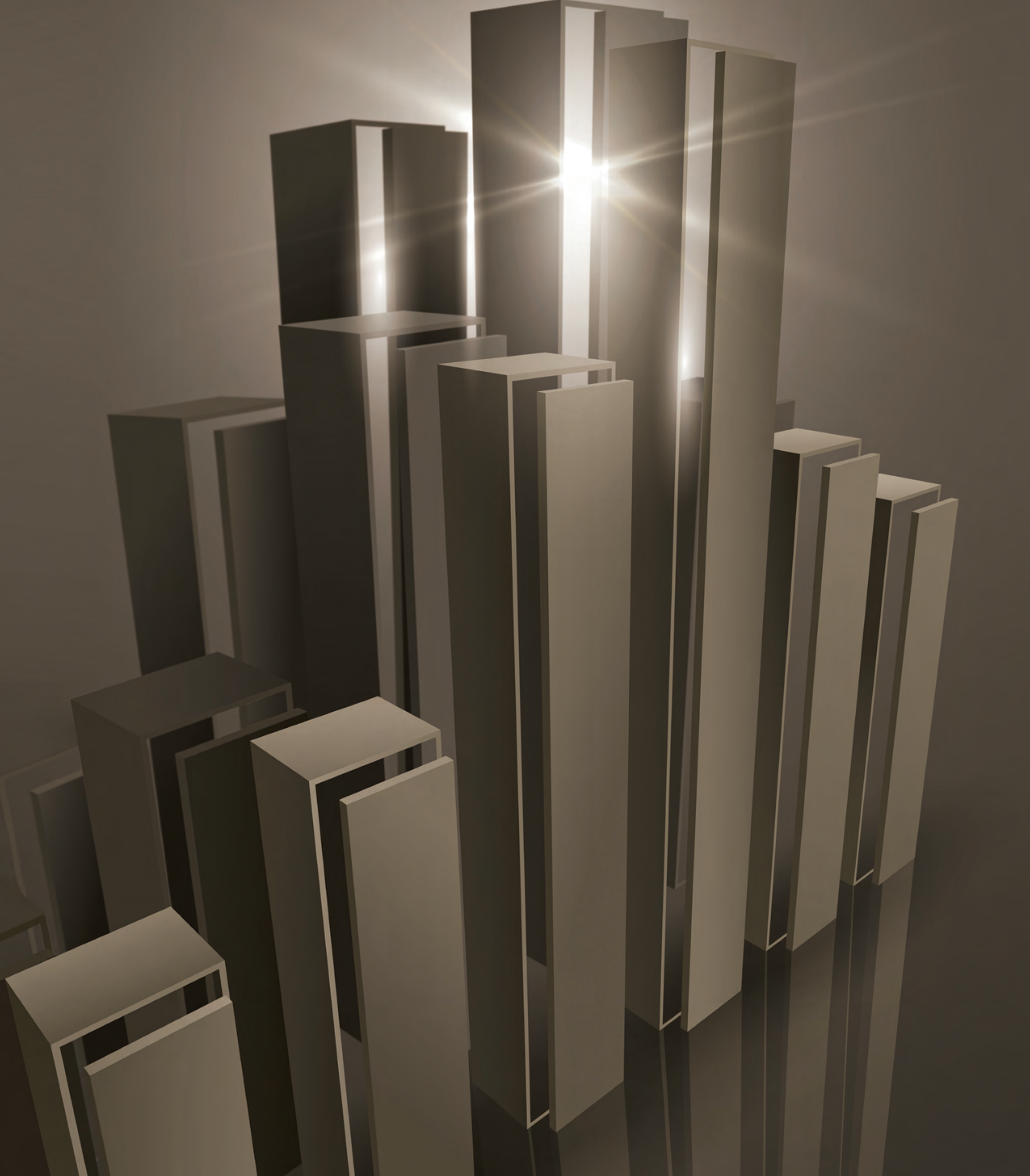

SHEPP

SASKATCHEWAN HEALTHCARE
EMPLOYEES' PENSION PLAN

2014 ANNUAL REPORT

BUILDING MOMENTUM

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DELIVERING ON OUR
PENSION PROMISE

PROVIDING PLAN MEMBERS WITH SECURE, PREDICTABLE RETIREMENT INCOME AT A REASONABLE COST FOR OVER 50 YEARS.

The Saskatchewan Healthcare Employees' Pension Plan (SHEPP) is a jointly trusteed defined benefit pension plan that has been providing retirement benefits to healthcare employees in the province since 1962. A lot has changed since the Plan was first introduced 53 years ago and despite another year of strong market returns, sustainability of pension plans like SHEPP continues to remain the subject of unparalleled discussion and scrutiny.

The SHEPP Board of Trustees continues to be committed to serving the best interests of our Plan members. We do this through strong governance and by devoting a great amount of time to strategy and analysis in order to address issues that impact the long-term success of the Plan. In 2014, the Board established a new strategic plan which will guide us through the next three years. This plan identifies four important strategic goals which the Board is confident will be achieved, ensuring the Plan will be well on its way to a strong and secure future.

