

Review of Pension Plans Performance (Period ending June 30th, 2014)

prepared for Investment Subcommittee

(Note all returns and values are expressed in Canadian Dollars- CAD's)

Quarterly Market Overview

Equity markets remained resilient through the first half of 2014 despite a number of geopolitical risks.

Canadian Equity

- The S&P/TSX index was a strong performer once again advancing more than 6.1% in the quarter. All sectors except healthcare finished higher in the period.
- The leading sectors Energy, Materials and Industrials. Energy was a strong performer, posting double digit returns over the quarter.
- The relatively strong performance of small cap stocks lifted the small cap index ahead of the broader market over the period.

International Equity

- Foreign investment returns were hampered by currency effects, as the Canadian dollar appreciated against most major currencies over the quarter. The loonie gained 3.6% vs the USD during the second quarter finishing close to US\$0.94. The MSCI EAFE (CAD) was up just 0.5%.
- European equities were positive in the quarter even though Q1 GDP growth was sluggish. The ECB cut rates and introduced measures to boost lending to small business. Japan recovered some of its early losses over the last two months advancing 2.9% in the quarter.
- Emerging markets on the whole recovered sharply from first quarter declines. The MSCI emerging markets index (CAD) was up 3.0% for the quarter.

U.S. Equity

- US equities continue to hit record highs as the Federal Reserve winds down its quantitative easing program. The S&P 500 was up 1.5% for the quarter and up 7.4% year to date.
- Within the S&P 500 Utilities, Energy and Health care were the strongest performers year to date, while Consumer Discretionary, Telecom and Industrials were the weakest.
- Value stocks outperformed growth stocks and large cap indices outperformed small cap indices for the first half of 2014.

Fixed Income

- Bonds also extended their gains from the first quarter. The bond universe gained 2.0% for the quarter and 4.8% year to date. The yield on the Canada 10 year stood at 2.3% at the end of June as compared to 2.4% at the end of Q1.
- Corporate spreads were unchanged over the quarter, while the yield curve flattened slightly.
- **REAL ESTATE** : The IPD index returned 4.5% for the quarter.
- A steady level of investment activity and availability of capital remains prevalent in the market.



Pension Plan Results Overview

(Gross Returns for the 12 Months Ended June 30th, 2014)

The Total Plan returned 20% for the last 12 months reflecting strong returns across most markets.

Canadian Equity

- Outperformed the SPTSX index by 3.4%. Manager stock selection was the major contributor to outperformance accounting for approximately 2.8% of the value add.
- Within the industry sectors, stock selection in the Energy sector was the largest contributor to outperformance. The energy component of the portfolio returned 41.7% vs 36.4% for the index.
- With current valuations above historical averages and lower margins of safety our managers now believe caution is warranted.

International Equity

- Outperformed the MSCI EAFE index by 2.7% .
- Energy stocks led the market and defensive sectors like utilities also did well while financials lagged.
- LSV had the best relative performance beating the index by 4.1%. Acadian also outperformed (+1.4) while tweedy marginally underperformed (-0.7%)
- Compared to historical averages, the developed markets appear fairly valued. Our managers continue to focus on quality companies that generate strong cash flow and good earnings.

