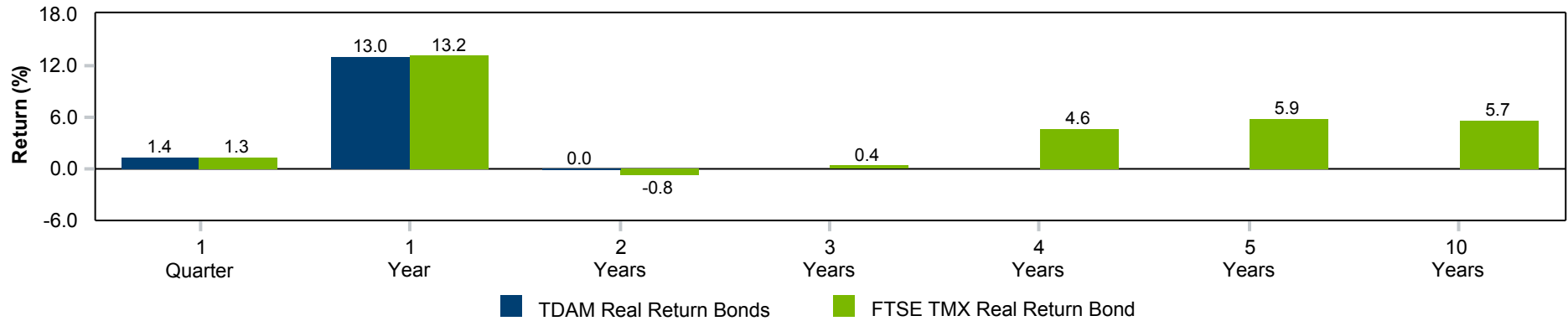
Parentheses contain percentile rankings.
Source: Aon Hewitt Manager Universe

Bonds

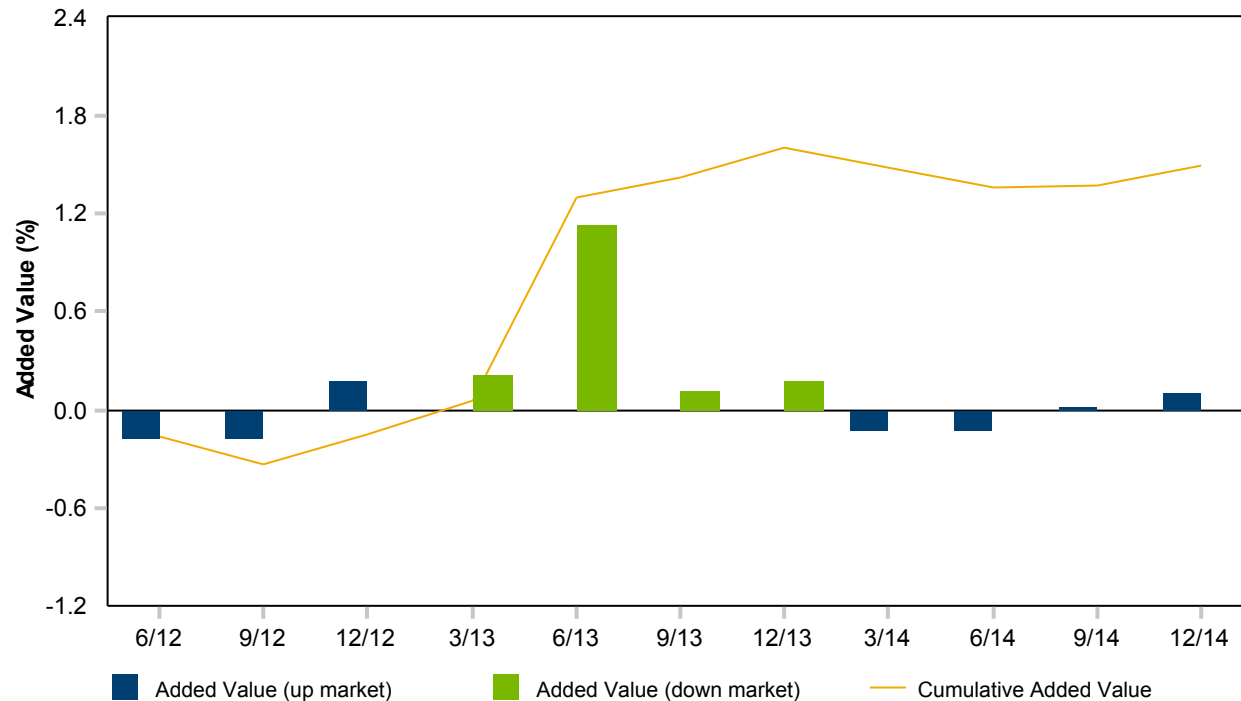
TDAM Real Return Bonds Performance Summary

As of 31 December 2014

Return Summary



TDAM Real Return Bonds Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	7	98.3
Down Markets	4	87.9
Batting Average		
Up Markets	7	42.9
Down Markets	4	100.0
Overall	11	63.6

Quarter

TDAM's real return bond return of 1.4% was 10 basis points above the Index return.

TDAM's real return bond component is a buy and hold strategy.

Appendix A - Plan Information

Plan Information

Summary of Investment Objectives

The investment policy contains specific performance objectives for the fund and the investment managers.

- All investment rates of return are measured over moving five-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.
- Returns will be calculated on a time-weighted basis and compared to the objectives described below.
- The *objective* of the total fund is to outperform a benchmark portfolio that is comprised of the following weightings:

	From 1 July 2014	From 1 April 2012 to 30 June 2014	From 1 July 2011 to 31 March 2012	From 1 January 2008 to 30 June 2011	From 1 July 2006 to 31 December 2007	Up to 30 June 2006
S&P/TSX Composite	28.0%	30.0%	30.0%	30.0%	30.0%	25.0%
MSCI World (C\$)	28.0%	30.0%	30.0%	0.0%	0.0%	0.0%
MSCI World ex. Cda (C\$)	0.0%	0.0%	0.0%	15.0%	15.0%	17.5%
S&P 500 - hedged to C\$	0.0%	0.0%	0.0%	5.0%	7.5%	8.75%
MSCI EAFE - hedged to C\$	0.0%	0.0%	0.0%	5.0%	7.5%	8.75%
FTSE TMX Universe Bond	0.0%	0.0%	40.0%	45.0%	40.0%	40.0%
FTSE TMX Long Bond	22.0%	25.0%	0.0%	0.0%	0.0%	0.0%
FTSE TMX Real Return Bond	<u>22.0%</u>	<u>15.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- A secondary performance objective is to achieve a minimum real rate of return of 3% (that is, the Canadian Consumer Price Index plus 3%).

Appendix B - Manager Updates

Manager Updates

Manager Updates

As of 31 December 2014

Aberdeen Asset Management

Q4 2014

Business

There were no significant events.

Staff

During the fourth quarter of 2014, Darmawan Halim joined the firm as a Investment Manager with the Emerging Markets Equity Team. Two investment analysts were also hired for the team, Erwin Hariyanto and Laura Stevenson.

Brandes Investment Partners

Q4 2014

Business

Ed Blogett, a limited partner with the firm, retired on December 31st. His responsibilities have been transitioned to Matthew Johnson, the firm's National Sales Manager.

Staff

There were no significant events.

GMO

Q4 2014

Business

With the departure of Marc Seidner (Head of GMO Fixed Income Team), Ben Inker and Sam Wilderman, co-heads of GMO's Asset Allocation team assumed responsibility for the Developed Markets Fixed Income Team.

Staff

There were a number of personnel changes made during the quarter:

Additions

James Donaldson (Research Analyst) joined the Developed Fixed Income Team.

Jamie McKenna, Garret Sullivan and Paul Tagliaferri joined the GMO Trading Team.

Prolin Nandu (Research Analyst) joined the Emerging Markets Team.

Jiahn Li (Portfolio Construction/Optimization Specialist) joined the Global Equity Team.

Philip Pilkington (Research Analyst) joined the Asset Allocation Team.

Bayao Zheng (Quantitative Trading Strategist) joined the GMO Trading Team.

Manager Updates

Manager Updates

As of 31 December 2014

Departures

Subash Pereira (Research Analyst - Internal Active Team) left the firm.
Robin Thomas (Research Analyst/Consultant - Emerging Markets Team) left the firm.
Marc Seidner (Head of GMO Fixed Income Team) left the firm.

Guardian Capital

Q4 2014

Business

During the fourth quarter, the name of the London, UK operations was changed to "GuardCap Asset Management Limited" from the initial name of Guardian Capital Limited due to conflicting brand issues with a local insurance company in the UK that has been in existence since 1821.

The GuardCap Global Equity Fund (UCITS fund) was launched in December 2014.

Staff

During the fourth quarter of 2014, Caren Fields, Associate Portfolio Manager, Canadian Equities, left the firm to pursue other opportunities.

In December 2014, Brent Chapman, Managing Director of Guardian Capital Real Estate Inc. and manager of the Guardian Capital Real Estate Fund LP, left the firm to pursue other opportunities.

Letko Brosseau

Q4 2014

Business

There were no significant events.

Staff

There were no significant events.

Manager Updates

As of 31 December 2014

TD Asset Management ("TDAM")

Q4 2014

Business

There were no significant events.

Staff

Satish Rai, Chief Investment Officer, TDAM and Senior Vice President, TD Bank Group, retired in January 2015. Bruce Cooper, formerly Vice Chair, TDAM assumed the role of Chief Investment Officer of TDAM effective January 2015.

