2014 Annual Report

POWER CORPORATION SUPERANNUATION PLAN

SaskPower
Powering the future®

YEAR AT A GLANCE

- A pension benefit increase of 1.02% became effective April 1, 2014, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan for the prior year.
- During 2014, the Plan paid $62 million in pension benefits.
- The Plan's actual return in 2014 was 9.3% compared to 12.9% for the benchmark return.
- Net assets available for benefits were $800 million at end of 2014, an increase of $9 million from 2013.
- The Plan ended 2014 with an accounting deficit of $180 million.

FACT

According to the 2014 Canadian Pension Fund Overview published by the Canadian Institutional Investment Network, the Plan is ranked 175th in Canada in net assets and is the 8th largest defined benefit pension plan in Saskatchewan.

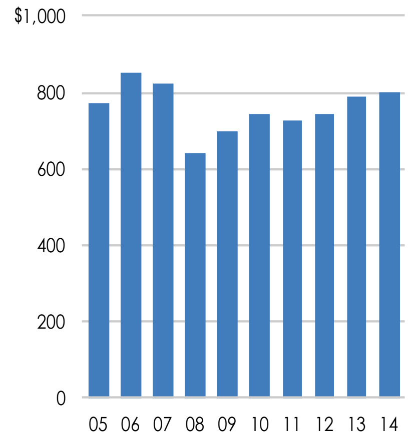
MISSION STATEMENT

To provide continuous pension benefits for Plan members through prudent stewardship of assets and liabilities, as well as effective plan administration in accordance with current legislation.

OVERVIEW

FINANCIAL HIGHLIGHTS

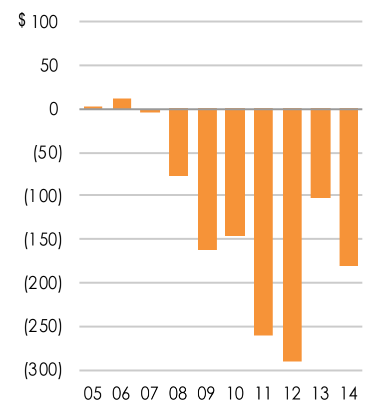
(in millions)		2014		2013
Investments				
Short-term	**$**	**3**	$	3
Bonds		**280**		249
Equities		**420**		447
Real estate		**59**		55
Infrastructure		**36**		35
Receivables		**2**		2
Cash		**3**		1
Total assets		**803**		792
Liabilities		**3**		1
Net assets available for benefits		**800**		791
Pension obligations		**980**		894
Deficit	**$**	**(180)**	$	(103)



NET ASSETS AVAILABLE FOR BENEFITS
AS AT DECEMBER 31 (millions)

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in millions)		2014		2013
Increases:				
Investment income	**$**	**26**	$	26
Increase in fair value of investments		**56**		91
		82		117
Decreases:				
Decrease in fair value of currency hedges		**7**		8
Benefit payments		**62**		61
Administration expenses		**4**		3
		73		72
Changes in net assets	**$**	**9**	$	45



SURPLUS / (DEFICIT)
AS AT DECEMBER 31 (millions)

INVESTMENT PERFORMANCE

Rates of return (%)	2014	2013
Plan actual rate of return	**9.3**	15.0
Plan benchmark	**12.9**	12.6
Four-year rolling average return	**9.2**	9.4
Four-year rolling benchmark	**9.9**	9.3

CONTENTS

This report summarizes certain provisions of the **Power Corporation Superannuation Plan** (the Plan). This report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Plan will govern in all cases.

CHAIR'S MESSAGE

It is my pleasure to present the Power Corporation Superannuation Plan Annual Report for the year ending December 31, 2014. The Report is intended to provide plan members with relevant information about their pension plan.

2014 has certainly been a challenging year for most pension plans. While we continue our effort to achieve a surplus in the Plan's funded status, there are a couple of factors pushing up the estimated cost of future benefits and increasing the Plan's deficit.

First, interest rates are at record lows. Despite significant equity returns over the past two years, the low interest rates more than offset these strong equity returns. The overall impact is an increase in the Plan's deficit.

Second, during the year the Canadian Institute of Actuaries published mortality tables that indicate pensioners are living longer. The Plan partnered with other government pension plans to engage an actuary to better understand the life expectancy of our Plan members. The good news is the actuary found that our pensioners' experience is consistent with the data released by the Canadian Institute of Actuaries and therefore our members are living longer. The impact of this good news is an increase of $35 million to the Plan deficit.

Notwithstanding the challenging interest rate environment and the fact that our pensioners are living longer, the actuarial funding valuation at December 31, 2014, indicates the plan is 95% funded. As interest rates rise, the Plan is expected to experience a surplus and be fully funded.

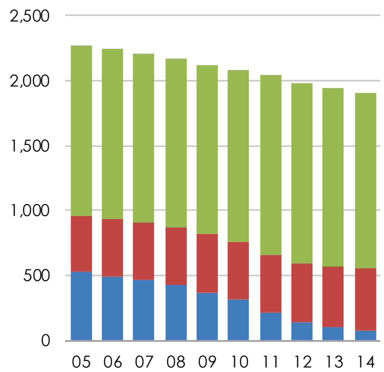
Equity markets produced strong returns in 2014; however, our Plan's returns fell short of the benchmark in all categories: Canadian, United States and Global equities. While there were deficiencies in all asset classes, equity returns were the largest contributor to the Plan's 9.3% actual rate of return lagging the benchmark's 12.9% return. We recognize the importance of addressing this shortfall. We expect managers to have short periods of underperformance; however, over the long term we expect them to add value.

An asset/liability study is underway for the Plan in 2015. This study will be used to confirm the assets held in the Plan are suited to the Plan's demographics and projected future cash flows. The study may also identify asset classes that would increase returns without increasing risk, or only slightly increase risk which the Board will prudently consider. Once the results of the asset/liability study are known and we have information on the appropriate asset mix for the Plan, the Board will cautiously assess the ability of the Plan's existing managers to meet our expectations.

I would like to thank the Board and staff for their continued dedication throughout the year and I look forward to working with them in 2015.

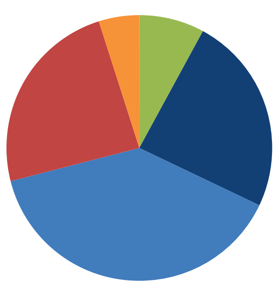
Grant Ring

Grant Ring
Chair
Power Corporation Superannuation Board



PLAN MEMBERSHIP (NUMBER OF MEMBERS)

- SUPERANNUATES AND DEFERRED
- SURVIVORS
- ACTIVE



2014 PENSIONERS BY AGE

- UNDER 60 8%
- 60-69 24%
- 70-79 39%
- 80-89 24%
- OVER 89 5%

THE 2014 FINANCIAL YEAR

PLAN PROFILE

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) of 1950 and *The Superannuation (Supplementary Provisions) Act*. The Power Corporation Superannuation Board is responsible for administering the Act. The Plan comprises members who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

In accordance with the Act, the Saskatchewan Power Corporation (SaskPower) shall pay each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Pension options, such as joint life of 60%, 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan holds a well-diversified portfolio of bonds, equity, real estate and infrastructure investments. Net assets totalled $800 million at year-end, an increase of $9 million over the previous year. Of this total, approximately $471 million or 59% of assets was invested in Canadian short-term investments, bonds, equities, and real estate while the remaining 41% was invested in 21 different countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

PLAN DEMOGRAPHICS

The Plan has been closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement.

Approximately 96% of total members are receiving benefits. At December 31, 2014, there were 1,812 receiving a pension, 5 eligible for a deferred pension and 74 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy and other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions were required to make contributions at a rate recommended by the Plan actuary.

Both members and employers (SaskPower and designated institutions) have contributed to funding. Since inception, cumulative contributions total $329 million. Of this amount, cumulative employer contributions represent 39% or $130 million of the total; cumulative 2009 binding court settlement payments by SaskPower total 25%, or $81 million; and cumulative employee contributions total 36%, or $118 million. During the year, the Plan paid $62 million in benefits, compared to $61 million in 2013.

At a minimum, an actuarial valuation for funding purposes is prepared every three years in accordance with *The Pension Benefits Regulations, 1993*. The SaskPower Board, in late 2011, approved a Power Corporation Superannuation Plan Funding Policy. SaskPower uses this policy as a guideline to ensure that the Plan is adequately funded. In accordance with the policy, no contributions were made by SaskPower during 2014.