U.S. Equity

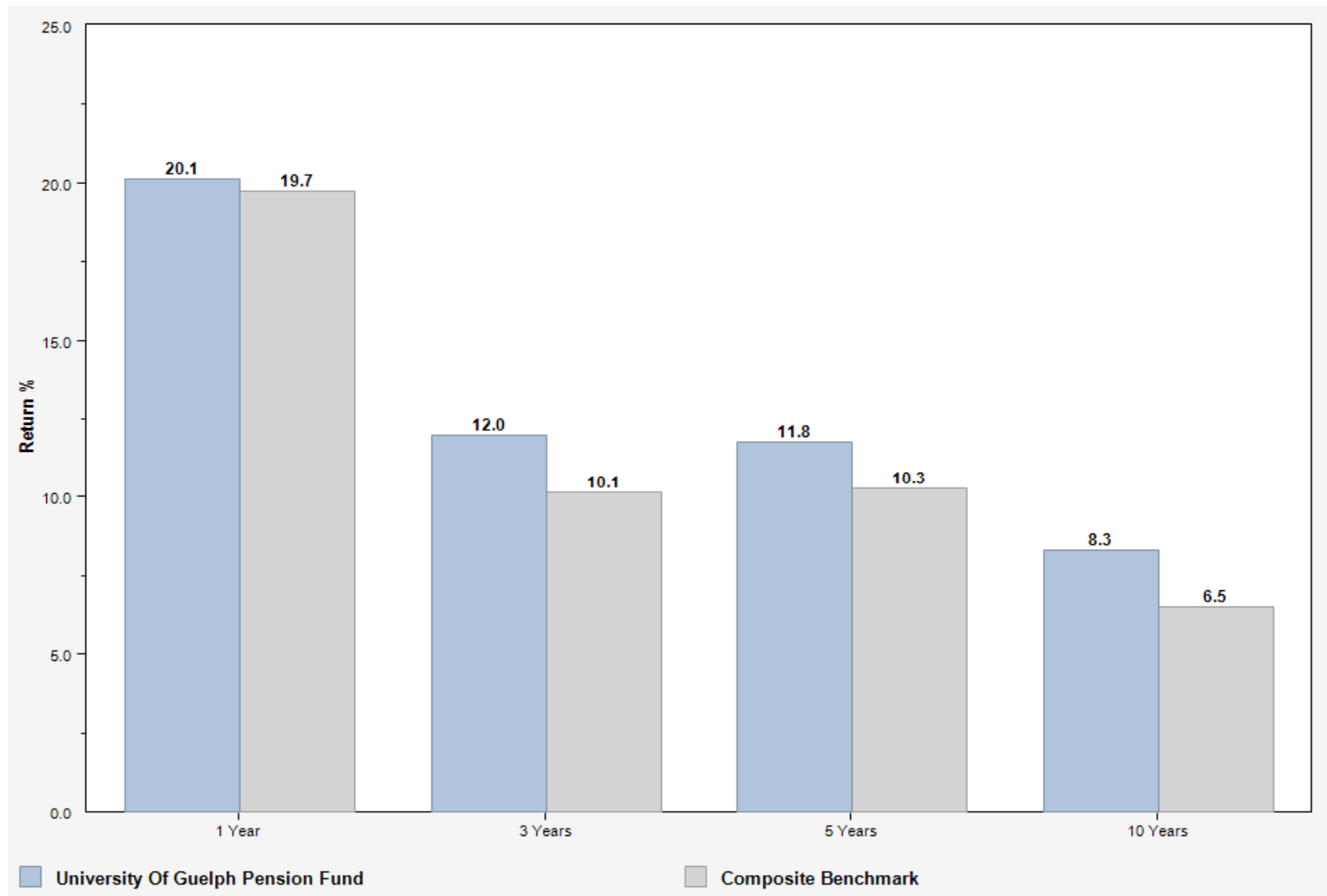
- Outperformed the S&P 500 index by 1.7%
- Exposure to US mid cap and small cap stocks benefited the portfolio as they outperformed the larger cap stocks. The Mid and small cap portfolio's returned 26.7% and 30% for the year.
- The rapidly rising market of the last few years has been challenging for our large cap active value manager relative to the index. However despite the marginal underperformance their absolute return has been solid.
- Consumer staples and Industrials were the major contributors to outperformance for the year while financials and information technology sectors detracted from performance.

Fixed Income

- 5.3% versus 5.3% for the Bond Universe. This is a “passive” mandate and normal variance to the index is expected to be relatively small.
- **REAL ESTATE** : The portfolio returned 9.1 % for the year vs 16.0% for the IPD Canada Annual Property Index.
- The portfolio experienced modest gains on the properties that were appraised in Q2 2014. In general, property fundamentals continue to exhibit stability across the country. The underlying income in the portfolio is stable and within expectations.