Appendix C - Capital Market Environment

Capital Markets Environment

As of 31 December 2014

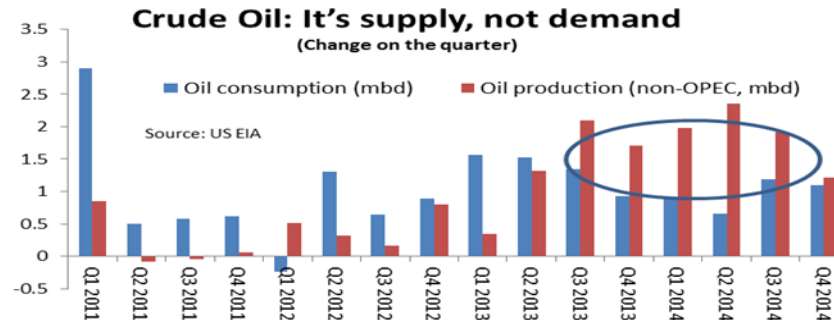
Outlook for Oil Prices

Summary

- The halving of oil prices since June is more supply than demand driven.
- At these levels, oil prices are too low to be sustainable.
- Prices will rebound, but only after production is cut. The timing of a production cut is highly uncertain. Even so, oil futures markets are being too pessimistic.
- Weaker oil prices will boost the global economy modestly in 2015.
- Lower oil prices completed the 'perfect storm' in the bond market. Lower oil is sentimentally good for bonds, but provides no lasting fundamental support.
- We do not expect low oil prices will impact global equity markets negatively.

Supply not Demand is the Issue

Crude oil prices have fallen substantially in the past few weeks, falling by half since their June highs.



The increase in the supply outside of the OPEC, in particular the increase in US shale oil production, is the key driver contributing to the fall in oil prices. The supply-demand imbalance became noticeable through the middle of the year (see chart above).

Capital Markets Environment

As of 31 December 2014

OPEC The OPEC announcement on November 25, refusing to reduce production, caused further price declines, highlighting the absence of a market stabilizer.

The unwillingness to cut output appears to be a concerted attempt to hurt higher cost capacity outside OPEC. New production coming from Canadian oil sands or expensive off shore fields like the Kashagan (Caspian sea) have costs 4-5 times Saudi Arabia's estimated \$15-\$20/barrel. Even US shale oil average costs are somewhere in the mid to upper \$50s/barrel.

Are the Price Decreases Sustainable? Whatever the true 'marginal cost' of oil production globally, the lowest levels generally quoted by experts are around \$80/barrel. Current prices are therefore substantially below the level needed to balance supply and demand. Inevitably supply will fall in response to current low prices (with demand possibly also moving a little higher even though weakness in demand has not been the problem), eventually taking prices higher once again.

However, the classic conundrum with commodities, and the feature that causes high intrinsic volatility, is that price changes are followed by long lags before supply responses come through – a multi-year process, but with little visibility on duration.

As a result, prices could fall further and the timing of a recovery in oil prices is very uncertain.

Lower Oil Prices Will Have a Positive Impact on the Economy What will be the effect of these lower prices on economic activity? The general consensus is that the boost to consumer purchasing power will help economic activity. Consumers will spend more of their gains - and more quickly than producers will cut back spending. At a country level, oil importing countries gain (think Europe, much of Asia and even the U.S. which remains a net importer). Oil producers (Canada, Russia, Mexico, the OPEC block, and to an extent the UK) lose.

All told, we do expect a modest boost to global economic activity in 2015 on the reasonable view that the oil price holds somewhere near current levels for at least the first half of 2015.

Capital Markets Environment

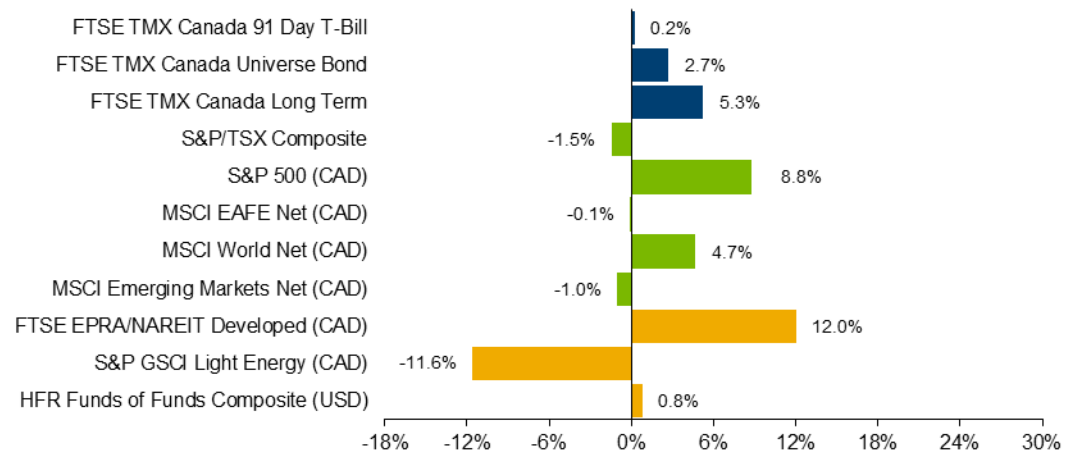
Capital Markets Environment

As of 31 December 2014

Review of Financial Markets

- Commodity prices declined further in the last quarter, in particular oil prices, causing a loss of 11.6% for the S&P GSCI Light Energy Index. The S&P/TSX fell as well (-1.5%) due to the underperformance of the Energy and Material sectors. Canadian equity investors benefitted from the depreciation of the Canadian dollar versus the U.S. dollar which increased the return of the S&P 500 from 4.9% to 8.8% when expressed in Canadian dollars. In international equity markets, returns ranged from -1.0% for the MSCI Emerging Markets Net to 4.7% for the MSCI World Index. The FTSE TMX Long Term Bond Index (which can be considered a proxy for pension solvency liabilities) returned 5.3% while the FTSE TMX Universe Bond Index gained 2.7%. The FTSE EPRA/NAREIT Developed posted a comfortable return of 12.0%.

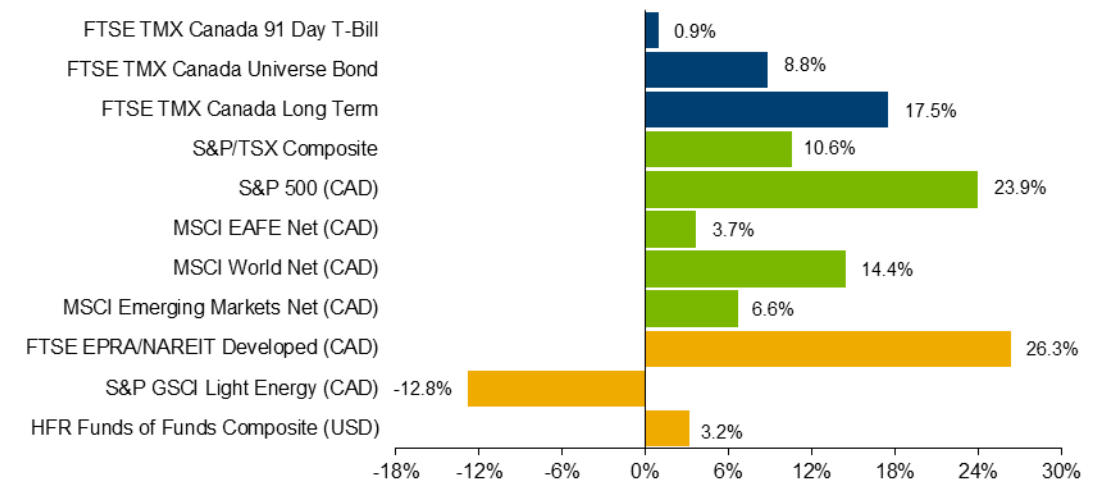
Financial Markets Performance Review
3-Month Period Ending 31 December 2014



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- For the year 2014, all major indices posted positive returns with the exception of the S&P GSCI Light Energy Index which lost 12.8%. The best performing indices were the FTSE EPRA/NAREIT Developed (26.3%), the S&P 500 (23.9%) and the FTSE TMX Canada Long Term Bond Index (17.5%). The MSCI EAFE underperformed other equity indices with a return of 3.7%, while hedge funds, represented by the HFR Funds of Funds Composite Index, gained a meager 3.2%.