While the cost of future benefits is increasing as pensioners live longer, decreases in long-term interest rates have resulted in a decrease in the discount rate, thereby driving up the projected pension deficit.

SIGNIFICANT COMMUNICATIONS AND EVENTS

ANNUAL BENEFIT STATEMENTS

During 2014, benefit statements were distributed for the year ending March 31, 2014 to all active members. These statements reflect basic pension information and are distributed annually.

ANNUAL REPORT

The Power Corporation Superannuation Plan Annual Report is made available to all members.

PENSION COMMUNICATIONS

A Pension Update newsletter is distributed to all members annually.

INDEXATION

In the fall of 2006, the provincial government introduced legislation to set indexing for the Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 1.02% was granted in 2014.

CONSISTENT INVESTMENT PERFORMANCE

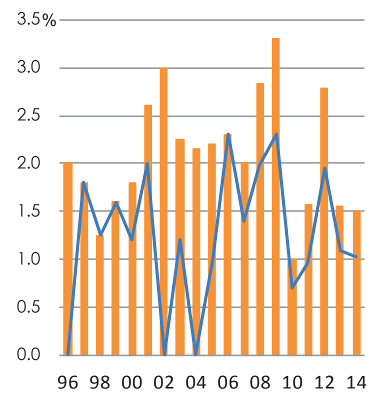
The Plan's overall return in 2014 was 9.3% compared to the benchmark of 12.9%. The Plan's investment managers continue to add value over a 10-year cycle with a 7.0% return versus the benchmark return of 6.8%.

DEFICIT

The Plan's actuarial deficit for accounting purposes at the end of 2014 was $180 million. This is an increase of $77 million from the previous year end, primarily as a result of a decrease in the discount rate from 4.50% to 3.75% and a change in the mortality assumption, offset by higher investment earnings than forecast.

PLAN INVESTMENT MANAGER CHANGES

During 2014, the Plan made a change to its investment managers. The Plan transitioned the management of its international equity portfolio, which totalled $86 million, from Greystone Managed Investments Inc. (sub-advised by Hansberger Global Investors) to Templeton Management Limited.



PENSION BENEFIT INCREASES

PLAN GOVERNANCE

AUTHORITY

The Power Corporation Superannuation Board is responsible for the overall governance and administration of the Plan. Board Members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The mandate of the Board is to ensure the Plan is administered in accordance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

ROLE OF THE BOARD

The Board selects the Plan's actuary, custodian and investment managers, and sets the Plan's investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks; reviewing investment policies and the performance of investment managers; evaluating the pension obligation; adopting policies that provide effective communication and maintain the integrity of internal controls; and ensuring that the financial statements are audited by an independent external auditor.

The Board bases its decisions on comprehensive research and input from expert advisors and staff. The Board serves as a vital check to ensure the prudent management of the Plan's assets and monitors the Plan's overall administration to ensure that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

BOARD COMPOSITION *AS AT DECEMBER 31, 2014*		
Grant Ring Chair Vice-president, Business Development SaskPower	**Ken Pielak** Employee representative Unifor SaskEnergy (retired)	**Kerry Friesen** Superannuate Representative Power Pioneers Association Inc. SaskPower (retired)
Rachelle Verret Morphy Vice-chair Vice-president, Law, Land and Regulatory Affairs, General Counsel and Assistant Secretary SaskPower	**Dairen Beblow** Treasurer, Finance, SaskPower	
Robert Haynes SaskEnergy representative Vice-president, Human Resources and Corporate Affairs SaskEnergy	**Brian Ross** Employee representative International Brotherhood of Electrical Workers (IBEW) SaskPower (retired)	

BOARD MEMBER TRAINING

Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is important they are knowledgeable in pension related matters and that they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, annual training, development and maintenance for the Board (including travel and related costs) are paid for by the Plan. In 2014, Board Member training costs totalled $29 thousand.

These costs do not include any Board Member training that may have been paid by SaskPower or any other institution. Board Members do not receive compensation for their services.

BOARD AND MANAGEMENT

Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. SaskPower staff that work with the Plan are expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff members are involved in monitoring the activities of the investment managers and reviewing the asset mix. They are also the primary contacts for member inquiries. SaskPower staff report to the Board on a regular basis, providing summarized information relating to financial transactions, investments, retirement benefit activity and overall performance.

INDEPENDENT EXPERTS

The Plan's Statement of Investment Policies and Procedures (SIP&P) provides guidelines for investment and monitoring assets. These principles were established to optimize the Plan's return on investments based on a given level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policies outline a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial and investment professionals, as well as a custodian.

The Board is required to meet at least quarterly with the investment advisor and annually with each of the investment managers to discuss past performance, strategies and expected future performance, as required by the SIP&P. As well, the Board reviews valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2014, the Board met quarterly to review financial results, performance and retirement benefit activity.

INVESTMENT MANAGERS

Investment managers at December 31, 2014, were:

ASSET CLASS	INVESTEMENT MANAGER
Canadian equity	BlackRock Asset Management Canada Limited
Canadian equity	Triasima Portfolio Management Inc.
Bonds and real estate	Greystone Managed Investments Inc.
Global equity	Templeton Management Limited
US equity	Lord, Abbett & Co. LLC
Infrastructure	Macquarie Capital Markets Canada Limited
Currency hedging	Mesirow Financial Investment Management Inc.

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to obtain an acceptable risk/return profile for each asset class. The investment managers report results to the Board on a regular basis.

INVESTMENT CONSULTANT

Aon Hewitt is the Plan's investment consultant and provides an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

CUSTODIAN

RBC Investor & Treasury Services (RBC I&TS) serves as custodian. In this role, RBC I&TS holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the SIP&P.

ACTUARY

Aon Hewitt prepares annual actuarial valuations for accounting purposes. Every three years or as requested, Aon Hewitt also provides valuations for funding purposes. The Actuarial Opinion and Cost Certificate is found on page 11.

AUDITORS

An independent external auditor, Deloitte LLP, was contracted to perform the 2014 annual audit of the Plan's financial statements. The audit is conducted in accordance with Canadian generally accepted auditing standards. Deloitte LLP's professional opinion on the financial statements is found in its Independent Auditor's Report, attached to the financial statements. On an annual basis, the Provincial Auditor reviews the independent external auditor's work on the financial statements. The Independent Auditor's Report is found on page 13.

INVESTMENT HIGHLIGHTS

INVESTMENT STRATEGY

The investment objective of the Plan is to meet current and future pension payment obligations. Assets are invested in a diversified portfolio; the funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By holding a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.

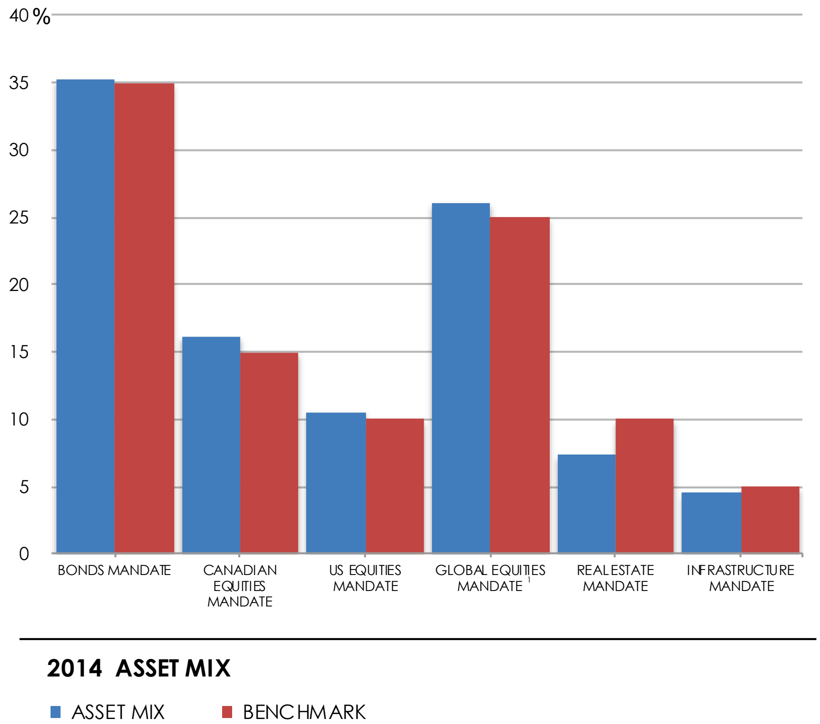
During the year, the Board approved lowering the duration of the Plan's fixed income portfolio from fourteen years to a target of seven years to manage a portion of the Plan's exposure to rising interest rates. The Board approved the use of floating rate notes to modify the duration of the fixed income portfolio. Floating rate notes are a debt instrument with a variable interest rate. They are mainly issued by financial institutions and governments and typically have a two to five year term to maturity.