Good governance also requires the development and implementation of good policies and procedures. In 2014 the Board successfully reviewed and approved 13 of its policies to ensure they remain accurate and relevant; it completed the administration and investment management benchmarking studies; identified key organisational risks as part of the overall enterprise risk management program; and updated the Plan's Funding and Investment Policies.

The Board also made two very important decisions for the Plan which we are confident will have positive impacts on our future success. First, we appointed Alison McKay as the third Chief Executive Officer (CEO) in the Plan's history. The Board was very pleased to have been able to find such a capable internal candidate with the right skills and abilities to lead and direct the Plan now and into the future.

Second, the Board conducted and approved a Plan valuation as of December 31, 2013. This valuation showed that on a going-concern basis, SHEPP's unfunded liability decreased from $741 million in 2010 to $621 million in 2013. This improvement in the Plan's funded position can be attributed to a number of factors including strong investment returns and strategic contribution rate increases over the past few years.

The 2014 Fund rate of return was 12.5%, meeting the benchmark for the year. This follows returns of 15.7% in 2013 and 11.8% in 2012. The Board has spent significant time and effort reviewing and refining its investment policy. The SHEPP Fund is fully invested and is now just over $5.42 billion. We need these invested assets to work hard for Plan members as the better the investment performance of the Fund, the less pressure there is on contribution rates. SHEPP operates over very long time horizons — 50 to 70 years. We have 20-year old members in the Plan today who we expect to retire in 35 to 40 years and to whom we expect to pay lifetime pensions for 30 or more years following their retirement. The Board, along with its professional advisors, continues to work hard to design investment and risk management strategies that will safely guide the Plan through the many business cycles we will experience over the next seven decades.

Jim Tomkins, Chair

Andrew Huculak, Vice-Chair

"The SHEPP Board of Trustees continues to be committed to serving the best interests of our Plan members."

BUILDING

CAPACITY

WE ARE PROFESSIONALS DELIVERING FUTURES BY VALUING TODAY.

The primary purpose of the SHEPP Administration is to ensure we are doing things in the best interest of the over 52,000 members who are either contributing to or drawing a benefit from the Plan. This vision not only forms the basis on which the organisation operates on a day-to-day basis, but is in the mindset of each and every SHEPP employee who helps us effectively and efficiently administer the largest defined benefit pension plan in Saskatchewan.

Although market returns were strong again in 2014, they continue to be volatile, and with interest rates continuing to stay low, pension plans like ours are looking for ways to find the right balance between the risk and reward of our investments. Although active Plan members still outnumber retired Plan members by two and a half to one, achieving this balance is extremely important as it can ensure the Plan continues to offer attractive benefits at sustainable costs into the future.

Sustainability of pension plans continues to be the topic of discussion both locally and nationally. Market volatility is not the only pressure pension plans like SHEPP are facing. Increased longevity — people living longer — has an important impact on the health of plans like ours. The December 31, 2013 Plan valuation included the implementation of new mortality tables which increased the Plan's liabilities by approximately 3%. This along with the fact that we deal with very long time horizons means we need our investments to work hard for us and deliver good returns for our members.

The Fund rate of return was 12.5% in 2014, meeting the performance benchmark set for the Fund for the year. We continue to work with our professional advisors on our pension risk management strategy to confirm our investment philosophy, and initiated an asset-liability study to ensure we have the right asset mix that supports balance both now and into the future.

Our funded status is improving. The December 31, 2013 Plan valuation showed that on a going-concern basis, the funded status is 88%, up from 82% as of 2010. We continue to make special payments to pay off the unfunded liability which is expected to be paid in full within the legislatively-required time frame.

Our new strategic plan continues to help strengthen our organisation, providing us with a clear purpose and direction for the future. Our vision of excellence in pension plan administration, governance and the provision of benefits is foremost in our minds, whether that be in the investment decisions we make, how we administer the Plan or through our communications. Operational effectiveness is at the core of what we do, whether that is through improving our technological capabilities, providing additional professional and skills development training, developing internal policies or procedures or recruiting top-level talent to join the SHEPP team.

It is a privilege to work and lead such a highly-skilled and professional team that consistently contributes to the

Plan's overall success. They are an inspiration, and contribute to and exemplify our "can-do" culture every day.

I thank the SHEPP Board of Trustees for their support and dedication, and the Partner Committees for their continued oversight. Together, we will ensure that we successfully deliver on the promise we make to our members.

"Our vision of excellence in pension plan administration, governance and the provision of benefits is foremost in our minds..."

Alison McKay

Alison McKay, CEO

SHEPP Senior Management Team (left to right): Dale Markewich, Kelley Orban, Cheldon Angus, Renee Boyd, Alison McKay and Paula Potter.

88%
FUNDED
on a
going-concern basis

$5.42
BILLION
net assets
available for benefits

12.5%
RETURN
on
investments

MANAGEMENT'S
DISCUSSION AND ANALYSIS

SHEPP IS THE LARGEST DEFINED BENEFIT PENSION PLAN IN SASKATCHEWAN.