Total Pension Portfolio Vs Benchmark (Gross Of Fees)

Annualized Periods Ending June 30th, 2014



Composite Benchmark : 25% S&P/TSX Comp Capped + 20% MSCI EAFE + 20% S&P 500 (CAD)+28% Dex Universe + 2% Dex 91 Day T-Bill + 5% IPD Canada Annual Property Index



Asset Class Performance

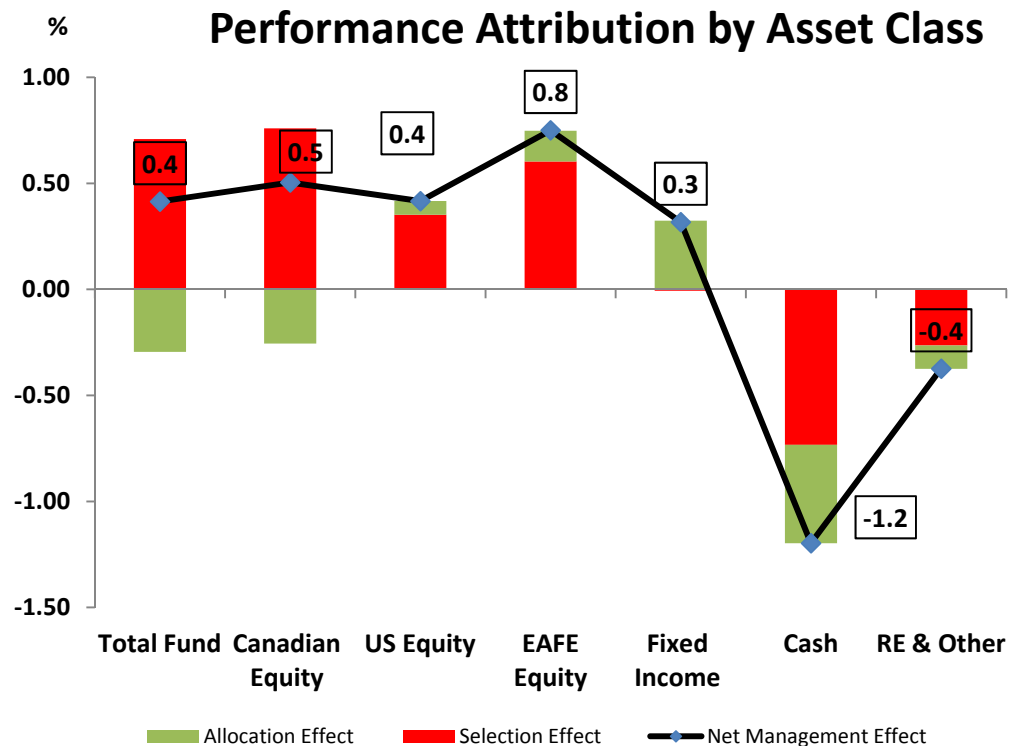
Annualized Periods Ending June 30th, 2014

	<u>YTD</u>	<u>1 Yr</u>	<u>2 Yr</u>	<u>3 Yr</u>	<u>4 Yr</u>	<u>5 Yr</u>	<u>6 Yr</u>	<u>7 Yr</u>	<u>8 Yr</u>	<u>9 Yr</u>	<u>10 Yr</u>
	%	%	%	%	%	%	%	%	%	%	%
Total Gross of Fees³	7.9	20.1	17.6	12.0	13.0	11.8	8.2	6.2	8.3	8.2	8.3
*Total Net of Fees	7.6	19.6	17.1	11.6	12.5	11.3	7.8	5.8	7.9	7.9	7.9
Total Fund ex Currency Overlay (Gross)^{&}	8.0	20.8	18.1	--	--	--	--	--	--	--	--
Composite Benchmark^{4&5}	7.5	19.7	15.6	10.1	11.3	10.3	6.0	4.7	6.0	6.2	6.5
Canadian Equity	13.8	32.1	24.0	12.0	14.3	13.7	6.3	6.1	9.0	9.9	10.5
S&P/TSX Comp Index	12.9	28.7	17.8	7.6	10.8	11.0	3.8	4.2	6.4	7.8	8.8
US Equity	8.3	27.5	29.1	21.8	22.3	19.7	12.9	7.5	8.1	7.5	6.5
S&P 500 (\$CAD)	7.4	25.8	25.3	20.5	20.0	16.8	10.7	6.2	7.3	6.3	5.3
Non-North American Equity	7.0	27.5	26.4	14.9	16.7	13.3	6.8	2.6	5.3	6.1	6.2
MSCI EAFE Net (\$CAD)	5.0	24.8	23.8	11.7	13.3	9.8	3.9	1.0	3.4	4.6	4.5
Real Estate	3.0	9.1	--	--	--	--	--	--	--	--	--
IPD Canada Prop Index	9.2	16.0	--	--	--	--	--	--	--	--	--
Fixed Income	4.8	5.3	2.6	4.9	4.8	5.3	5.4	5.6	5.5	4.8	5.4
Dex Bond Universe	4.8	5.3	2.5	4.8	4.8	5.2	5.5	5.7	5.6	4.9	5.5