Financial Markets Performance Review
1-year Period Ending 31 December 2014

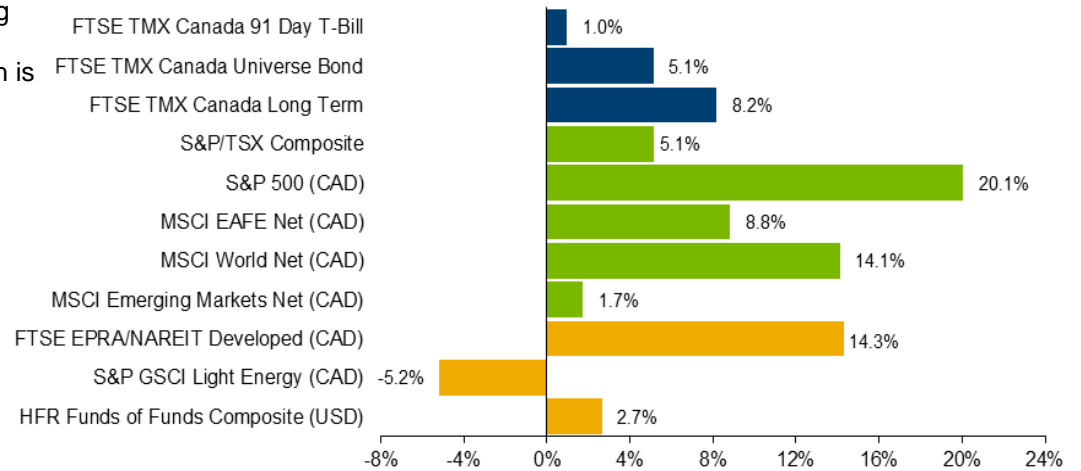


Capital Markets Environment

As of 31 December 2014

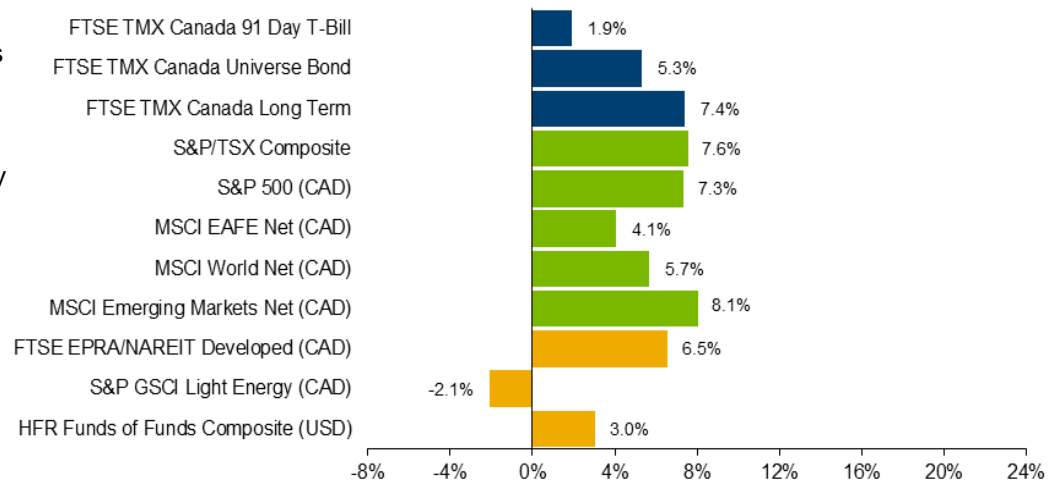
- The S&P 500 Index (CAD) posted the best return for the four-year period ending December 31, 2014, with a return of 20.1%. Strong returns were also earned in global equities (14.1%) and in global listed real estate (14.3%). Long-term bonds returned 8.2% which is higher than the S&P/TSX Index (5.1%). Trailing the other categories were commodities with a negative return of -5.2%.

Financial Markets Performance Review
4-Year Period Ending December 31, 2014



Financial Markets Performance Review
10-Year Period Ending December 31, 2014

- For the ten-year period ending December 31, 2014, strong returns were earned in emerging market equities (8.1%), Canadian equities (7.6%), long-term bonds (7.4%) and in the S&P 500 (7.3%). Global listed real estate (6.5%) were also strong performers while the S&P GSCI Light Energy (-2.1%) was the only major index posting a negative return for this period.



Capital Markets Environment

As of 31 December 2014

Comparison of Financial Indices

Annual returns - Calendar Years										Annualized Total
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
30.6%	41.8%	18.2%	6.4%	51.6%	17.6%	18.1%	25.8%	41.3%	26.3%	8.06%
24.1%	31.7%	10.3%	3.3%	35.1%	14.1%	9.7%	15.6%	35.2%	23.9%	7.60%
16.3%	25.9%	9.8%	2.7%	17.4%	12.7%	4.6%	14.7%	31.0%	17.5%	7.42%
13.8%	19.6%	4.4%	-21.2%	11.9%	12.5%	1.0%	13.4%	13.0%	14.4%	7.31%
12.5%	17.3%	4.0%	-21.4%	11.5%	11.0%	-3.2%	13.3%	11.4%	10.6%	6.54%
10.7%	15.4%	3.7%	-24.3%	10.4%	9.1%	-3.5%	7.2%	9.0%	8.8%	5.67%
7.5%	10.4%	3.4%	-25.8%	7.4%	6.7%	-4.9%	5.2%	3.9%	6.6%	5.32%
6.7%	4.1%	-5.7%	-29.2%	5.5%	5.9%	-5.7%	4.8%	1.0%	3.7%	4.08%
6.5%	4.1%	-7.5%	-33.0%	5.4%	5.7%	-8.7%	3.6%	-1.2%	3.2%	3.02%
2.6%	4.0%	-10.5%	-34.6%	0.6%	2.1%	-10.0%	1.0%	-1.9%	0.9%	1.93%
2.3%	0.6%	-21.1%	-41.6%	-2.0%	0.5%	-16.4%	-0.6%	-6.2%	-12.8%	-2.10%

Best

↑

↓

Worst

FTSE TMX Canada 91 Day T-Bill

FTSE TMX Canada Long Term

S&P 500 (CAD)

MSCI World (CAD) (Net dividend)

FTSE EPRA/NAREIT Developed (CAD)

HFR Funds of Funds Composite (USD)

FTSE TMX Canada Universe Bond

S&P/TSX Capped Composite

MSCI EAFE (CAD) (Net dividend)

MSCI Emerging Markets (CAD) (Net dividend)

S&P GSCI Commodity Index, Light Energy (CAD)

- This table illustrates the performance ranking of the various asset classes for each annual period over the last 10 years. Over that period, the best performing asset class was emerging market equities, followed by Canadian equities. Next were long-term bonds, which was a dominant theme of the last decade.
- The distribution of the color codes in our sample highlights the importance of diversification - in order to obtain stable performance, it is necessary to invest in several asset classes.

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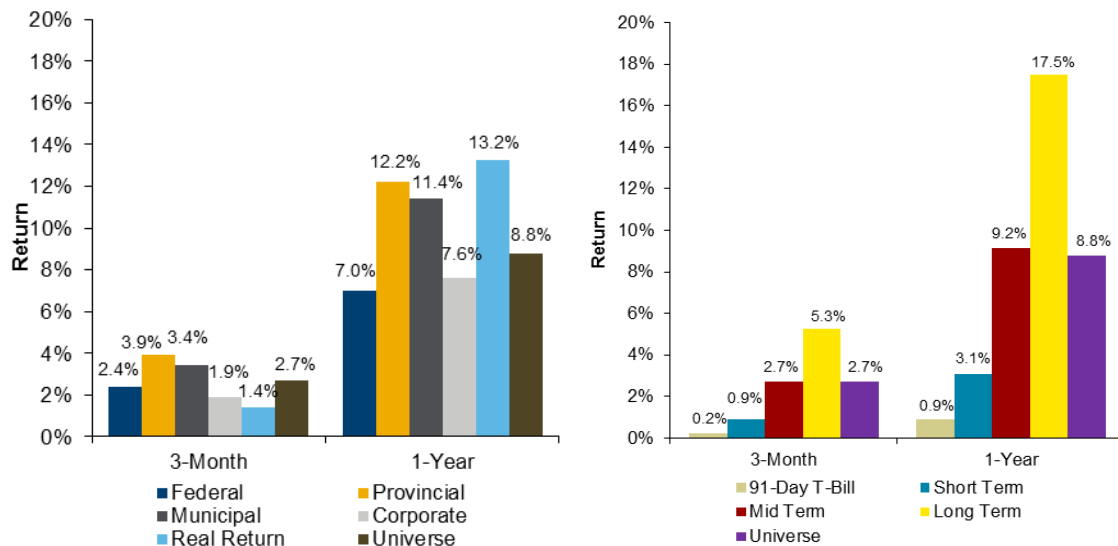
Capital Markets Environment

Capital Markets Environment

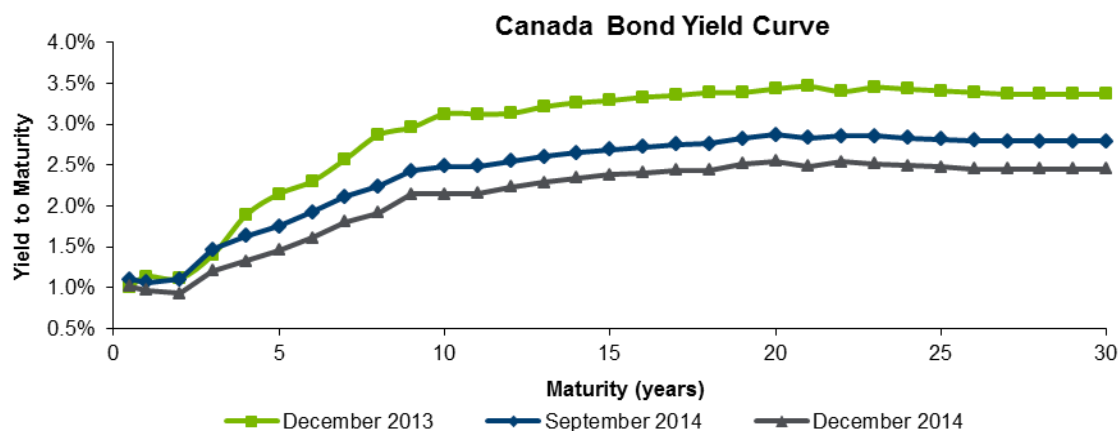
As of 31 December 2014

- Bond market returns were positive across all sectors and maturities for both the 3 month and the 1 year periods. Real return bonds led the other sectors for the 1 year period (13.2%). During the last quarter, the best returns were earned in provincial bonds (3.9%) and in municipal bonds (3.4%). For the 1 year period, provincial bonds (12.2%) slightly outperformed municipal bonds (11.4%).
- With rates decreasing across most of the yield curve, performance was directly proportional to maturity, with longer maturities outperforming shorter maturities.