SHEPP was established in 1962 as a multi-employer, contributory defined benefit pension plan. Today it is the largest defined benefit plan in Saskatchewan, administering pension benefits for 63 participating employers and over 52,000 healthcare workers, pensioners and beneficiaries throughout the province.

The Plan is jointly trusteed, with equal representation from employers and employees. SHEPP is governed by the Agreement and Declaration of Trust and administered in compliance with the Plan Text, *The Pension Benefits Act, 1992* (Saskatchewan) and the *Income Tax Act* (Canada).

The Plan is funded by members and employers, and by the investment earnings of the Plan's assets.

SHEPP has 39 employees, all located in Regina.

1 in **16**

people employed in Saskatchewan is a member of SHEPP

$1,729
PER MONTH
average new lifetime pension

45
YEARS OLD
average age of active member

13,873
MEMBERS
eligible to retire in next 10 years

STATE OF
THE PLAN

SHEPP's mission — to serve the best interests of our members — means managing the Fund in a responsible and productive manner to provide members with secure, predictable income at retirement at a reasonable price. SHEPP has been delivering on its pension promise for over 50 years. Balancing the Plan's assets and the cost of future benefits is paramount to ensuring this promise continues to be delivered upon for future generations.

FINANCIAL STATUS

The net value of assets available for benefits increased by approximately $649.4 million in 2014 and ended the year with a market value of $5.42 billion. Pension obligations increased by $556.5 million, resulting in a surplus of $166.2 million at the end of the year.

On a best estimate basis, the funded position of the Plan has improved by $92.9 million year-over-year. This is a result of:

- Contributions exceeding payments and expenses by $56.3 million; and
- An investment return of 12.5% in the year which produced $593.1 million in net realised and unrealised gains on investments.

In the last five years, the Fund has increased by 61.8% and in the last ten years, the Fund has increased by 112.3%. All else being equal, the Plan is on course to grow to $10 billion by 2022.

FUNDED STATUS

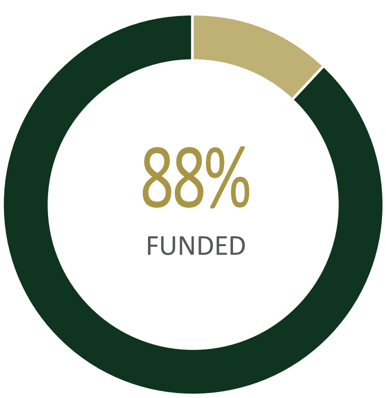
ACTUARIAL VALUATION

The Plan continues to address the challenges faced by defined benefit plans: ensuring we have adequate funding to pay for the benefits our members earn. In achieving its primary funding objective of securing members' benefits, the Board carefully monitors the Plan's funded status with the Plan actuary.

In 2014 SHEPP filed its actuarial valuation as at December 31, 2013 with its provincial regulator, the Financial and Consumer Affairs Authority (FCAA).

The valuation showed a decrease in the going-concern deficit and an improvement in the Plan's funded status from 82% in 2010 to 88% in 2013. Strong investment performance in the previous two years enabled the Plan to decrease the overall going-concern deficit by $120 million, or 16.2%, decreasing from $741 million in the 2010 valuation to $621 million in the 2013 valuation.

The valuation also determined that the current contribution rates required by active members and employers can remain stable. A



Going-concern funded status as at December 31, 2013

Active Members (36,085)
Retired Members (14,519)
Deferred Members (1,705)

Member Required Contribution Rate

8.1% of pensionable earnings up to the YMPE

10.7% of pensionable earnings above the YMPE

Employer Required Contribution Rate

9.07% of pensionable earnings up to the YMPE

11.98% of pensionable earnings above the YMPE

The YMPE is the Year's Maximum Pensionable Earnings which was $52,500 in 2014.

portion of the contribution rate will continue to go toward paying down the remaining deficit which is in large part due to: poor investment performance in 2008 and 2011, prolonged low interest rates, and longer life expectancies. SHEPP is required by legislation to eliminate this deficit by 2025.

FUNDING SUSTAINABILITY

Defined benefit plans in general have been facing funding challenges that have caused some to contemplate and make changes to their plan designs to remain sustainable. The negative financial impact of a number of factors including low inflation, prolonged low interest rates and changing demographics (including increased life expectancy) have put pressure on plans to make changes to plan design and increase contribution rates.

FUNDING POLICY

The primary objective of the Board's Funding Policy is to secure member benefits and the secondary objective is to stabilise contribution rates. The Board carefully monitors the Plan's funded status and takes action when required to achieve its objectives.

Historically, contribution rates were adjusted as the Plan cycled through periods of deficit and surplus. Within the 2013 valuation, the Board along with the Plan actuary made the decision to strengthen margins to help achieve the Board's funding objectives. While the change did not result in an increase or decrease to the total required contribution rate, these margins will strengthen the buffer against future volatility, helping to secure benefits and stabilise contribution rates.

FUNDING REQUIREMENT

The combined member and employer required contribution rate is measured as a percentage of total payroll (18.3%) and made up of two parts. The table below provides a breakdown of the current combined contribution rate.