INVESTMENT POLICIES

The Plan's SIP&P is approved by the Power Corporation Superannuation Board, and is consistent with *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act,* and *The Superannuation Acts Uniform Regulations*. The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, bond ratings and bond duration.

At present, the target asset mix for the Plan is 50% equity, 35% bonds, 10% real estate and 5% infrastructure. The 50% target for equities is comprised of three equity mandates: 15% Canadian, 25% Global, and 10% US. The actual mix at any one time, however, may differ from this target due to fluctuations in the market. The Plan's asset mix at the end of the year was in compliance with the guidelines laid out in the SIP&P.

The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark return. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10-year period.



2014 ASSET MIX

1. Excludes Canadian equities.

A benchmark return, based on the actual return of a market index, is identified in the SIP&P for each of the Plan's investment mandates. The market index used for each mandate is as follows:

- 50% FTSE TMX 91 Day Treasury Bill Index, 50% FTSE TMX Long Term Bond Index for the bonds mandate;
- S&P/TSX Composite Index for the Canadian equity mandate;
- Russell 3000 Index for the US equity mandate;
- Morgan Stanley World (excluding Canada) Index for the global mandate;
- Investment Property Databank for the real estate mandate; and
- Consumer Price Index plus acceptable return approach for the infrastructure mandate.

The Plan's benchmark return has been determined using the actual returns of the above noted market indices, weighted based on the target asset mix for the investment mandate for which each index serves as a benchmark.

Monitoring performance is a key activity in supporting the investment objectives. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation of the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over bond investments on the basis of substantial evidence that, over time, equities provide superior returns.

INVESTMENT PERFORMANCE

The Plan's performance is measured by comparing its return to the benchmark portfolio. During 2014, the Plan achieved a rate of return of 9.3%, compared to the benchmark return of 12.9%.

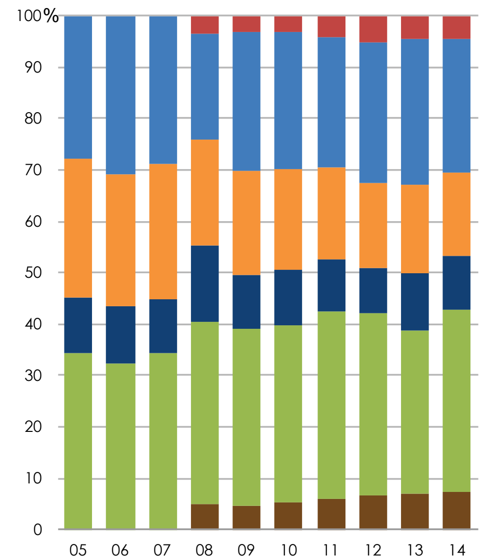
A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. Over the period 2011-2014, the Plan averaged an annual return of 9.2%, compared to the benchmark average of 9.9%. Over the past 10 years, the Plan has averaged an annual return of 7.0% compared to the benchmark of 6.8%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class.

FINANCIAL HIGHLIGHTS

During the year, equity markets had strong performance. Overall, the Plan ended the year with net assets available for benefits totalling $800 million, an increase of $9 million over the previous year. Over the past five years, the Plan has seen net assets available for benefits increase by $56 million while paying out $287 million in benefits.

In 2014, the Plan paid $62 million in benefits and $4 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording investments. These fees are based on the fair value of assets under management.



ASSET ALLOCATION

REAL ESTATE
BONDS (FIXED INCOME)
US EQUITIES
CANADIAN EQUITIES
INTERNATIONAL EQUITIES
INFRASTRUCTURE

ACTUARIAL VALUATION

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge within the Plan requires a sound financial base. To assess the financial status of the Plan, two methods are used to value the Plan:

- An actuarial valuation for accounting purposes is performed annually at September 30 and extrapolated to December 31. This valuation is based on best estimates, with the important exception of the discount rate which is prescribed by International Financial Reporting Standards (IFRS), IAS 19 (Revised), and only takes into account the benefits already earned to date by current retirees, deferred members and active members, as well as contributions already received by the Plan.
- An actuarial valuation for funding purposes is required to be prepared every three years. It determines the long-term financial health of the Plan at current contribution rates. In preparing the funding valuation, the actuary projects the Plan's benefit costs (including inflation protection) and compares them to plan assets.

PLAN PERFORMANCE

TOTAL PLAN BENCHMARK CPI (CANADA) + 4%

In 2014, the Plan recognized an actuarial deficit of $180 million for accounting purposes (financial statement reporting), compared to a $103 million deficit at the previous year end. The pension obligations increased by $86 million, primarily as a result of a decrease in the discount rate and a change in the mortality assumption, offset by higher investment earnings than forecast.

Net assets available for benefits have increased by $9 million.

Actuarial accounting deficit (in millions)		**2014**		2013
Net assets available for benefits	**$**	**800**	$	791
Pension obligations		**980**		894
Deficit	**$**	**(180)**	$	(103)

ACTUARIAL METHODOLOGY AND ASSUMPTIONS

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. With the important exception of the discount rate, the actuarial assumptions are management's best estimate and attempt to arrive at the most likely outcome. The discount rate has been determined in accordance with IFRS, IAS 19 (Revised). The discount rate is prescribed to approximate the long term high quality Canadian Corporate bond yield as at December 31, 2014. Management expects the long term return on the Plan's investments to be greater than this rate.

During the year, SaskPower, along with other government agencies, engaged Aon Hewitt to conduct a mortality study for Saskatchewan public sector plans. Aon Hewitt concluded that the life expectancy of pensioners covered by the study is more closely represented by the CPM Private Sector mortality table than by the CPM Public Sector mortality table. Therefore, the mortality assumption changed from the Uninsured Pensioner 1994 Mortality Table with Generational Mortality Projections using Scale AA in accordance with the results of the mortality study. The mortality assumption now uses the 2014 Private Sector Mortality Table (CPM2014Priv) with 95% scaling for male mortality rates, 110% scaling factor for female mortality rates and two-dimensional generational mortality improvements using Improvement Scale B (CPM-B). The change in mortality assumption increased liabilities by $35 million, therefore increasing the plan deficit.

The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members, pensioners, and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Economic actuarial assumptions	**2014**	2013
Discount rate, beginning of year	**4.50%**	3.75%
Discount rate, end of the year	**3.75%**	4.50%
Long-term rate of compensation increases	**N/A**	2.00%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2014, actuarial valuation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 0.5% (from 3.75% to 4.25%) would decrease liabilities, reducing the plan deficit by $51 million.

Salary: A real salary assumption increase of 0.5% would have no impact on the deficit due to the fact that a salary increase assumptions is not necessary as all active members as at the valuation date are assumed to retire immediately given their age and service levels.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (from 2.00% to 1.50%) would increase the deficit by $15 million. A lower inflation rate reduces both the discount rate and future pension obligation increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years' worth of increased pension payments payable from the Plan, thus increasing the past and future service liabilities under the Plan and increasing the deficit by $2 million.[1]

Mortality: A change in the mortality assumption so that each member is one year older would decrease liabilities, reducing the plan deficit by $30 million.

ACTUARIAL VALUATION FOR FUNDING PURPOSES

The actuarial assumptions for the funding valuation are management's best estimate and attempt to arrive at the most likely outcome. With the exception of the discount rate, the assumptions for the funding valuation are consistent with the assumptions for the accounting valuation. The discount rate for the funding valuation is management's estimate of the return on the Plan's assets.