Canadian Bond Market Performance Review
Periods Ending December 31, 2014
Return by Issuer and by Term - FTSE TMX



- The yield curve moved lower across all maturity terms during the last quarter with rates significantly declining across most maturities. The short end remained anchored due to the unchanged Bank of Canada Overnight Rate. The last Bank of Canada rate change was a 0.25% increase to 1.0% in September of 2010.
- The yield curve maintained a positive slope up to 20 years with longer maturities yielding more than shorter maturities.

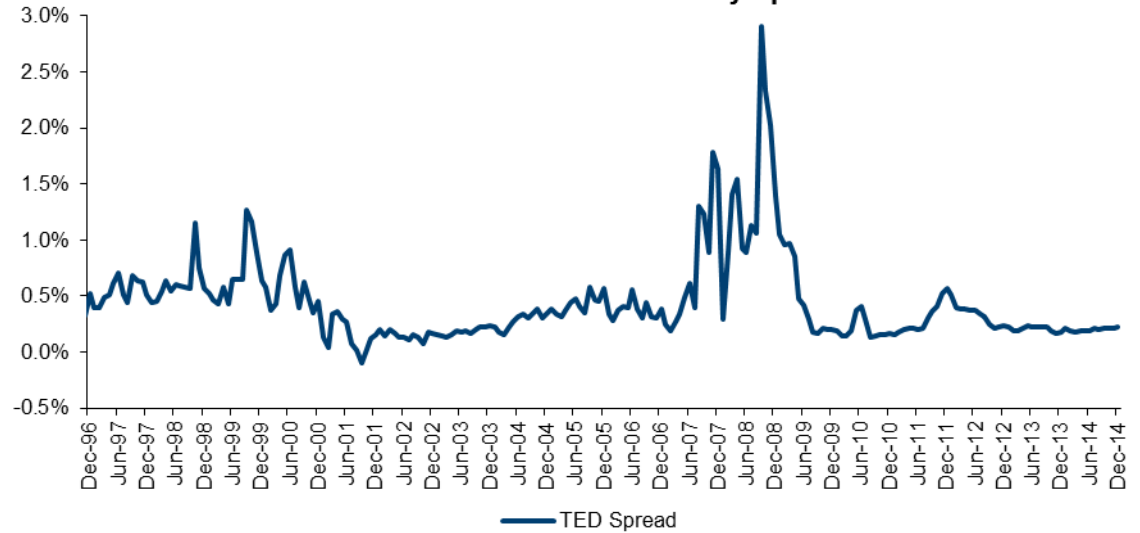


Capital Markets Environment

As of 31 December 2014

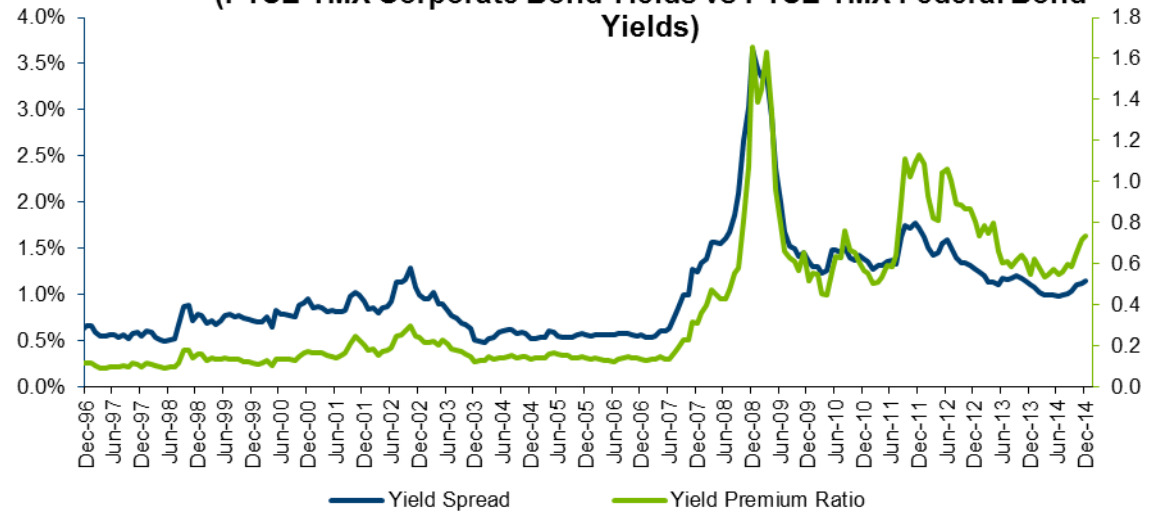
- LIBOR, the London Interbank Offered Rate, is an estimate of the rate at which banks lend to one another. The spread between LIBOR and U.S. Treasury bills (the TED spread) is an indicator of perceived credit risk in the general economy. The TED spread has been fairly stable since 2009.

Libor U.S. vs Treasury Spread



- The yield premium between corporate and government bonds increased during the last quarter, reversing the downward trend it has exhibited since latter 2011.

Canadian Corporate Bond Yield Spread
(FTSE TMX Corporate Bond Yields vs FTSE TMX Federal Bond Yields)



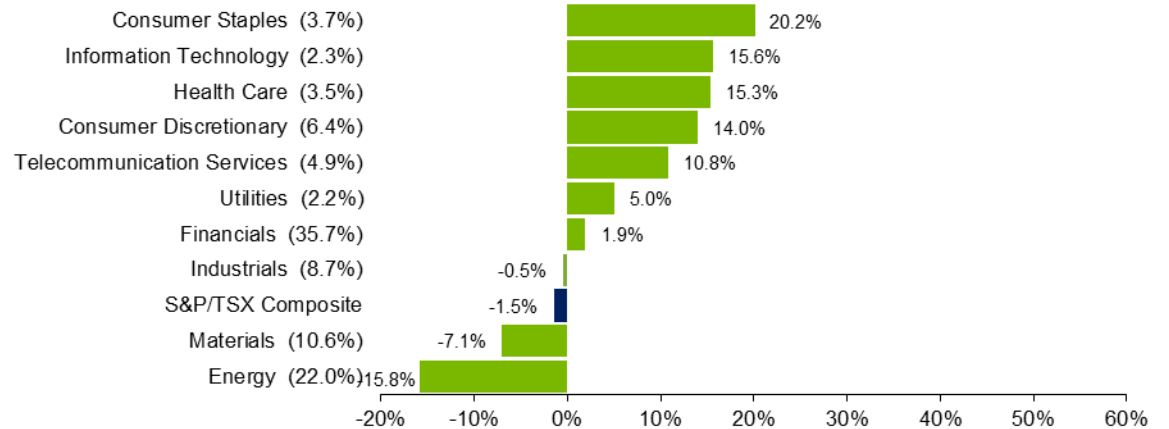
Capital Markets Environment

As of 31 December 2014

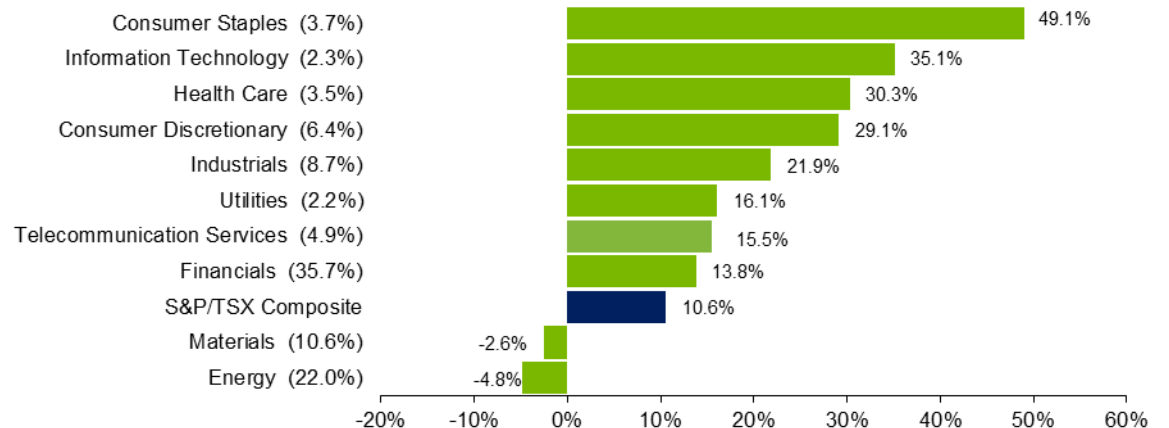
- Only three of the ten sectors of the Canadian equity market posted negative returns during the last quarter. These include the Energy and Materials sectors, which lost a significant 15.8% and 7.1%, respectively. These two sectors account for around 33% of the Canadian index, explaining the loss of 1.5% posted by the Index. The top performing sectors were Consumer Staples (20.2%), Information Technology (15.6%), and Health Care (15.3%) which represent around 10% of the Canadian index.