FUNDING CONSIDERATIONS

The Board's goal is to continue to provide secure and adequate retirement income at a reasonable price. Delivering on the pension promise is a complex challenge that will require the Plan to adequately manage two main funding risks: financial and demographic.

Financial Risk

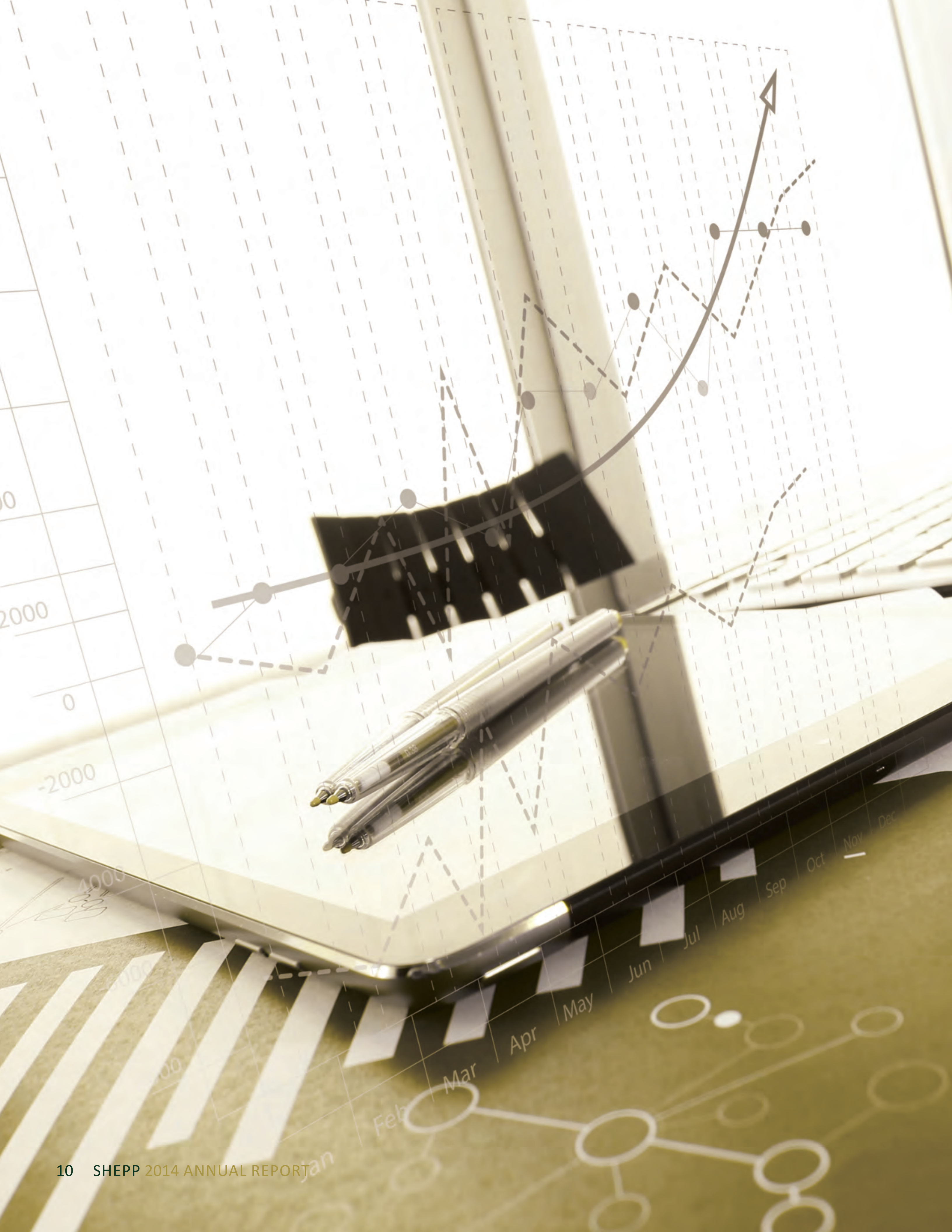
The biggest financial and economic risks facing the Plan right now are interest rates, inflation and return on investments.

Interest rates have declined globally since 2008 and continue to remain low in an effort to fuel economic growth. Low interest rates translate into higher pension liabilities as more money must be invested to earn enough to pay future pensions.

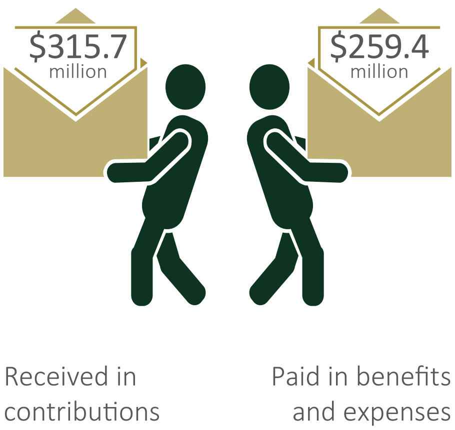
Inflation can impact the Plan in a number of ways. A lower than expected rate of inflation will negatively impact the expected return on assets since one of the assumptions used to determine the discount rate is inflation. A higher than expected inflation rate may impact liabilities, as higher salaries are often the outcome. While the dollar