Actuarial funding (deficit) surplus (in millions)	**2014**	2011
Actuarial value of assets	**$ 745**	$ 771
Total liabilities	**783**	762
(Deficit) surplus	**$ (38)**	$ 9

In 2011, SaskPower implemented a funding policy which specifies the amount of funding into the Plan by SaskPower in a given year shall be a range. The minimum amount, when the Plan's funded status is 95% or greater, is zero and when the Plan's funded status is less than 95%, is the funding deficit divided by 10. The maximum amount of funding into the Plan is the funding deficit. Funding into the Plan in a given year shall take place within 3 months following the actuary finalizing its Funding Valuation for the Plan.

At December 31, 2014, the Plan's funded status is 95%. Therefore, in accordance with the funding policy, SaskPower will not contribute to the plan in 2015.

[1] Current *Income Tax Act* Regulations do not allow a bridge benefit to be paid past age 65. As such, this is provided for information purposes only. Costing is in respect of active and deferred members only.

ACTUARIAL OPINION AND COST CERTIFICATE

Aon Hewitt was retained by the Saskatchewan Power Corporation to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the "Plan") as at December 31, 2014, for accounting information purposes. The accounting valuation was performed in accordance with the accounting valuation under Chapter 19 – "*Employee Benefits*" (IAS 19) (Revised) of the International Accounting Standards Board (IASB).

With the important exception of the discount rate, our valuation results have been determined using actuarial assumptions which may be considered management's best estimate, with equal likelihood that over time the true liabilities will prove to be greater than or less than the amounts we have determined. The discount rate has been determined in accordance with International Financial Reporting Standards, IAS 19 (Revised).

The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2014;
- methods prescribed by the International Financial Reporting Standards, IAS 19 (Revised); and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on December 31, 2014, as a going concern. While the actuarial assumptions used to estimate liabilities for the Saskatchewan Power Corporation's financial statements represent management's best estimate of future events with the important exception of the discount rate, and, while we do not render a specific opinion on these assumptions, they are not unreasonable when considering the circumstances of the Plan and the purpose of the valuation. The Plan's future experience will inevitably differ, perhaps significantly, from these actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purpose of the valuation. We also believe that the methods employed in the valuation are appropriate for the purpose of the valuation. Our valuation has been performed in accordance with accepted actuarial practice in Canada.

The results of our accounting actuarial valuation disclosed total actuarial liabilities of $980,021,000 in respect of benefits accrued for service prior to December 31, 2014. The total value of assets was $800,229,000 at December 31, 2014. The accounting actuarial deficit as of December 31, 2014, is $179,792,000. The total cost of benefits to be accrued in the twelve months following December 31, 2014, is $0 as at December 31, 2014.

Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 3, 2015

REPORT OF MANAGEMENT

The financial statements of the Power Corporation Superannuation Plan (the Plan) are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to March 12, 2015. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. SaskPower's internal audit function independently evaluates the effectiveness of these controls.

The Power Corporation Superannuation Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings, the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the Independent Auditor's Report have been reviewed and approved by the Board of Directors. The external auditor has full and open access to the Board of Directors with and without the presence of management.

The financial statements have been examined by Deloitte LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The independent external auditor's responsibility is to express its opinion on whether the financial statements are fairly presented in accordance with Canadian accounting standards for pension plans.

On behalf of management,

D. R. John Scobie
Director, Business Analysis and Risk Management
SaskPower
March 12, 2015

Sandeep Kalra
Vice-president and Chief Financial Officer
SaskPower

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Power Corporation Superannuation Plan which comprise the statement of financial position as at December 31, 2014, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Power Corporation Superannuation Plan as at December 31, 2014, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants
March 12, 2015
Regina, Saskatchewan

STATEMENT OF FINANCIAL POSITION

(in thousands)

As at December 31	2014	2013
Assets		
Investments *(Note 5)*		
Short-term	**$ 3,227**	$ 2,429
Bonds	**280,392**	248,480
Equities	**420,476**	446,850
Real estate	**58,707**	55,231
Infrastructure	**35,969**	34,994
	798,771	787,984
Receivables		
Accrued investment income	**1,393**	2,079
Other receivables	**586**	189
	1,979	2,268
Cash	**2,975**	1,333
Total assets	**803,725**	791,585
Liabilities		
Currency hedges *(Note 7)*	**2,224**	86
Accounts payable and other liabilities	**1,272**	902
	3,496	988
Net assets available for benefits	**$ 800,229**	$ 790,597
Pension obligations and deficit		
Pension obligations	**$ 980,021**	$ 893,618
Deficit	**(179,792)**	(103,021)
Pension obligations and deficit	**$ 800,229**	$ 790,597

See accompanying notes

On behalf of the Board:

Grant Ring

Dairen Beblow

Grant Ring
Chair

Dairen Beblow
Member

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

For the year ended December 31	2014	2013
Increase in net assets		
Investment income		
Interest		
Short-term	**$ 304**	$ 355
Bonds	**9,455**	10,653
	9,759	11,008
Dividends	**17,001**	14,879
	26,760	25,887
Increase in fair value of investments	**55,998**	91,238
Contributions		
Employees'	**-**	3
Sponsors'	**-**	4
	-	7
Total increase in net assets	**82,758**	117,132
Decrease in net assets		
Decrease in fair value of currency hedges	**7,388**	8,083
Benefit payments	**62,009**	60,848
Refunds and transfers	**302**	-
Death benefit payments	**-**	106
Administrative expenses *(Note 11)*	**3,427**	3,499
Total decrease in net assets	**73,126**	72,536
Changes in net assets	**9,632**	44,596
Net assets available for benefits, beginning of year	**790,597**	746,001
Net assets available for benefits, end of year	**$ 800,229**	$ 790,597

See accompanying notes

STATEMENT OF CHANGES IN PENSION OBLIGATIONS
(in thousands)

For the year ended December 31	2014	2013
Increase in pension obligations		
Benefits accrued	**$ -**	$ 60
Actuarial losses	**108,887**	-
Interest on obligations	**38,811**	37,709
Experience losses	**1,016**	-
	148,714	37,769
Decrease in pension obligations		
Benefits paid	**62,009**	60,848
Refunds and transfers	**302**	106
Actuarial gains	**-**	111,295
Experience gains	**-**	7,900
	62,311	180,149
Pension obligations, beginning of year	**893,618**	1,035,998
Pension obligations, end of year	**$ 980,021**	$ 893,618

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

(a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation; SaskPower) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

(b) Funding policy

In accordance with *The Power Corporation Superannuation Act* (Act), the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. The Act does not require the Plan to be funded but provides a SaskPower guarantee of pension benefits.

The Corporation hires an actuary to determine the funded status of the Plan at least every three years as required by the Canada Revenue Agency which requires registered pension plans to file a funding valuation at a minimum every three years.

The Corporation implemented a funding policy in 2011 which specifies the amount of funding into the Plan by the Corporation in a given year shall be a range. The minimum amount, when the Plan's funded status is 95% or greater, is zero and when the Plan's funded status is less than 95%, is the funding deficit divided by 10. The maximum amount of funding into the Plan is the funding deficit. Funding into the Plan in a given year shall take place within 3 months following the actuary finalizing its Funding Valuation for the Plan.

(c) Employee and employer contributions

During 2013 all plan members reached the maximum pensionable years of service (35 years) and are no longer required to contribute to the Plan. As a result, employer current service contributions have also ceased.

(d) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service. Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Employees may retire with an early-reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service. Both age and service criteria must be met to be eligible for an early-reduced retirement.

Pension obligations are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding calendar year. Increases are subject to the maximum increase permitted under the *Income Tax Act* (Canada).

(e) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion. Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance that they would have received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

(f) Deferred allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence an unreduced retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence an unreduced retirement allowance, is at age 60.

(g) Refunds and transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest as a lump-sum payment less statutory deductions; as a transfer to their registered retirement savings plan; or as a transfer pursuant to the terms of an existing reciprocal agreement with another registered pension plan. Once a refund or transfer has been processed, the member has no further claim against the Plan.

(h) Other benefits
Under certain circumstances, members may purchase additional credited service in the Plan.

(i) Income taxes
The Plan is a registered pension plan as defined in the *Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by RBC Investor & Treasury Services (I&TS) on behalf of the Corporation and remitted to the Canada Revenue Agency.

2. BASIS OF PREPARATION

(a) Statement of compliance
The financial statements for the year ended December 31, 2014, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the Chartered Professional Accountants (CPA) Handbook Section 4600, *Pension Plans.* For matters not addressed in Section 4600, the Plan follows the requirements of International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Directors on March 12, 2015.