**Canadian Stock Markets Performance Review
S&P/TSX Composite Sector Returns (Sector Weights)**

3-Month Period Ending December 31, 2014



1-Year Period Ending December 31, 2014



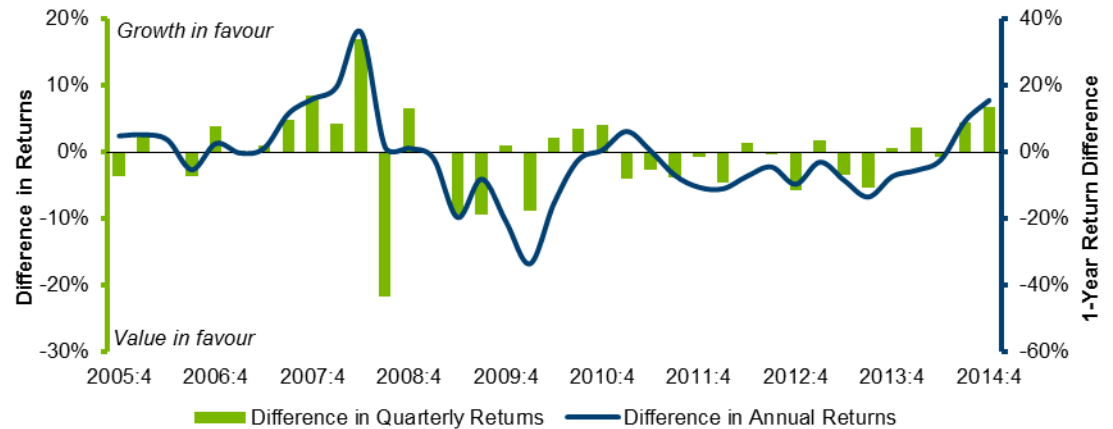
- For the 1-year period ending December 31, 2014, all sectors had positive returns with the exception of Materials (-2.6%) and Energy (-4.8%). The top performers were Consumer Staples (49.1%), Information Technology (35.1%), and Health care (30.3%).

Capital Markets Environment

As of 31 December 2014

- In the fourth quarter of 2014, Canadian growth stocks outperformed value stocks. The growth stocks continued to outperform value stocks over the trailing 12-month period.

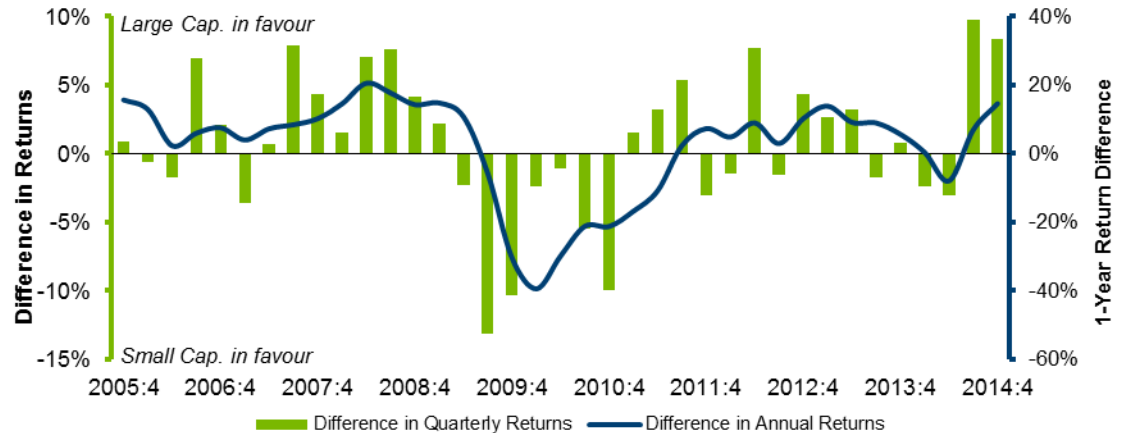
Growth vs. Value Investment Style - Canadian Equity Market*
Comparison to December 31, 2014



*MSCI Canada, Growth vs. MSCI Canada, Value

- For a second quarter in a row, Canadian large cap stocks significantly outperformed small cap stocks during the last quarter.

Large Cap. vs. Small Cap. Universe - Canadian Equity Market**
Comparison to December 31, 2014



**S&P/TSX 60 vs. S&P/TSX Small Cap

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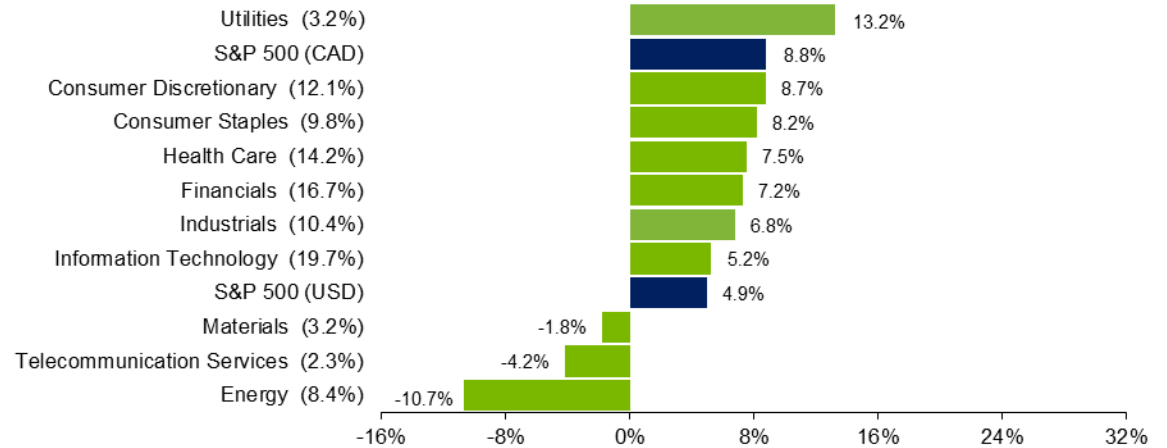
Capital Markets Environment

As of 31 December 2014

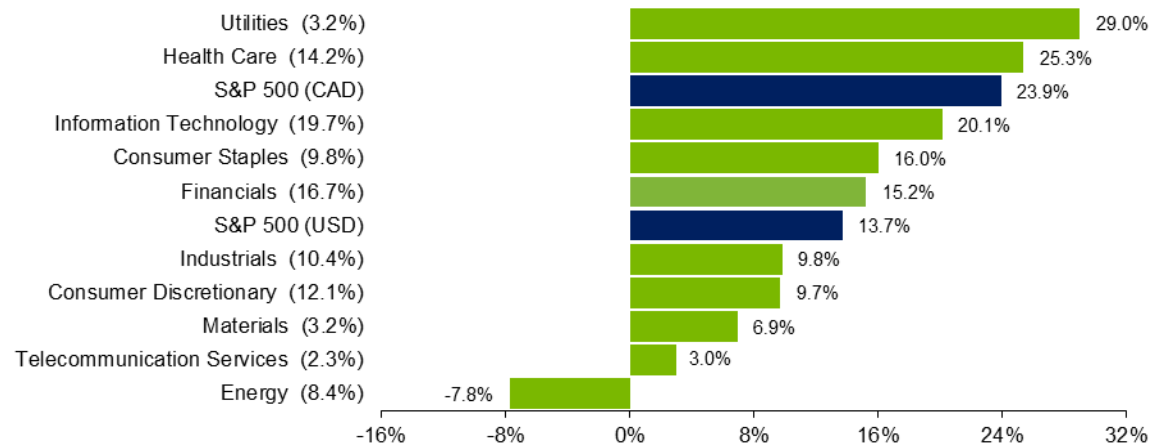
- Seven out of the ten sectors in the S&P 500 Index (USD) had positive returns during the last quarter. The top performing sectors were Utilities (13.2%), Consumer Discretionary (8.7%) and Consumer Staples (8.2%), while at the bottom were Energy (-10.7%) and Telecommunication Services (-4.2%). The depreciation of the Canadian dollar versus the U.S. dollar increased the return for Canadian investors by 3.9%.

US Stock Markets Performance Review
S&P 500 (USD) Sector Returns (Sector Weights)

3-Month Period Ending December 31, 2014



1-Year Period Ending December 31, 2014



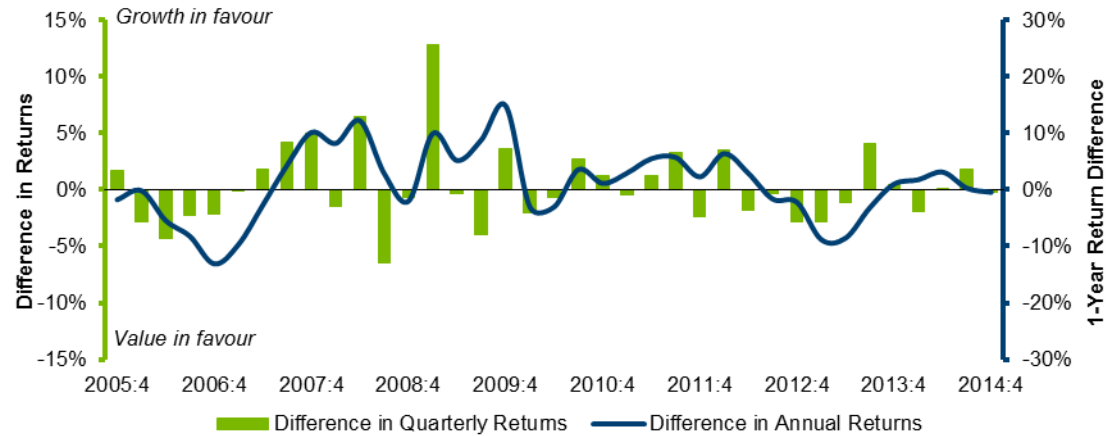
- For the last 1-year period all sectors of the S&P 500 Index (USD) posted positive returns with the exception of Energy (-7.8%). The best performing sectors were Utilities (29.0%), Health Care (25.3%) and Information Technology (20.1%). Other underperforming sectors were Telecommunication Services (3.0%) and Materials (6.9%). The depreciation of the Canadian dollar versus the U.S. dollar increased the return for Canadian investors by 10.2%.