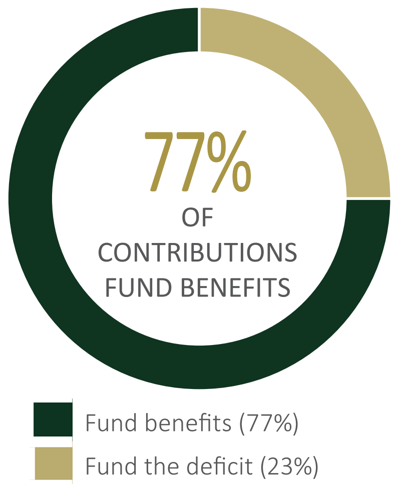
SHEPP Contribution Rate

ITEM	CONTRIBUTION RATE
Current Service (Normal) Cost	11.62%
Contribution Stabilisation Margin	2.47%
TOTAL CURRENT SERVICE COST	**14.09%**
Temporary Contribution to fund the current unfunded liability by December 31, 2025 (last assessed in the December 31, 2013 actuarial valuation)	4.21%
CURRENT TOTAL COMBINED CONTRIBUTION RATE	18.3%

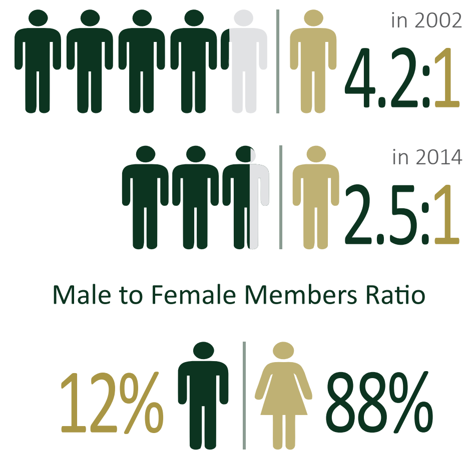


Cash-flow Positive





Active to Retired Members Ratio



value of contributions would increase as salaries do, so too would the value of pensions which may result in increased liabilities. Finally, inflation can affect investment returns as the Fund’s asset mix changes. With SHEPP’s current asset mix, inflation has a relatively positive effect. However, as the Plan matures and the Board looks to shift the asset mix from return-seeking to more liability matching investments, inflation becomes much more important.

Although we have experienced strong returns over the last number of years, double-digit returns will not continue indefinitely. A significant percentage of the funds used to pay benefits come from investment income, and the rest from contributions. If investments fall short of expected returns, investment income will also fall short of levels required to fund future benefits, putting pressure directly on contribution rates.

Demographic Risk

Demographic risks include longevity, changing retirement trends, and Plan maturity.

Perhaps the biggest risk facing defined benefit plans today is increasing life expectancy. People are living longer, and while increasing longevity is certainly good for individuals, it can put a lot of pressure on pension plans providing lifetime pensions. In the 2013 valuation, SHEPP adjusted the life expectancy assumption of our Plan members as a result of new mortality tables released by the Canadian Institute of Actuaries. The impact was a 3% increase to pension liabilities.

Compounding the longevity challenge is the fact that approximately 88% of SHEPP’s members are women. Although that percentage is slowly declining, it is an important consideration given women live longer than men by almost five years on average. Members are retiring earlier and living longer in general. The Plan is actively managing this risk by adjusting demographic assumptions and ensuring adequate margins are in place for adverse deviations.

Aging is a fact of life even pension plans are not averse to. All pension plans age over time as an increasing proportion of members retire.

As the Plan matures there is a tendency for the average age of Plan members to rise, increasing the amount paid out of the Plan compared to the amount contributed to it. Over the longer-term this shift in cash-flow reduces the Plan’s risk-taking capacity which poses a challenge to maintaining an acceptable rate of return. In addition, any funding deficiencies which may arise become more difficult to address because contribution rate increases will have a diminishing effect as the proportion of active members decreases over time.

How quickly the Plan continues to age will largely depend on the replacement rate, or the rate at which newly retired members are offset by new, younger members joining the Plan. Given the growing population and demand for healthcare in Saskatchewan it is expected this will remain steady.

As a fairly young pension plan, where active members outnumber retired members 2.5 to one, significant benefit obligations exist that extend seventy or so years into the future. For SHEPP, funding is truly a long-term and ongoing consideration. For the next decade, we expect that the contributions we receive will be greater than the benefits that are paid out on a monthly basis. Being cash-flow positive allows us to invest a significant portion of those monthly contributions for quite some time. With the Fund invested in a diversified portfolio we expect our invested assets to work for the benefit of our members.

RISK MANAGEMENT

With its Funding Policy objectives in mind, the Board recently increased its focus on risk management. Working closely with SHEPP's investment consultant and Plan actuary, the Board continues to monitor the Plan's funded status with a new pension risk management dashboard. This dashboard provides the Board with an effective way of managing the Plan's risk by presenting a snapshot of the Plan's funded status at a point in time, helping the Board identify and support decisions.