(b) Functional and presentations currency
These financial statements are presented in Canadian dollars, which is the Plan's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(c) Use of estimates and judgments
The preparation of the Plan financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the pension obligation, the fair value of investments and investment related receivables and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(d) New standards not yet adopted
The Plan is currently reviewing IFRS 9, *Financial Instruments* which is effective January 1, 2018 to determine the potential impact, if any. There are no plans to early adopt the new standard.

3. PRIOR PERIOD RECLASSIFICATIONS

The prior year infrastructure reconciliation of investments measured at fair value using unobservable inputs (level 3) was restated to reflect infrastructure realized gains of $5.9 million which were not disclosed. Therefore, the change in unrealized gains (losses) has been restated. The following table shows the restatement. The comparative numbers in *Note* 6 include the restated figures.

(in thousands)		2013 as previously reported		Adjustment		**Restated**
		Infrastructure		Infrastructure		**Infrastructure**
Beginning balance, January 1	$	37,689	$	-	**$**	**37,689**
Purchases		-		-		**-**
Return of capital		(9,855)		-		**(9,855)**
Realized gains[1]		-		5,891		**5,891**
Change in unrealized gains (losses)		7,160		(5,891)		**1,269**
Ending balance, December 31	$	34,994	$	-	**$**	**34,994**

1. The realized gains resulted from a sale of one of the assets in Macquarie Infrastructure Partners II (MIP II) by the Limited Partner. The Plan did not dispose of any of its investment in MIP II.

The prior year currency hedging of the United States dollar and the Hong Kong dollar were misstated. The following tables show the restatement. The comparative numbers in Note 8 include the restated figures.

(in thousands)		2013 as previously reported		Adjustment		**Restated**		2013 as previously reported		Adjustment		**Restated**
		Currency hedging		Currency hedging		**Currency hedging**		Net exposure		Net exposure		**Net exposure**
United States dollar	$	(104,103)	$	24,742	**$**	**(79,361)**	$	53,228	$	24,742	**$**	**77,970**
Hong Kong dollar[1]		12,371		(24,742)		**(12,371)**		34,458		(24,742)		**9,716**
Total	$	(91,732)	$	-	**$**	**(91,732)**	$	87,686	$	-	**$**	**87,686**

1. The Hong Kong dollar is proxy hedged with the United States dollar.

(in thousands)		Change in value of Canadian dollar			2013 as previously reported			Adjustment			**Restated**
United States dollar	+/-	10%	+/-	$	5,323	+/-	$	2,474	**+/-**	**$**	**7,797**
Hong Kong dollar	+/-	10%	+/-		3,446	+/-		(2,474)	**+/-**		**972**
Total fair value impact			+/-	$	8,769	+/-	$	-	**+/-**	**$**	**8,769**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investment income

Investment income includes dividend income and interest on bonds and short-term securities. Income is recognized as interest is earned and at the ex-dividend date for declared dividends.

(b) Transaction costs

Broker commissions and other transaction costs are included in the cost of the investment for purchases and for dispositions, a reduction in the sales proceeds.

(c) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Financial assets and liabilities denominated in foreign currency are adjusted to reflect exchange rates at the reporting date. Foreign currency translation gains and losses are included in the increase or decrease in fair value of investments.

(d) Financial instruments

<u>Classification and measurement</u>

The Plan classifies its financial instruments at fair value through profit or loss. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of changes in net assets available for benefits in increase/decrease in fair value of investments.

Derivative financial instruments, including forward exchange contracts are recognized as a financial asset or a financial liability on the trade date. All derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the statement of financial position as currency hedges. Subsequent changes in fair value of these derivative financial instruments are recognized in the statement of changes in net assets available for benefits as increase/decrease in fair value of currency hedges.

<u>Fair value</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date.

The Plan has classified the fair value of its investments as level 1, 2, or 3 *(Note 6)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Plan has immediate access.

Investments in equities are recorded at fair value which is determined using year-end market prices from recognized security dealers. Transactions in equities are recorded as of the trade date.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Investments in bonds are recorded at fair value which is determined using year-end mid-market prices from a recognized security dealer. Transactions in bonds are recorded as of the trade date.

Derivative financial instruments, including forward exchange contracts, are valued at year-end quoted market prices.

Pooled funds are recorded based on the net asset value per unit of the underlying investments determined using year-end market prices.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

Real estate is in a pooled fund and is recorded based on the net asset value per unit of the underlying investments determined using independent appraisals.

Infrastructure investments are valued by the infrastructure manager using one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The discounted cash flow model is the primary valuation method to estimate the fair value of the infrastructure investments.

5. INVESTMENTS

Schedule of investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flows to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as Canadian and foreign equities, money market securities, bonds and alternative investments. The Plan's target asset mix is 50% equity, 35% debt (bonds), 10% real estate and 5% infrastructure.

The schedule below summarizes the Plan's investments as at December 31:

(in thousands)	**2014**	2013
Short-term		
Canadian	**$ 3,227**	$ 2,429
	3,227	2,429
Bonds		
Government of Canada and federally-guaranteed	**72,504**	36,756
Provincial and provincially-guaranteed *(Note 10)*	**137,134**	140,858
Corporate	**70,754**	70,866
	280,392	248,480
Equities		
Canadian	**128,776**	135,333
Global	**207,515**	132,167
Non-North American	**-**	91,617
US	**84,185**	87,733
	420,476	446,850
Alternatives		
Real estate	**58,707**	55,231
Infrastructure	**35,969**	34,994
	94,676	90,225
Total investments	**$ 798,771**	$ 787,984

Short-term

The Plan's short-term investments are highly rated by a rating agency with respect to likelihood of repayment (R1 rated by Dominion Bond Rating Service or equivalent for other rating agencies) in accordance with the Plan's Statement of Investment Policies and Procedures (SIP&P). At December 31, 2014, the majority of the Plan's short-term investments mature within 2 to 127 days (2013 – 32 to 296 days) at an average yield of 0.7% (2013 – 0.8%).

Bonds

The Plan's bond portfolio is invested as follows:

(in thousands)		2014		2013	
	Years to maturity	**Fair Value**	**Average coupon (%)**	Fair Value	Average coupon (%)
Federal bonds	0-5	**$ 49,658**	**1.32**	$ -	-
	6-10	**8,517**	**2.70**	-	-
	11-15	**-**	**-**	-	-
	16-20	**7,251**	**5.75**	-	-
	20+	**7,078**	**4.17**	36,756	3.86
		72,504		36,756	
Provincial bonds	0-5	**58,032**	**1.42**	-	-
	6-10	**1,070**	**3.50**	10,961	3.83
	11-15	**-**	**-**	12,852	5.55
	16-20	**47,019**	**5.83**	70,336	6.21
	20+	**31,013**	**4.49**	46,709	4.58
		137,134		140,858	
Corporate bonds	0-5	**32,678**	**1.75**	-	-
	6-10	**-**	**-**	-	-
	11-15	**4,871**	**5.90**	3,001	6.77
	16-20	**8,184**	**6.56**	7,906	7.10
	20+	**25,021**	**5.66**	59,959	5.79
		70,754		70,866	
Total bonds		**$ 280,392**		$ 248,480	

Equities

The Plan's equity investments consist of both segregated and pooled fund investments. Equity investments are generally limited to stocks that are publicly traded on a recognized stock exchange. In 2014 the Plan held $420,476 thousand (2013 – $446,850 thousand) in equities. Of this total, 31% or $128,776 thousand (2013 – 30% or $135,333 thousand) of the Plan's equities were invested in Canada, with the remaining 69% or $291,700 thousand (2013 – 70% or $311,517 thousand) invested in mandates outside of Canada.

Dividends are generally declared on a quarterly basis. These investments have no fixed maturity date and are generally not directly exposed to interest rate risks.

Segregated

Segregated investments are limited to stocks that are publicly traded on a recognized stock exchange.