Footnotes on Page 13; & Currency Hedging was added effective December 2011; Real Estate was added in July 2012

Pension Plan Results: Relative to the “Composite Benchmark” (for the 12 Months Ended June 30th, 2014)

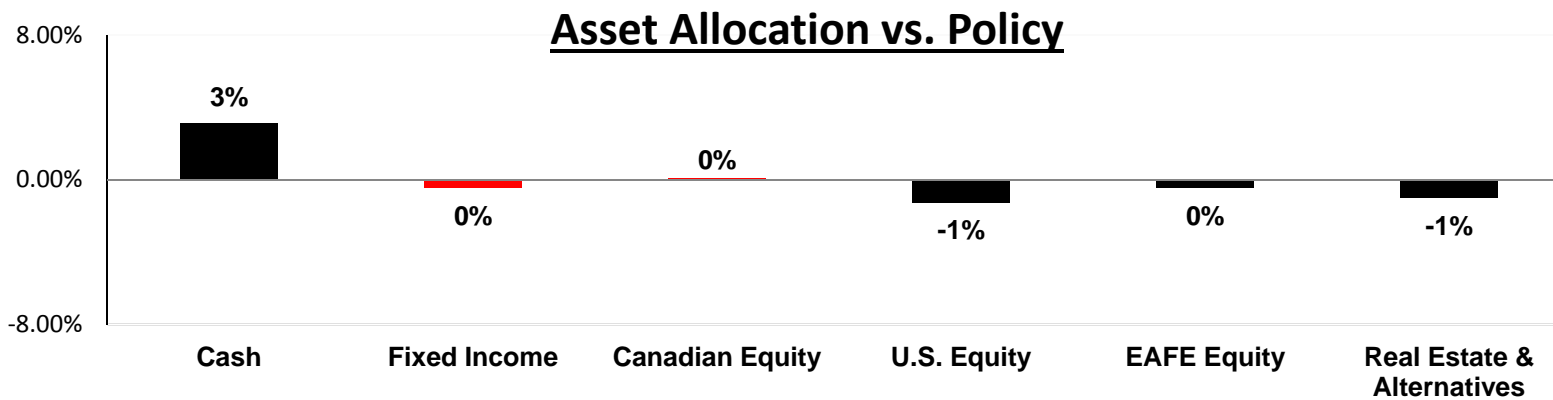
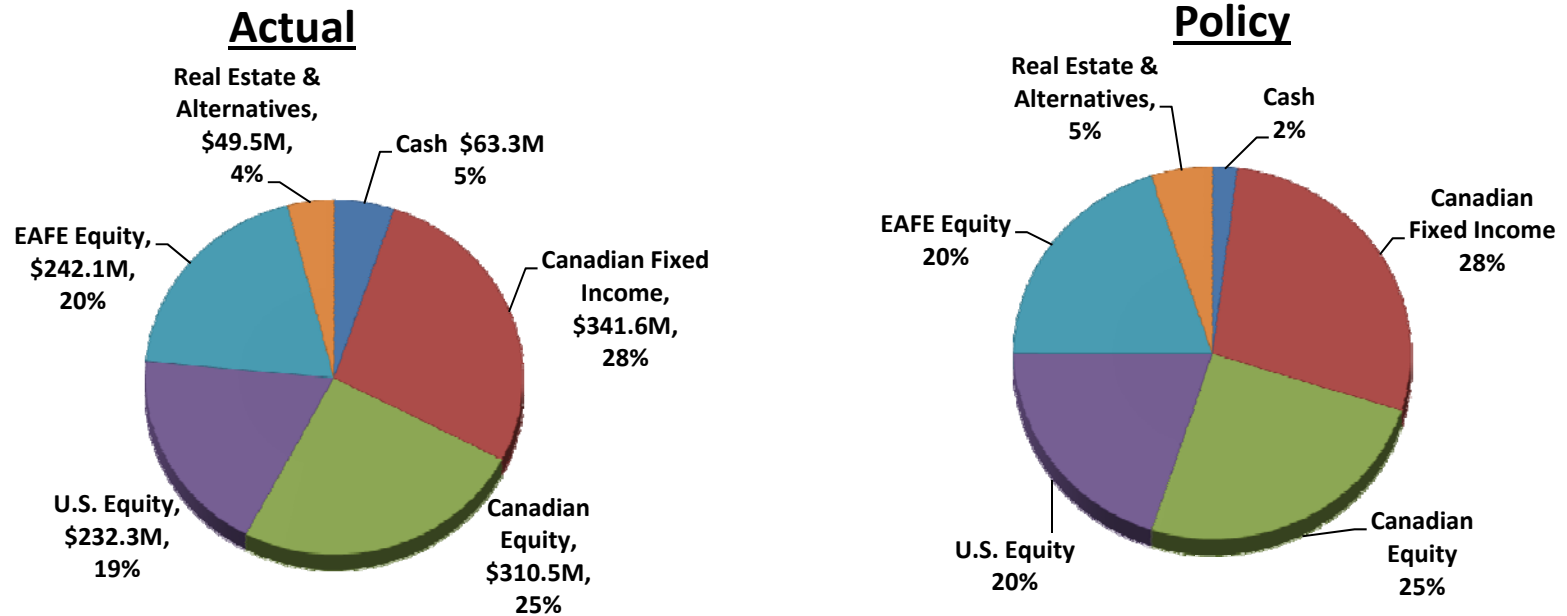
- Composite Benchmark is 30% S&P/TSX Comp + 20% MSCI EAFE (\$CAD) + 20% S&P 500 (\$CAD) + 28% Dex Universe + 2% Dex 91 Day T bills
- 12-month Total Gross Portfolio return of 20.1 % versus Composite Benchmark returns of 19.7 %. The following chart breaks down the attribution factors for this higher return + 0.4% relative to the current Benchmark. It shows positive value added from stock selection by Canadian, EAFE and US managers. The (Asset) Allocation Effect measures the impact of assets that are allocated differently from the policy benchmark. Eg. The Portfolio was underweight Canadian equity over the period and outperformed the policy benchmark for the period (28.7% for the SPTSX vs 19.7% for the composite benchmark) resulting in a negative allocation effect.



Note : Cash reflects the currency hedging effect which was negative over the period. RE & Other includes real estate and the residual investment in Banyan Capital. Please note that numbers may not add up due to rounding.