In 2014 the Board also initiated an updated Asset-Liability Study to help optimise the Plan's asset mix and analyse the risk and reward of investments in terms of the overall impact on the Plan. Striking the right balance between earning a sufficient rate of return without subjecting the Plan and its members to excessive risk and volatility remains the priority.

YEAR IN REVIEW

2014 BROUGHT NEW LEADERSHIP, NEW STRATEGIC DIRECTION, AND A RENEWED SENSE OF PURPOSE.

2014-2016 STRATEGIC PLAN

The Board continues to be committed to serving the best interests of our Plan members. We strive to do this through strong governance and by devoting a great amount of time to strategy and analysis in order to address issues that impact the long-term success of the Plan.

In 2014, the Board adopted and implemented a new strategic plan to guide the organisation over a three-year planning cycle. The Strategic Plan 2014-2016 identified four important strategic goals, with progress in 2014 as follows:

IMPROVE THE PLAN'S FUNDED POSITION:

- The Plan's actuarial valuation as at December 31, 2013 was completed, approved by the Board and filed with the Plan regulator.
- A pension risk management dashboard was developed and implemented to assist the Board in monitoring the funded status of the Plan.

STRENGTHEN OUR TECHNOLOGICAL CAPABILITY:

- SHEPP's public website, www.shepp.ca, was rebranded, redesigned, and launched in the spring of 2014. The site was reorganised to help members more quickly access relevant pension information at each stage of their career. A new section was added to ensure members can access the information required to make informed decisions when they experience a life event that may potentially impact their pension benefit.
- Well on its way to becoming a paperless organisation, SHEPP's corporate records retention strategy was deployed, beginning with the migration of all corporate records to a new electronic document management system. Imaging software was purchased and the imaging of corporate and member physical files is underway.

BUILD AND MAINTAIN A HIGH PERFORMING TEAM

- A compensation review was completed and approved by the Board for implementation in 2015. Keeping the organisation's compensation structure competitive helps SHEPP recruit and retain top talent.
- A three-year plan was developed, forecasting resource requirements to ensure that as the Plan grows, so too does the capacity of its human resources.
- A core competency framework was developed and implemented.

FOSTER AND MAINTAIN EFFECTIVE AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

- Development began on both a communications strategy, and a stakeholder relationship plan.

The Board is confident that in achieving these objectives, the Plan will be strong and secure for years to come.

ADMINISTRATION

SHEPP experienced significant organisational development in 2014, including changes in leadership and management structure.

Alison McKay was appointed CEO of SHEPP in June, having served in the role on an interim basis for the year prior. Alison has been a member of SHEPP's senior management team since 2008. Prior to her appointment as interim CEO in 2013, Alison was Chief Financial Officer (CFO).

Under her leadership, the management team was realigned to improve organisational efficiencies and better serve members and other stakeholders. As part of this change, a new Chief Investment Officer position was approved for recruitment in 2015 to help increase internal investment knowledge and provide strong leadership within the investment area. This key change will allow the finance team to refocus on the day-to-day accounting for the organisation, ensuring efficiencies. The areas of human resources and internal policy also received attention, becoming the focus of a new Stakeholder Relations department, where leadership was developed to ensure the right people policies and corporate policies are in place.

OPERATING EXPENSES

Fulfilling our pension promise at a reasonable cost is a philosophy shared at all levels of the organisation. Though expenses continue to increase as the Plan grows, we remain mindful of the fact that any increase must provide value to our members.

Total operating expenses increased from $24.6 million in 2013 to $27.2 million in 2014. The following breakdown provides a snapshot of expenses in each category compared to the previous year:

- Administrative expenses were $5.4 million, up from $4.8 million;
- Professional fees were $1.4 million, up from $1.1 million;
- Fund management fees were $18.3 million, up from $16.8 million;
- Custodian fees were $547 thousand, up from $480 thousand;
- Investment consulting fees were $377 thousand, down from $455 thousand; and
- Investment transaction (brokerage) fees were $1.2 million, up from $966 thousand.

Even with the increase in operating expenses, the cost per member remains low in comparison to other pension plans in Canada. In 2014, the Plan participated in a national administrative benchmarking survey that determined SHEPP's cost per member was $101; that's $95 below the peer average and $57 below the peer median when compared to 12 other plans within our peer group that participated in the survey.

PLAN TEXT RESTATEMENT

The terms upon which SHEPP pays pension benefits are set out in a formal legal document called the Plan Text. This document is regularly amended and, from time to time, formally restated to incorporate all of the amendments made to date to eliminate obsolete provisions and to clarify its wording.

Recently, SHEPP's management and professional advisors subjected the Plan Text to an intensive review to ensure compliance with applicable legislation, consistency with current administrative practices and policies, and to capture institutional knowledge. As a result of this process the Board approved a restated Plan Text effective January 1, 2015. This document is almost 40% shorter than the previous Plan Text, and includes a number of revisions to provide clarity and reduce duplication.