(in thousands)		2014		2013	
	Asset class	**Fair value**	**% of Plan investments**	Fair value	% of Plan investments
Templeton Management Limited	Global equity	**$ 207,515**	**26.0**	$ 132,167	16.8
Lord, Abbett & Co. LLC	US equity	**84,185**	**10.6**	87,733	11.1
Jarislowsky Fraser	Canadian equity	**-**	**-**	3	-
Triasima Portfolio Management Inc.	Canadian equity	**64,472**	**8.1**	67,361	8.5
Total segregated equity assets		**$ 356,172**	**44.7**	$ 287,264	36.4

Pooled funds
A pooled fund contains funds from many individual investors that are aggregated for the purpose of investment. The unit price of the pooled fund is determined by the overall performance of each of the assets in the fund. The pooled funds breakdown is as follows:

(in thousands)		2014		2013	
	Asset class	**Fair value**	**% of Plan investments**	Fair value	% of Plan investments
Greystone Managed Investments Inc. [1]	International equity [2]	**$ -**	**-**	$ 91,617	11.6
BlackRock Asset Management Canada Limited	Canadian equity	**64,304**	**8.1**	67,969	8.6
Total pooled fund equity assets		**$ 64,304**	**8.1**	$ 159,586	20.2

1. Greystone Managed Investments Inc. delegated the management of these funds to Hansberger Global Investors.
2. Europe, Australasia, Far East equity (Non-North American)

Real estate
The Plan's real estate portfolio is a Canadian-based pooled fund that is diversified through all parts of Canada and holds office, retail and industrial properties.

(in thousands)		2014		2013	
	Asset class	**Fair value**	**% of Plan investments**	Fair value	% of Plan investments
Greystone Managed Investments Inc.	Real estate	**$ 58,707**	**7.3**	$ 55,231	7.0
Total real estate assets		**$ 58,707**	**7.3**	$ 55,231	7.0

Infrastructure
The Plan's infrastructure portfolio is split between three funds based on its Limited Partnership Agreements with the infrastructure manager. One fund is based primarily in Europe and the other two are focused on the United States and Canada, as follows:

(in thousands)	2014								2013
	Capital commitment		Net cash contributed		Undrawn capital commitment		Undrawn capital commitment CDN	Fair value of investment CDN	Fair value of investment CDN
MIP II Fund [1]	$ 15,000	USD	$ 13,523	USD	$ 1,477	USD	$ 1,713	$ 13,087	$ 12,530
MIP III Fund [2]	15,000	USD	-	USD	15,000	USD	17,402	-	-
MEIF III Fund [3]	11,250	EUR	11,250	EUR	-	EUR	-	22,882	22,464
Total							$ 19,115	$ 35,969	$ 34,994

1. Macquarie Infrastructure Partners II
2. Macquarie Infrastructure Partners III
3. Macquarie European Infrastructure Fund III

The infrastructure manager requests capital from the Plan as needed. The Plan is contractually obligated to honour the manager's capital calls until the undrawn capital commitment is depleted. The Plan has adequate liquidity to honour its undrawn capital commitments.

The infrastructure manager uses internal valuation policies to establish a fair value for the underlying assets. The valuations are prepared quarterly and take into account various economic, operational and financial assumptions.

6. FINANCIAL INSTRUMENTS

The following table categorizes the Plan's financial instruments, by level (refer to *Note 4d*).

(in thousands)	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	$ 2,975	$ -	$ -	$ 2,975	$ 1,333	$ -	$ -	$ 1,333
Short-term	3,227	-	-	3,227	2,429	-	-	2,429
Bonds	-	280,392	-	280,392	-	248,480	-	248,480
Equities	356,172	64,304	-	420,476	287,264	159,586	-	446,850
Real estate	-	-	58,707	58,707	-	-	55,231	55,231
Infrastructure	-	-	35,969	35,969	-	-	34,994	34,994
Currency hedges	-	(2,224)	-	(2,224)	-	(86)	-	(86)
Total	$ 362,374	$ 342,472	$ 94,676	$ 799,522	$ 291,026	$ 407,980	$ 90,225	$ 789,231

Note: Accounts receivable, accounts payable and other liabilities are all short-term in nature and as such their carrying value approximates fair value.

In August 2014, the Plan discontinued its relationship with Greystone Managed Investments Inc. sub-advised by Hansberger Global Investors for managing the EAFE pooled fund assets (Level 2). The Plan engaged State Street Global Markets to manage the transition. The majority of equities were transferred in-kind via State Street Global Markets to the Plan's global equity mandate which is a segregated fund (Level 1) managed by Templeton Management Limited. Equities transferred in-kind are transferred at cost. The remaining equities are recorded at fair value as of the trade date.

During the year ended December 31, the reconciliation of investments measured at fair value using unobservable inputs (level 3) is presented as follows:

(in thousands)	2014					2013 Restated - Note 3				
	Real estate		**Infrastructure**		**Total**	Real estate		Infrastructure		Total
Beginning balance, January 1	**$**	**55,231**	**$**	**34,994**	**$ 90,225**	$	49,452	$	37,689	$ 87,141
Purchases		**-**		**-**	**-**		-		-	-
Return of capital		**-**		**(1,279)**	**(1,279)**		-		(9,855)	(9,855)
Realized gains[1]		**-**		**-**	**-**		-		5,891	5,891
Change in unrealized gains (losses)		**3,476**		**2,254**	**5,730**		5,779		1,269	7,048
Ending balance, December 31	**$**	**58,707**	**$**	**35,969**	**$94,676**	$	55,231	$	34,994	$ 90,225

1. The realized gains resulted from a sale of one of the assets in Macquarie Infrastructure Partners II (MIP II) by the Limited Partner. The Plan did not dispose of any of its investment in MIP II.

7. CURRENCY HEDGES

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in foreign equity and infrastructure. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified exchange rate for settlement on a predetermined date in the future.

The Plan's objective for the active currency manager is to mitigate the impact foreign exchange rates have on the Plan. The Plan updates its managed portfolio monthly by communicating a minimum of 85% of the Plan's total foreign currency exposure to the currency manager. The Board has approved a benchmark hedge ratio of 50% of the managed portfolio, although the manager has the discretion to hedge between 0% and 100% of the managed portfolio.

At December 31, 2014, the Plan's total foreign currency exposure, before currency hedges, was $327,669 thousand (2013 – $346,343 thousand). Based on the exchange rates at December 31, 2014, the forward contracts fair value is an unrealized loss of $2,224 thousand (2013 – unrealized loss of $86 thousand). All contracts at December 31, 2014, have a maturity date of March 27, 2015.

The following summarizes the Plan's use of foreign exchange forward contracts within the currency hedging program:

(in thousands)	2014			2013		
	Notional value	**Fair value gain (loss)**	**Managed portfolio net exposure %**	Notional value	Fair value gain (loss)	Managed portfolio net exposure %
United States dollar	**$ (78,705)**	**$ (2,064)**	**60.0**	$ (91,732)	$ 267	42.2
Euro	**(30,339)**	**(18)**	**60.4**	(41,782)	(466)	40.9
British pound sterling	**(10,607)**	**(64)**	**46.2**	(21,457)	(221)	35.5
Japanese yen	**(4,982)**	**(56)**	**50.3**	(17,244)	453	25.3
Hong Kong dollar [1]	**-**	**-**	**61.0**	-	-	50.0
Swiss franc	**(3,253)**	**(22)**	**60.1**	(11,237)	(119)	40.5
Total	**$(127,886)**	**$ (2,224)**		$ (183,452)	$ (86)	

1. The Hong Kong dollar is proxy hedged with the United States dollar.

Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Net exposure is the percentage of investments denominated in foreign currency that are not hedged through forward exchange contracts.

8. FINANCIAL RISK MANAGEMENT

(a) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by diversifying its investments in both domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

Interest rate risk

Interest rate risk refers to the adverse impact that interest rate changes have on the Plan's investment returns and financial position. On the investment side, when interest rates fall the fair value of bonds rise, while the yields on new investments in bonds fall.

During the year, the Board approved lowering the duration of the Plan's fixed income portfolio from fourteen years to a target of seven years to manage a portion of the Plan's exposure to rising interest rates. The Board approved the use of floating rate notes to modify the duration of the fixed income portfolio.

As at December 31, 2014, had prevailing interest rates increased or decreased by 1.0%, assuming a parallel shift in the yield curve and all other variables held constant, the fair value of the Plan's bond holdings would have decreased or increased (respectively) by approximately 7%, or $18,852 thousand (2013 – 14%, or $33,793 thousand). The bond holdings' sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond holdings. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Foreign currency risk

Foreign currency exposure arises from the Plan holding assets denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value on the Plan's net assets.