Capital Markets Environment

As of 31 December 2014

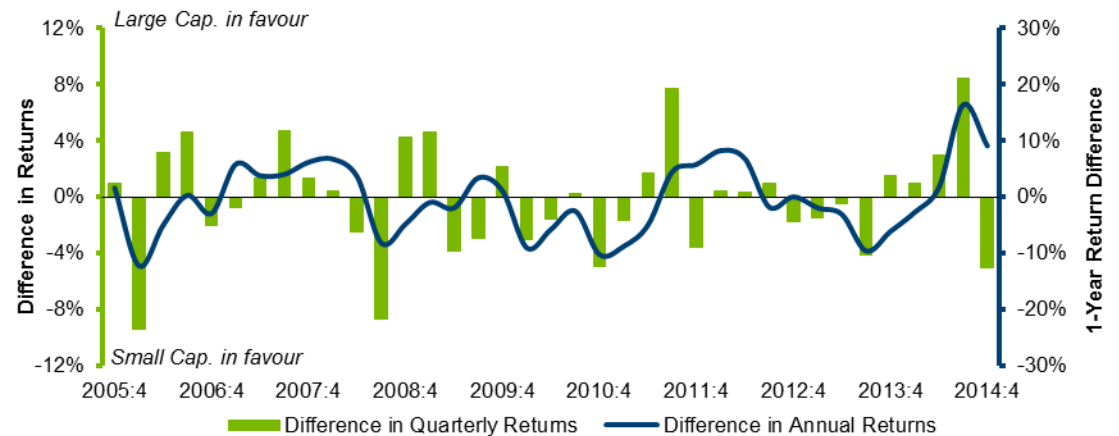
- In the U.S. equity market, value stocks slightly outperformed growth stocks in the most recent quarter. Over the 12-month trailing period the performance of both segments was almost equivalent.

Growth vs. Value Investment Style – U. S. Equity Market*
Comparison to December 31, 2014



*Russell 1000, Growth (CAD) vs. Russell 1000, Value (CAD)

Large Cap vs. Small Cap Universe – U.S. Equity Market**
Comparison to December 31, 2014



**Russell 1000 (CAD) vs. Russell 2000 (CAD)

- In the fourth quarter of 2014, U.S. small cap stocks generated higher returns than large cap for the first time since the last five quarters. However, large cap stocks still outperformed small cap stocks by a large margin over the last 12-month period.

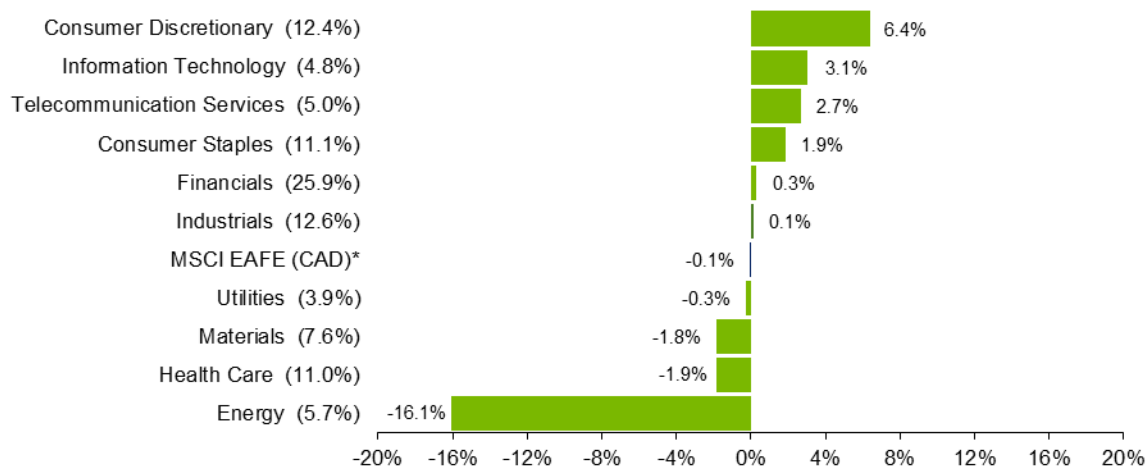
Capital Markets Environment

As of 31 December 2014

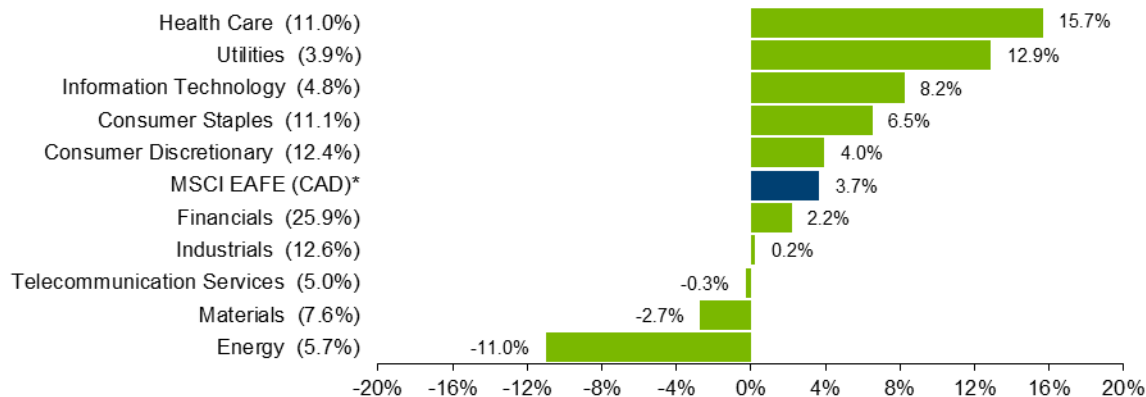
- Four of the ten sectors in international equity markets had negative returns during the last quarter, namely Energy (-16.1%), Health Care (-1.9%), Materials (-1.8%), and Utilities (-0.3%). Leading the best performers were Consumer Discretionary (6.4%), Information Technology (3.1%), and Telecommunication Services (2.7%).

International Stock Markets Performance Review
MSCI EAFE (CAD) Sector Returns (Sector Weights)

3-Month Period Ending December 31, 2014



1-Year Period Ending December 31, 2014



*MSCI EAFE (Net dividend)

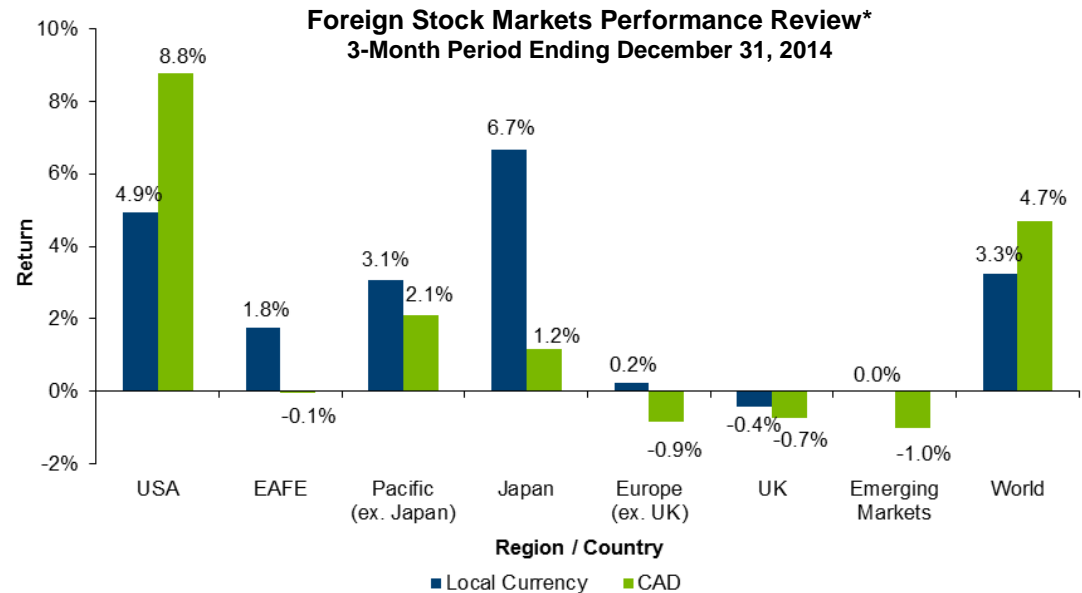
- For the last 1-year period, strong returns were earned in Health Care (15.7%) and Utilities (12.9%), while Energy (-11.0%) and Materials (-2.7%) trailed the pack.