SOUND INVESTMENTS

INVESTMENTS OVERVIEW

The challenge in investing the Fund is achieving the right balance between risk and reward. The goal is to create a portfolio with risk and return characteristics that support benefit security and contribution rate stability. The Board's policy is to look first for opportunities to reduce investment risk without sacrificing return. In order to do this, the Board continued to work closely with SHEPP's investment consultant and Plan actuary on the pension risk management strategy.

In consultation with the Plan actuary, the Board sets a targeted best estimate discount rate based upon the asset mix of the Fund. With all else being equal, when the Fund's rate of return is at or above this amount, the Fund's assets will keep pace with or outpace our liabilities. Again, all else being equal, if the Fund's rate of return is less than the discount rate then our assets will not keep pace with our liabilities.

ASSET MIX

The last Asset-Liability Study was conducted by the Board in 2011. Since then the Board has been implementing a variety of initiatives that resulted from the study. In 2014, the Board initiated an updated Asset-Liability Study. The purpose of this study was to help optimise the Plan's asset mix while analysing the risk and reward of investments in terms of overall impact on the Plan. The study will confirm the appropriate balance between return-seeking and liability-matching assets and the appropriate asset classes for the Fund based on updated Fund demographics and experiences. The results of that study will be approved and subsequent changes implemented in 2015.

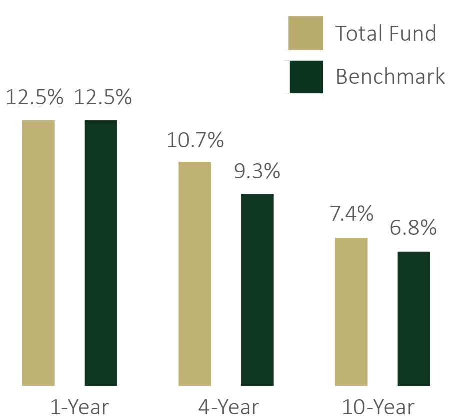
The long-term asset mix of the Fund effective December 31, 2014 is shown below.

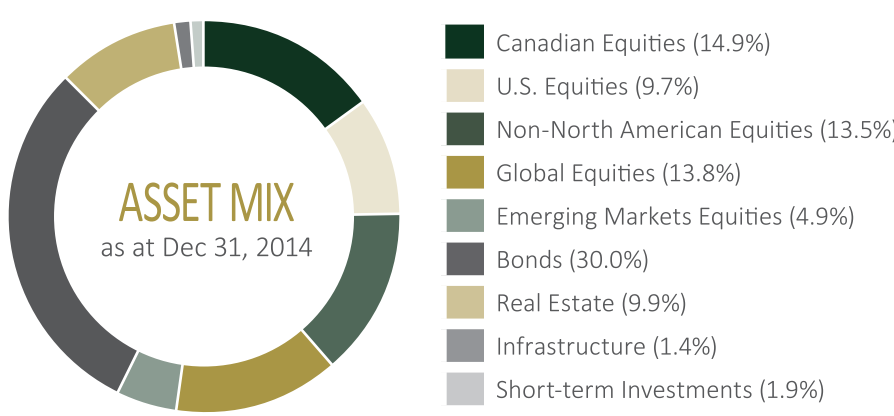
2014 PERFORMANCE

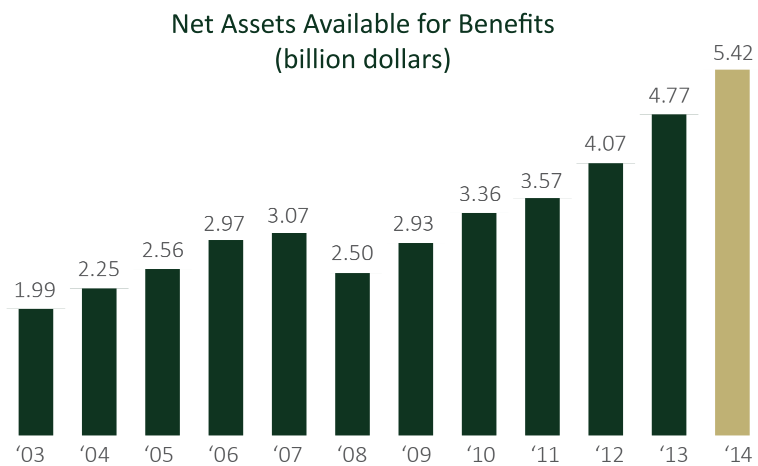
SHEPP measures the effectiveness of investment strategies and activities relative to the risks taken with benchmarks established by the Board. The Plan seeks to meet or exceed the benchmark rate of return for each asset class and for the Fund as a whole.

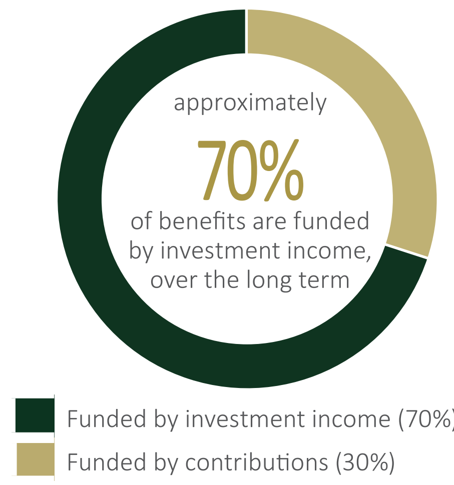
At December 31, 2014, the Fund had a market value of $5.42 billion and achieved a 12.5% one-year rate of return, meeting the benchmark. While the return was strong, solid active management in the global equity space did not counterbalance the lag in real estate and the collapse in oil prices which deflected from adding value to the overall Fund performance.