To manage the Plan's foreign currency risk, in 2009 the Board approved currency management to manage a portion of the Plan's exposure to changes in the value of foreign currencies. Currency exposure management began in the first quarter of 2010 (refer to *Note 7*).

The Plan's foreign currency exposure expressed in equivalent Canadian dollars and excluding the impact of currency hedges is as follows:

(in thousands)	**2014**		2013	
	Fair value	**% of Plan assets**	Fair value	% of Plan assets
Global [1]	**$ 207,515**	**25.8**	$ 132,291	16.7
Non-North American [2]	**-**	**-**	91,169	11.5
US [3]	**84,185**	**10.5**	88,022	11.1
Infrastructure [4]	**35,969**	**4.5**	34,861	4.4
Total foreign currency exposure	**$ 327,669**	**40.8**	$ 346,343	43.7

1. Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.
2. These assets were pooled equity funds and were part of the Greystone Managed Investments Inc. mandate. The management of these funds had been delegated to Hansberger Global Investors.
3. These assets are US equity investments which are managed by Lord, Abbett & Co. LLC.
4. Macquarie Capital Markets Canada Limited manages the infrastructure assets for the Plan. The allocation is currently split between two funds, one European based and the other focused on the United States and Canada. During 2013 the Plan made a capital commitment to a third fund, which also has a focus on the United States and Canada.

The foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

(in thousands)	2014			2013 Restated - Note 3		
	Exposure prior to hedging	**Currency hedging**	**Net exposure**	Exposure prior to hedging	Currency hedging	Net exposure
United States dollar	**$ 184,877**	**$ (72,026)**	**$ 112,851**	$ 157,331	$ (79,361)	$ 77,970
Euro	**69,742**	**(30,339)**	**39,403**	69,563	(41,782)	27,781
British pound sterling	**19,340**	**(10,607)**	**8,733**	31,626	(21,457)	10,169
Japanese yen	**9,754**	**(4,982)**	**4,772**	22,224	(17,244)	4,980
Hong Kong dollar [1]	**17,381**	**(6,679)**	**10,702**	22,087	(12,371)	9,716
Swiss franc	**7,875**	**(3,253)**	**4,622**	18,988	(11,237)	7,751
Other	**18,700**	**-**	**18,700**	24,524	-	24,524
Total	**$ 327,669**	**$(127,886)**	**$ 199,783**	$ 346,343	$(183,452)	$ 162,891

1. The Hong Kong dollar is proxy hedged with the United States dollar.

As at December 31, 2014, assuming the Canadian dollar appreciated or depreciated by 10% compared to the following foreign currencies, the fair value of the Plan's net assets would have decreased or increased (respectively) by the following amounts (assuming all other variables held constant):

(in thousands)	Change in value of Canadian dollar	2014		2013 Restated - Note 3	
United States dollar	+/- 10%	**+/-**	**$ 11,285**	+/-	$ 7,797
Euro	+/- 10%	**+/-**	**3,940**	+/-	2,778
British pound sterling	+/- 10%	**+/-**	**873**	+/-	1,017
Japanese yen	+/- 10%	**+/-**	**477**	+/-	498
Hong Kong dollar	+/- 10%	**+/-**	**1,070**	+/-	972
Swiss franc	+/- 10%	**+/-**	**462**	+/-	774
Other	+/- 10%	**+/-**	**1,870**	+/-	2,452
Total fair value impact		**+/-**	**$ 19,977**	+/-	$ 16,288

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, US and global markets. Equities comprise 53% (2013 – 57%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

The following table indicates the approximate increase or decrease in net assets available for benefits had equity values at December 31, 2014, increased or decreased (respectively) by 10% assuming all other variables held constant. Due to active management, the Plan's portfolio does not correlate directly to any market indices.

(in thousands)	Change in market prices	2014		2013	
Canadian equities	+/- 10%	**+/-**	**$ 12,878**	+/-	$ 13,533
US equities	+/- 10%	**+/-**	**17,181**	+/-	14,451
International equities [1]	+/- 10%	**+/-**	**11,989**	+/-	16,701
Total fair value impact on equities	+/- 10%	**+/-**	**$ 42,048**	+/-	$ 44,685

1. International equities are exclusive of Canadian and US equities.

Securities collateral
At December 31, 2014, no Plan assets have been deposited or pledged as collateral or margin. As part of the Plan's securities lending activity, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2014, the total amount of collateral pledged to the Plan amounted to $82,047 thousand (2013 – $92,961 thousand). Security lending obtains collateral of a minimum of 102% of the fair value of the securities lent. Such security loans must be secured by cash and/or readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real estate and infrastructure price risk
Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size. Risk in the infrastructure portfolio is also managed through diversification across types and locations.

(b) Credit risk

Credit risk arises from the potential for a debtor or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by diversifying its investment portfolio and dealing with counterparties that are considered to be high quality. The credit ratings used to describe these securities are based on the Dominion Bond Rating Service.

The maximum credit risk to which the Plan is exposed at December 31, 2014, is limited to the carrying value of the financial assets summarized as follows:

(in thousands)	**2014**	2013
	Carrying value	Carrying value
Short-term	**$ 3,227**	$ 2,429
Bonds	**280,392**	248,480
Receivables	**1,979**	2,268
Securities lending	**78,139**	88,535
Cash	**2,975**	1,333
Total credit risk	**$ 366,712**	$ 343,045

Credit risk for bonds and short-term investments is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for short-term investments is R1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

The Plan invests in bonds that are investment grade (minimum credit rating of BBB) by a recognized rating agency which reflects a high likelihood of repayment. Federal and federally guaranteed bonds have a credit rating of AAA, provincial and provincially guaranteed bonds have a credit rating range of A to AAA, and corporate bonds have a credit rating range of BBB to AA.

(in thousands)	2014			2013	
Debt rating	**Fair value**	**% of bond portfolio**		Fair value	% of bond portfolio
AA or higher	**$ 171,438**	**61.1**		137,185	55.2
A	**96,573**	**34.5**		98,709	39.7
BBB	**12,381**	**4.4**		12,586	5.1
Total bonds	**$ 280,392**	**100.0**	$	248,480	100.0

Receivables are primarily made up of accrued investment income and investment disposals. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds of investment disposals are generally received within three days.

For securities lent, the Plan receives a fee and the borrower provides cash or readily marketable securities of higher value as collateral which mitigates the credit risk associated with the securities lending program. At year-end, securities loaned out at had an estimated fair value of $78,139 thousand (2013 – $88,535 thousand), while collateral held had an estimated fair value of $82,047 thousand (2013 – $92,961 thousand).

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial commitments as they become due or can do so only at excessive cost. The Plan manages liquidity risk by maintaining adequate cash and short-term investments and monitoring actual and forecasted cash flows to support the Plan's operating needs.

9. PENSION OBLIGATIONS

The present value of pension obligations is determined using the projected benefit actuarial cost method prorated on services and reflects management's best estimates of inflation, future pension indexing and mortality. The actuarial valuation for accounting purposes was prepared as at December 31, 2013 and December 31, 2014 by Aon Hewitt. The effective date of the next actuarial valuation for accounting purposes will be December 31, 2015.

The salary increase assumption is no longer necessary for the actuarial valuation for accounting purposes due to the fact that all active members as at the valuation date are assumed to retire immediately given their age and service levels.

The discount rate was based on the nominal forward curve for high-grade, long-term Canadian corporate bonds as at December 31, 2014 with cash flows that match expected benefit payments. The discount rate was determined using the process outlined by the recently released Education Note from the Canadian Institute of Actuaries.

The assumptions used in determining the actuarial value of pension obligations may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2014	2013
Discount rate, beginning of year	**4.50%**	3.75%
Discount rate, end of the year	**3.75%**	4.50%
Long-term rate of compensation increases	**N/A**	2.00%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%

The mortality assumption changed since the 2013 valuation. The 2013 mortality assumption used the Uninsured Pensioner 1994 Mortality Table with Generational Mortality Projections using Scale AA. The 2014 mortality assumption used the 2014 Private Sector Mortality Table (CPM2014Priv) with 95% scaling factor for male mortality rates, 110% scaling factor for female mortality rates and two-dimensional generational mortality improvements using Improvement Scale B (CPM-B). Changing the mortality assumption increased liabilities by $35 million.

The actuarial present value of pension obligations is deducted from the net assets available for benefits to calculate the actuarial deficit for accounting purposes.