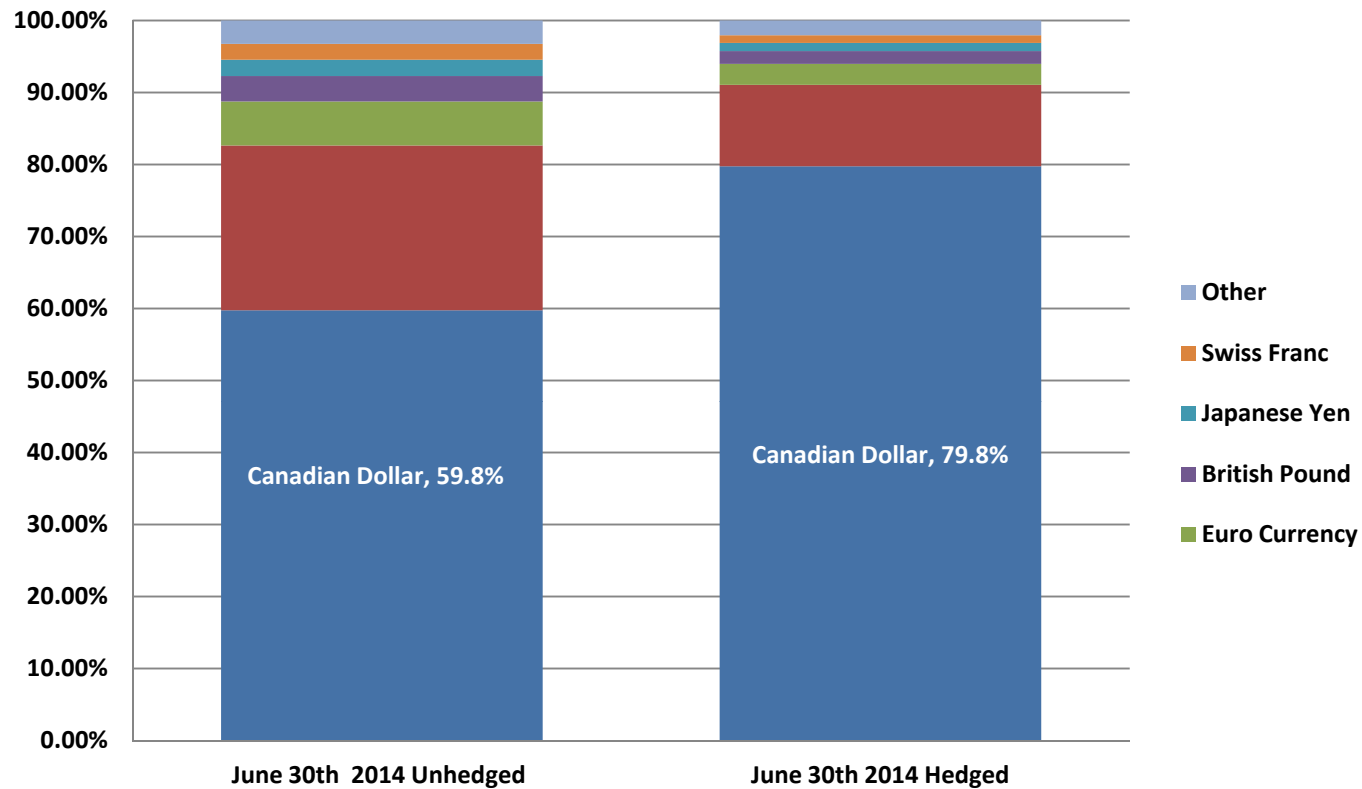
Pension Asset Mix as of June 30th, 2014

(Total Assets \$ 1.24 Billion)



Note: Cash includes manager residual cash balances, internal cash of \$ 23 mil and a positive currency hedging position of \$ 3.9 mill. Alternatives allocation includes Greystone Real Estate Fund and Banyan Capital Limited Partnership