Capital Markets Environment

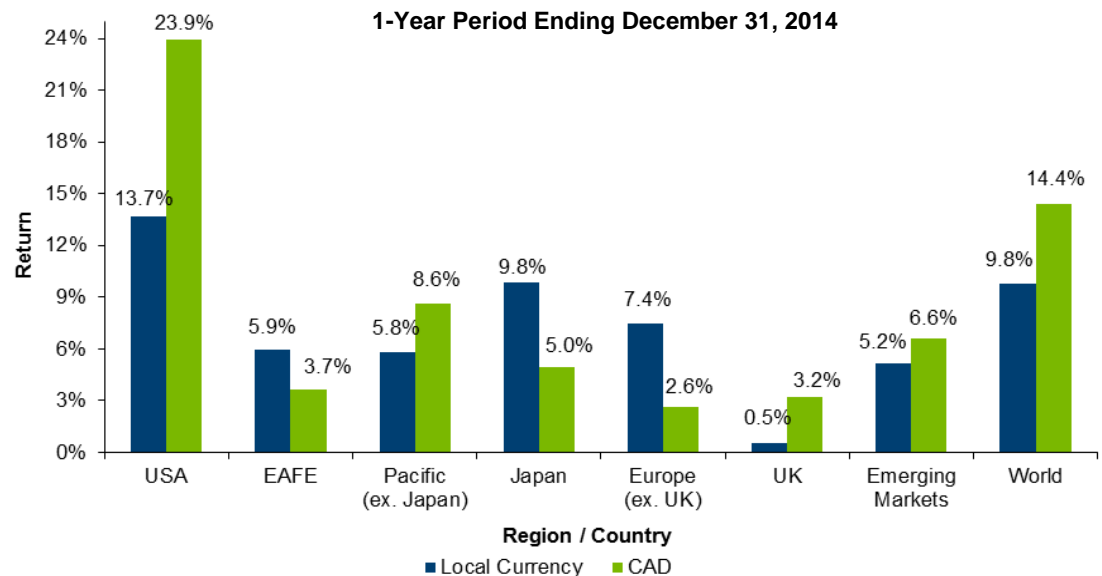
Capital Markets Environment

As of 31 December 2014

- Currency fluctuations resulted in increases in returns for Canadian investors in the U.S. and in World markets. In other regions the local currency weakened against the Canadian dollar resulting in lower returns for Canadian investors.



- For the past year, equity returns were positive in all major regions. Currency fluctuations, in the form of a weakening Canadian dollar, provided an additional boost for Canadian investors in all markets with the exception of Europe (ex. UK), EAFE and Japan.



*Benchmark indexes are, from left to right, S&P 500, MSCI EAFE Net, MSCI Pacific Free (ex. Japan), MSCI Japan, MSCI Europe (ex. UK), MSCI UK, MSCI EM Net and MSCI World Net.

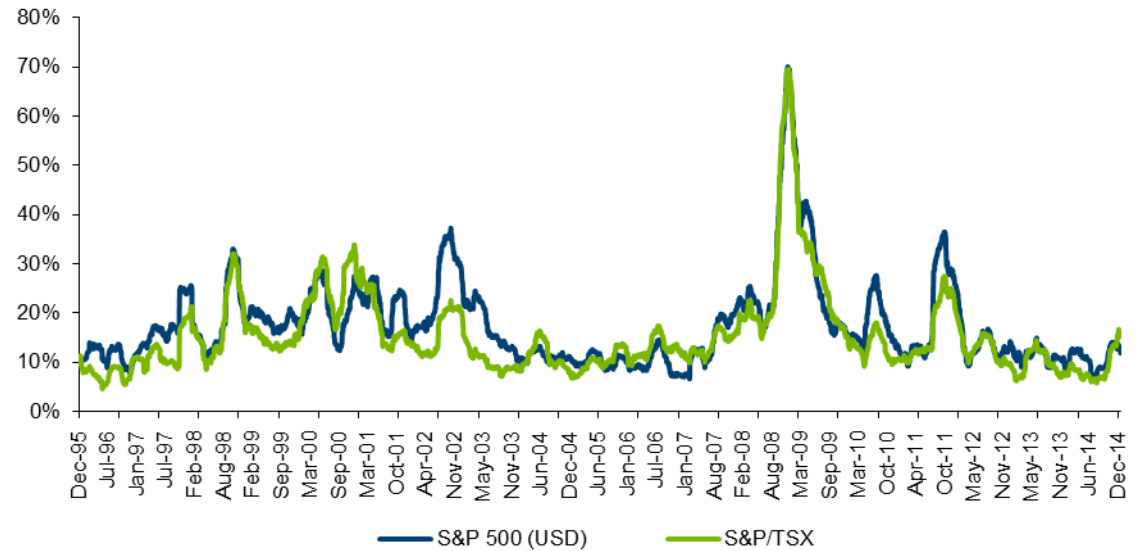
Capital Markets Environment

Capital Markets Environment

As of 31 December 2014

- During the last quarter, volatility increased in both the U.S. and Canadian stock markets. As shown in the graph to the right, volatility of the U.S. and Canadian equity indices has been very similar, although the U.S. market experienced slightly higher volatility during several periods in 2010 and 2011.
- Market volatility is an indication of uncertainty in financial markets. During the past 2 years, markets have been relatively calm despite continuing economic and political concerns throughout the U.S., Europe and China.

Annualized Standard Deviation - 60-Day Rolling Periods
S&P/TSX (CAD) and S&P 500 (USD)



Appendix D - Description of Market Indices and Statistics

Index Definitions

As of 31 December 2014

S&P/TSX Composite

S&P/TSX Composite Index comprises approximately 71 percent of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.

S&P 500

Standard and Poor's 500 Composite Stock Index consists of the largest 500 companies in the United States chosen for market size, liquidity and industry group representation. It is a market-value weighted index, with each stock's weight in the index proportionate to its market value. For the purposes of this report, the S&P 500 Index returns are converted from U.S. dollars into Canadian dollars, and therefore reflect currency gains or losses.

MSCI EAFE

The MSCI Europe, Australasia and Far East (EAFE) Index is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 21 European and Pacific Basin Countries and includes reinvestment of all dividends. This index aims to capture 85% of the free float adjusted market capitalization in each industry group in each country. Individuals cannot invest directly in an index. The index is computed on a float-based capitalization.

MSCI World

MSCI World Index consists of more than 1,600 stocks in 23 of the world's largest industrialized countries globally and represents approximately 85% of the total market capitalization in those countries. The index is computed on a float-based capitalization.

FTSE TMX Universe Bond (formerly DEX Universe Bond)

The FTSE TMX Universe Bond Index covers all marketable Canadian bonds with term to maturity of more than one year. The Universe contains approximately one thousand marketable Canadian bonds with an average term of 10.1 years and an average duration of 7.1 years. The purpose of the index is to reflect the performance of the broad "Canadian Bond Market" in a similar manner to the S&P/TSX Composite Index.

FTSE TMX Long Term Bond (formerly DEX Long Term Bond)

The FTSE TMX Long Term Bond Index is a capitalization-weighted index containing bonds with a term to maturity of greater than 10 years. It includes approximately 300 marketable Canadian bonds. The average term is 23.1 years and the average duration is 14.1 years.

FTSE TMX Real Return Bond (formerly DEX Real Return Bond)

The FTSE TMX Real Return Bond Index measures the daily performance of Canadian real return bonds. It currently contains the outstanding real return bonds in the market.

CPI

Consumer Price Index is used to gauge Canada's inflation rate. The series used is the all items, not seasonally adjusted, 2002 base, widely known as the headline inflation.

Statistic Definitions

As of 31 December 2014

Active Return

Arithmetic difference between the portfolio return and the benchmark return over a specified time period.

Active Weight

The difference between the portfolio weight and the benchmark weight, where the weight is based on the beginning of period weights for the sector/region/asset class for a certain periodicity (monthly or quarterly, depending upon the reporting frequency), adjusted by the relative return for the sector/region/asset class.

Annualized Value Added

A portfolio's excess return over a benchmark, annualized as it is recorded.

Asset Allocation

The value added or subtracted by under or over weighting sectors/regions/asset classes versus the benchmark weights. Asset allocation measures the impact on performance attributed only to the sector/region/asset class weighting decisions by the manager. It assumes that the manager holds the same securities in each sector/region/asset class and in the same proportion as in the benchmark. Any differences in return can be attributed to differences in sector weights between the manager's fund and the benchmark.

Batting Average

The frequency, expressed in percentage terms, of the portfolio's return equaling or exceeding the benchmark's return.

Beta

A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of a portfolio's non-diversifiable or systematic risk.

Correlation

Also called coefficient of correlation, it is a measure of the co-movements of two sets of returns. Indicates the degree in which two sets of returns move in tandem.

Cumulative Added Value

The geometrically linked excess return of a portfolio over a benchmark.

Down Market Capture

The portfolio's average return as a percentage of the benchmark return, during periods of negative benchmark return. Lower values indicate better portfolio performance.

Downside Risk

A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the factor, the riskier the portfolio.

Statistic Definitions

As of 31 December 2014

Duration

A measure of a bond portfolio's sensitivity to movements in interest rates.