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2014, actuarial valuation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 0.5% (from 3.75% to 4.25%) would decrease liabilities, reducing the plan deficit by $51 million.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (from 2.00% to 1.50%) would increase the deficit by $15 million. A lower inflation rate reduces both the discount rate and future pension obligation increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years' worth of increased pension payments payable from the Plan, thus increasing the past and future service liabilities under the Plan and increasing the deficit by $2 million.[1]

Mortality: A change in the mortality assumption so that each member is one year older would decrease liabilities, reducing the plan deficit by $30 million.

10. RELATED PARTY TRANSACTIONS

a) Administration

As indicated in *Note 11*, certain administration costs are paid by the Corporation.

b) Investments

(in thousands)	**2014**		2013	
	Investment fair value	**Investment income**	Investment fair value	Investment income
Province of Saskatchewan bonds	**$ 1,915**	**$ 381**	$ 11,198	$ 545
Province of Saskatchewan T-bills	**-**	**-**	300	-

11. ADMINISTRATIVE EXPENSES

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. However, investment management,

[1] Current *Income Tax Act* Regulations do not allow a bridge benefit to be paid past age 65. As such, this is provided for information purposes only. Costing is in respect of active and deferred members only.

custodial and consulting fees are paid by the Plan. In 2014, the Corporation paid $377 thousand (2013 – $456 thousand) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan and are not included in the table below.

(in thousands)	**2014**	2013
Investment manager fees	**$ 3,112**	$ 3,147
Custodian fees	**228**	251
Consulting fees	**58**	77
Board member training and development	**29**	24
Total administrative expenses	**$ 3,427**	$ 3,499

12. INVESTMENT PERFORMANCE

The investment manager makes the day-to-day decisions on buying or selling specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the FTSE TMX 91-day T-Bill Index; FTSE TMX LT Index; S&P/TSX Composite Index; Morgan Stanley Capital International, Europe, Australasia, Far East Index; Morgan Stanley World Index; Russell 3000 Index; Investment Property Databank; and a Consumer Price Index plus acceptable return approach.

The Plan's objective for the active currency manager is to mitigate the impact foreign exchange rates have on the Plan. The Board has approved a benchmark hedge ratio of 50% of the managed portfolio (refer to *Note 7*) although the Manager has the discretion to hedge between 0% and 100% of the managed portfolio.

The primary long-term investment objective for the entire portfolio is to out-perform a benchmark portfolio. The following is a summary of the Plan's investment performance as provided by Aon Hewitt:

	2014		2013	
Rates of return (%)	**Investment return**	**Investment benchmark return**	Investment return	Investment benchmark return
Bonds	**13.5**	**13.7**	(6.0)	(6.2)
Canadian equity	**9.7**	**10.6**	19.9	13.0
United States equity	**17.2**	**22.7**	46.8	42.5
Non-North American equity	**-**	**-**	28.4	31.0
Global equity	**10.3**	**14.6**	39.6	35.2
Real estate	**6.3**	**7.3**	11.7	10.7
Infrastructure	**3.4**	**6.5**	18.4	6.3
Currency hedging [1]	**(1.0)**	**n/a**	(1.2)	n/a
Plan's actual rate of return	**9.3**	**12.9**	15.0	12.6
Four year rolling average return	**9.2**	**9.9**	9.4	9.3

1. This represents the impact of hedges on the total portfolio (calculated as the difference between the hedged and unhedged return).

13. CAPITAL MANAGEMENT

The Plan's capital is invested in a number of asset classes including short-term investments, floating rate notes, bonds, equities, real estate, infrastructure, and currency hedging. The Plan periodically receives new capital from contributions that are required by the Corporation's Funding Policy (refer to *Note 1 (b)*). The Plan also receives investment income and market value increases on its invested capital.

The Board's objective for managing its capital is outlined in the Plan's SIP&P. The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

The Board delegates the operational investment decisions to a number of investment managers through different investment mandates as defined in the SIP&P.

FIVE-YEAR REVIEW

FINANCIAL POSITION

(in thousands)

As at December 31	**PART IV 2014**	PART IV 2013	PART IV 2012	PART IV 2011	CGAAP 2010
Assets					
Investments					
Short-term	**$ 3,227**	$ 2,429	$ 2,761	$ 5,047	$ 4,847
Bonds	**280,392**	248,480	261,986	260,225	254,074
Equities	**420,476**	446,850	389,251	382,818	420,583
Real estate	**58,707**	55,231	49,452	43,950	38,658
Infrastructure	**35,969**	34,994	37,689	29,909	23,678
	798,771	787,984	741,139	721,949	741,840
Receivables					
Accrued investment income	**1,393**	2,079	2,051	2,431	1,806
Currency hedges	**-**	-	-	1,322	225
Other receivables	**586**	189	1,059	362	26
Employees' contributions	**-**	-	2	8	15
Sponsors' contributions	**-**	-	2	10	20
	1,979	2,268	3,114	4,133	2,092
Cash	**2,975**	1,333	3,500	2,045	1,786
Total assets	**803,725**	791,585	747,753	728,127	745,718
Liabilities					
Currency hedges	**2,224**	86	107	-	-
Accounts payable and other liabilities	**1,272**	902	1,645	1,565	1,030
	3,496	988	1,752	1,565	1,030
Net assets available for benefits	**$ 800,229**	$ 790,597	$ 746,001	$ 726,562	$ 744,688
Pension obligations and deficit					
Pension obligations	**$ 980,021**	$ 893,618	$ 1,035,998	$ 988,393	$ 891,497
Deficit	**(179,792)**	(103,021)	(289,997)	(261,831)	(146,809)
Pension obligations and deficit	**$ 800,229**	$ 790,597	$ 746,001	$ 726,562	$ 744,688

Note: The 2014, 2013, 2012 and 2011, financial information disclosed was prepared in accordance with Canadian accounting standards for pension plans (Part IV). The 2010 financial information disclosed was prepared in accordance with Canadian generally accepted accounting principles (CGAAP).

FIVE-YEAR REVIEW

CHANGES IN NET ASSETS AVAILABLE FOR PENSION OBLIGATIONS

(in thousands)

For the year ended December 31	PART IV 2014	PART IV 2013	PART IV 2012	PART IV 2011	CGAAP 2010
Increase in net assets					
Investment income					
Interest					
Short-term	**$ 304**	$ 355	$ 365	$ 107	$ 43
Bonds	**9,455**	10,653	10,336	12,103	11,801
	9,759	11,008	10,701	12,210	11,844
Dividends	**17,001**	14,879	11,503	10,391	10,353
	26,760	25,887	22,204	22,601	22,197
Increase in fair value of investments	**55,998**	91,238	56,179	-	46,104
Increase in fair value of currency hedges	**-**	-	3,160	-	1,806
Contributions					
Employees'	**-**	3	104	379	737
Sponsors'	**-**	4	50	137	226
Other - sponsor	**-**	-	-	27,079	27,079
	-	7	154	27,595	28,042
Total increase in net assets	**82,758**	117,132	81,697	50,196	98,149
Decrease in net assets					
Decrease in fair value of investments	**-**	-	-	3,039	-
Decrease in fair value of currency hedges	**7,388**	8,083	-	7,608	-
Benefit payments	**62,009**	60,848	58,614	54,710	50,670
Refunds and transfers	**302**	-	467	118	204
Death benefit payments	**-**	106	-	-	-
Administrative expenses	**3,427**	3,499	3,177	2,847	2,810
Total decrease in net assets	**73,126**	72,536	62,258	68,322	53,684
Changes in net assets	**9,632**	44,596	19,439	(18,126)	44,465
Net assets available for benefits, beginning of year	**790,597**	746,001	726,562	744,688	700,223
Net assets available for benefits, end of year	**$ 800,229**	$ 790,597	$ 746,001	$ 726,562	$ 744,688

Note: The 2014, 2013, 2012 and 2011, financial information disclosed was prepared in accordance with Canadian accounting standards for pension plans (Part IV). The 2010 financial information disclosed was prepared in accordance with Canadian generally accepted accounting principles (CGAAP).

GLOSSARY

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's obligation for future employee's benefits. Examples of these estimates are: discount rate, inflation, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age to the end of the month in which the member turns 65.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Equities
Common stock or ownership in a company.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Futures
Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan
Power Corporation Superannuation Plan.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

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