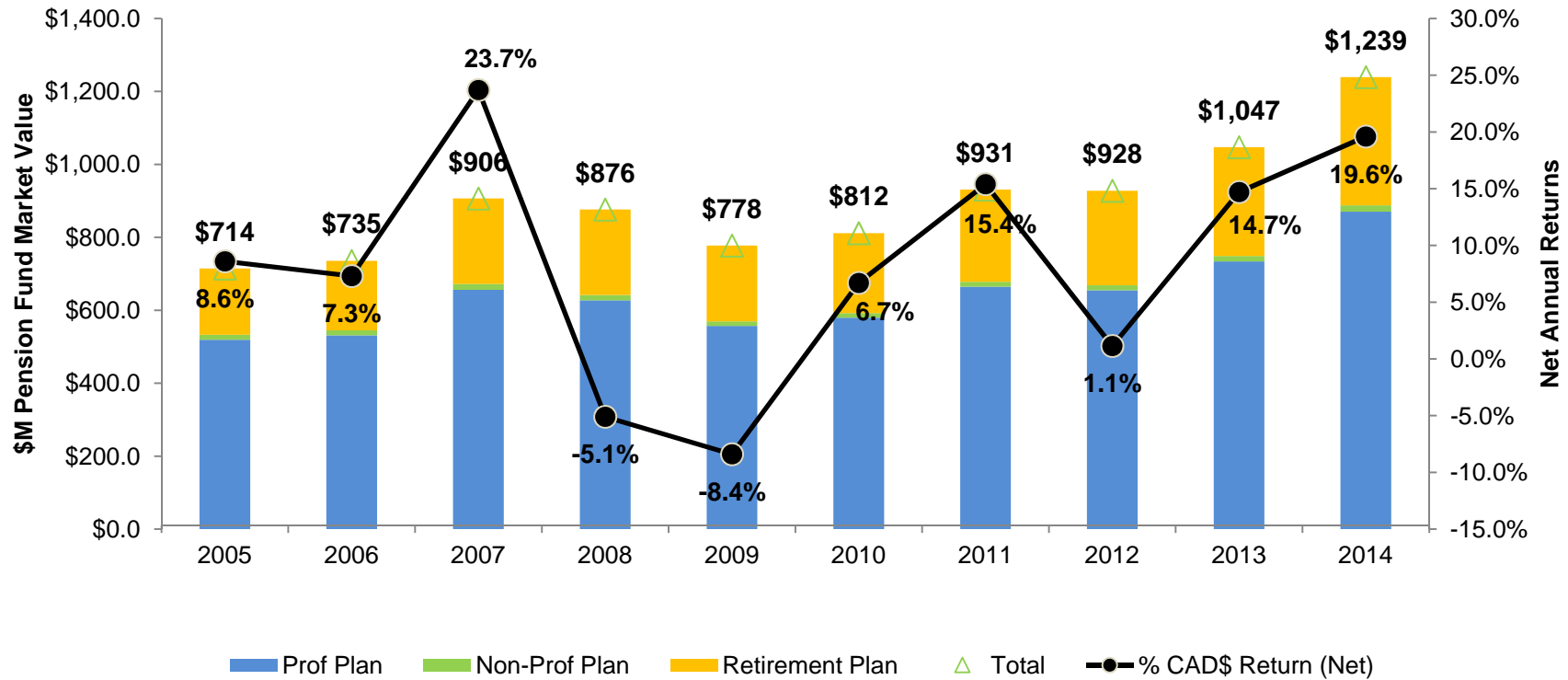
Pension Currency Exposure as of June 30th, 2014



Currency	June 30 th , 2014 Unhedged %	Gross Exposure (CAD in millions)	Hedge (CAD in millions)	June 30 th , 2014 Hedged %	Net Hedged Exposure (CAD in millions)
Canadian Dollar	59.8	\$738.1	\$250.4	79.8	\$988.5
U.S. Dollar	22.9	\$282.8	-\$142.7	11.3	\$140.1
Euro Currency	6.1	\$75.6	-\$39.7	2.9	\$35.9
Japanese Yen	2.3	\$28.0	-\$14.2	1.1	\$13.9
British Pound	3.5	\$43.7	-\$21.5	1.8	\$22.1
Swiss Franc	2.2	\$27.1	-\$13.6	1.1	\$13.4
Other	3.3	\$40.1	-\$14.8	2.1	\$25.3

Growth of Pension Assets

Net Annual Returns and Market Values at June 30th, 2014



Over the last 12 months the total Pension portfolio increased \$ 192 M to \$ 1,239 M consisting of:

- Total Contributions of \$ 51.7M and payments of \$ 61.9 M
- Annual return (net of investment management fees) of 19.6 % compared to 14.7% for the same period in 2013.