EPS

Earnings Per Share

Excess Return

Arithmetic difference between the managers return and the risk-free return over a specified time period.

Excess Risk

A measure of the standard deviation of a portfolio's performance relative to the risk free return.

Information Ratio

Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

Return

Compounded rate of return for the period.

R-Squared

The percentage of a portfolio's performance explained by the behaviour of the appropriate benchmark. High R-Square means a higher correlation of the portfolio's performance to the appropriate benchmark.

Security Selection

The value added or subtracted by holding securities at weights which differ from those in the benchmark, including securities not in the benchmark or a zero weight. The security selection return assumes the manager weights for each sector/region/asset class in the portfolio are in the same proportion as in the overall benchmark, and excess returns are due to security selection. That is, differences in returns between the manager's fund and the benchmark are attributed to the securities the manager has chosen.

Sharpe Ratio

Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the portfolio's historical risk-adjusted performance.

Simple Alpha

The difference between the portfolio's return and the benchmark's return.

Statistic Definitions

As of 31 December 2014

Standard Deviation

A statistical measure of the range of a portfolio's performance, the variability of a return around its average return over a specified time period.

Tracking Error

A measure of the standard deviation of a portfolio's performance relative to the performance of an appropriate benchmark.

Treynor Ratio

Similar to Sharpe ratio, but focuses on beta rather than excess risk (standard deviation). Represents the excess rate of return over the risk free rate divided by the beta. The result is the absolute rate of return per unit of risk. The higher the value, the better the portfolio's historical risk-adjusted performance.

Up Market Capture

The portfolio's average return as a percentage of the benchmark return, during periods of positive benchmark return. Higher values indicate better portfolio performance.

Appendix E - Fee Analysis

Fee Analysis

Manager Fees

Account	Fee Schedule	Market Value	Percentage of Portfolio	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Total		\$330,530,095	100.0%	\$1,115,377	0.34%
Guardian	0.40% of the first \$10 Million 0.30% of the next \$15 Million 0.20% of the balance	\$34,463,391	10.4%	\$103,927	0.30%
Letko	1.00% of the first \$0.3 Million 0.75% of the next \$0.7 Million 0.50% of the next \$2.0 Million 0.25% of the balance	\$62,007,333	18.8%	\$165,768	0.27%
Aberdeen	0.80% of the first \$50 Million 0.70% of the next \$50 Million 0.60% of the balance	\$44,263,204	13.4%	\$354,106	0.80%
Brandes	1.00% of the first \$5 Million 0.90% of the next \$5 Million 0.80% of the next \$10 Million 0.60% of the next \$30 Million 0.50% of the balance	\$15,211,234	4.6%	\$136,690	0.90%
GMO	0.60% of the balance	\$39,732,806	12.0%	\$238,397	0.60%
TDAM	0.17% of the first \$20 Million 0.07% of the next \$80 Million 0.02% of the balance plus a premium of 0.03% for the TDAM Long Bond Pooled Fund Trust	\$130,176,051	39.4%	\$116,490	0.09%
Operating Account		\$4,676,075	1.4%		

Appendix F - New Ontario Pension Regulations

Information Bulletin

December 2, 2014

Appendix "A" to Report FCS14070(a)
Page 75 of 80

In this issue

New Ontario Pension Regulations – 2014 Recap

- 1 Action Required
- 2 Other Changes in 2014
- 3 Additional Proposed Changes

New Ontario Pension Regulations – 2014 Recap

There has been significant legislative and regulatory activity in Ontario related to registered pension plans in 2014.

This article provides plan administrators and employers with a general status report on the more significant changes that have been made with respect to registered pension plans in Ontario in 2014 and various items that remain pending.

Action Required

On November 27, 2014, the Ontario government filed *Ontario Regulation 235/14* (Amending Regulation) made under the Ontario *Pension Benefits Act* (PBA), to provide, among other items:

- New Requirements for Statement of Investment Policies and Procedures (SIP&P) – 60 days after January 1, 2016
 - Currently, all Ontario registered pension plans are required to establish a SIP&P, but the SIP&P does not generally need to be filed with the Superintendent of Financial Services (Superintendent).
 - The Amending Regulation requires that:
 - pension plan administrators will need to file a SIP&P with the Superintendent;
 - the SIP&P must include information as to whether or not environmental, social and governance factors are incorporated into a plan's investment policies and procedures and, if so, how those factors are incorporated; pension plan administrators will need to file amendments to the SIP&P within 60 days after the date the amendment is made; and
 - for pension plans registered on or before January 1, 2016, the first SIP&P must be filed within 60 days after January 1, 2016.

- New Wording for Annual Statements to Active Members – July 1, 2016
 - Currently, annual statements must be provided to active members.
 - The Amending Regulation requires that all annual statements provided on and after July 1, 2016 must contain information about the SIP&P for the plan, including information about whether environmental, social and governance factors are incorporated into the plan’s investment policies and procedures and, if so, how those factors are incorporated.
- Biennial Statements to Former Members and Retirees – July 1, 2017
 - Currently, neither former members (deferred vested members) nor retirees are entitled to receive any regular statements once they receive their termination statement or retirement statement.
- The Amending Regulation requires that:
 - pension plan administrators prepare and distribute biennial pension statements to former members (deferred vested members) and retirees;
 - the biennial statements be provided every two years, within 6 months of the plan’s fiscal year end; and
 - for pension plans registered on or before January 1, 2015, the first biennial statements must be provided to former members and retirees **no later than** July 1, 2017.
- With these Regulations filed, we anticipate the corresponding provisions of the PBA will be proclaimed shortly.

Other Changes in 2014

The following changes will be of interest to pension plan administrators, but may not require immediate action.

- Asset Transfers – New rules related to the transfer of assets between pension plans came into effect on January 1, 2014. The new rules affect asset transfers/mergers on corporate restructuring or as a result of a sale of business.
- *Carrigan* Fix – In response to the Court of Appeal decision in *Carrigan v. Carrigan Estate*, the PBA was revised in order to clarify that in circumstances where a member has both a married spouse (separated from the member) and a common law spouse on the date of death prior to retirement, the common law spouse shall be entitled to the death benefit. In addition, a discharge is provided to any pension plan administrator who made a payment to the common law spouse in such circumstances, if the payment was made prior to October 31, 2012 (the date of the *Carrigan* decision). Further, the PBA has also been amended to clarify that if there is a married spouse (separated from the member) and a common law spouse at the date of pension commencement, the default form of pension is a joint and survivor pension with the common law spouse listed as survivor.
- 10% Rule (US Securities) – The 10% Rule generally restricts a plan administrator from investing more than 10% of a pension plan’s assets in a single entity, or two or more associated entities or affiliated companies. An amendment to *Regulation 909* (effective March 7, 2014) removes this restriction for investments in securities issued and fully guaranteed by the government of the United States of America. Please note that this regulation does not require that the securities be “fully” guaranteed” (a change from the earlier draft version of the regulation).
- Employment Standards (Leaves of Absence) – Effective October 29, 2014, three new job-protected leaves were introduced in Ontario, family caregiver leave, critically ill child care leave and crime-related child death or disappearance leave. The *Employment Standards Act* (Ontario) requires that during these leaves (as well as other statutory leaves) an employee continues to participate in any pension plan, life insurance plan, accidental death plan, extended health plan, dental plan and any other prescribed type of benefit plan related to his or her employment, unless he or she elects in writing not to do so. The employer must continue to make the employer’s contributions during the leave unless the employee gives the employer written notice that the employee does not intend to pay the employee’s contributions, if any.

Additional Proposed Changes

The Ontario government has published draft amendments to *Regulation 909*, for comment, that would make it easier for individuals to transfer the commuted value of their pension benefits from an Ontario registered pension plan to a pension plan registered elsewhere in Canada (when permitted by the receiving plan). It is proposed that a transferee pension plan will no longer have to agree to administer the amount in accordance with the Act and the Regulation. However, transfers into a prescribed retirement saving arrangement or for the purchase of a life annuity will still require the transferee to agree to administer the amount in accordance with the Act and the Regulation.

The Ontario government also released various “descriptions” of proposed amendments to *Regulation 909* for comment but, to date, no draft regulations have been published:

- Variable Benefit Accounts – This proposal would allow retirees of defined contribution plans to keep their savings in a variable benefit account held by the pension plan, and receive income directly from this account. The payments permitted from a variable benefit account would be the same as those permitted from a life income fund (LIF). Pension plans would be permitted, but not be required, to provide this option.
- 30% Rule (Investment in Infrastructure) – This proposal would allow pension plans to further invest in local infrastructure by exempting investments in Ontario public infrastructure projects from the rule limiting ownership of shares with certain voting interests in a corporation to 30 per cent.

For further information about how these changes and proposed changes could affect your pension plan, please contact your Aon Hewitt consultant.

Contact Information

Should you wish additional information on this topic, please contact your local Aon Hewitt Consultant, or send an email to info@aonhewitt.com.

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Appendix G - Disclosure

Statement of Disclosure

As of 31 December 2014

Aon Hewitt Inc. reconciles the rates of return with each investment manager quarterly. Aon Hewitt Inc. calculates returns from the custodian/trustee statements while the managers use different data sources. Occasionally discrepancies occur because of differences in computational procedures, security prices, "trade date" versus "settlement date" accounting, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. However, if a material discrepancy arises or persists, we will bring the matter to your attention after discussion with your money manager.

This report may contain slight discrepancies due to rounding in some of the calculations.

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