Historical Rate of Return (Annualised)









EQUITIES

This return-seeking asset class is used to help deliver long-term growth and investment income.

Strong equity performance over the year was led by the US market which returned 13.7% in USD, with the depreciation of the Canadian dollar adding another 10.2% to the index in CAD. Canadian equites also had strong returns in 2014 despite the drag on the energy sector from the substantial decline in oil prices. European equities were also positive over the year with a 2.6% return but lagged the double-digit returns in both the US and Canadian markets. SHEPP's equity portfolio was led by the 24.1% return in its US equities and ended 2014 with returns slightly lagging the total Fund's impressive 12.5% return.

FIXED INCOME

The fixed income portfolio provides more secure investment income and acts as hedge against equity risk.

Bond market returns were positive across all sectors and maturities in 2014. With rates decreasing across most of the yield curve, performance was directly proportional to maturity, with longer maturities outperforming shorter maturities. SHEPP's bond portfolio returned an impressive 19.3% in 2014 — due in large part to the long dated position of the portfolio holdings — and was the strongest performing asset class in the SHEPP Fund.

ALTERNATIVES

Alternatives such as real estate and infrastructure investments offer significant diversification as well as a hedge against inflation.

Real estate had strong performance on an absolute basis over the year, but substantially lagged both equities, as they continued to rally, and bonds as yields continued to fall. SHEPP's real estate portfolio was the Fund's weakest performing asset class in 2014 when compared to the double-digit returns in the equity and bond portfolios, but still returned a strong 6.8% over the year.

ANNUAL RETURNS

Fund returns have been strong in the last four years, with double-digit returns in three out of the last four years. On a four-year annualised basis, the return was 10.7%, outperforming the benchmark of 9.3%.

Over the past 10 years, the Fund has realised an annualised rate of return of 7.4% versus the total Fund benchmark of 6.8%.

EXCEPTIONAL

SERVICE

PROVIDING HIGH-QUALITY, ACCESSIBLE AND CONSISTENT SERVICE IS CENTRAL TO OUR MISSION AND WE STRIVE TO DELIVER ON OUR PENSION PROMISE AT A LOW COST.

From enrolment through retirement and beyond, our members count on us to provide them with assistance and information to help them make important decisions about their pension and plan for retirement. Pensions, and especially defined benefit pensions, are complex. SHEPP works hard to provide members with information relevant at each stage of their career through a variety of channels: in print, online, by phone, by e-mail and in person.

PUBLICATIONS

Each year SHEPP publishes a wide variety of print materials for Plan members and participating employers. The Member Plan Booklet provides general information about the Plan and benefits provisions, while Information Sheets offer more detailed explanations related to various career decisions and life events. Active, deferred and retired members receive a newsletter and statement outlining their pension benefit annually. For active members who are permanently employed, the statement also includes a pension projection to give them an idea of the pension they might retire with if their current employment continues to retirement.

WEBSITES

In 2014, SHEPP redesigned its public website, www.shepp.ca, giving it a fresh new look and reorganising content to provide members easy access to all of the pension-related information they might need at various stages of their career and in retirement. Our secure online portal, SHEPP*Web*, continues to provide members with access to their pension record where they can update personal information, print their annual statement and estimate their future pension and cost to purchase prior service using our online calculators. Employers also utilise SHEPP*Web* to access important Plan information and submit members' information changes electronically.

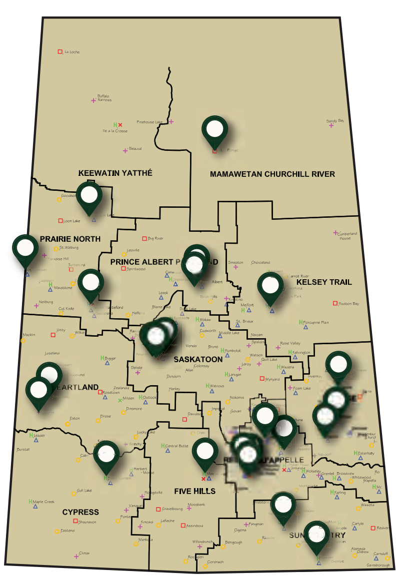
CORRESPONDENCE

SHEPP's Member Services team handles thousands of requests for information each year, primarily by phone, but also by letter, fax and e-mail. Being accessible to members and helping them make informed decisions about their retirement remains a priority for SHEPP, and

we continue to strive to do this at the lowest cost possible without compromising service.

PRESENTATIONS

We are continually looking for ways to strengthen our relationships with stakeholders. SHEPP's participating employers and the healthcare unions provide us with welcomed opportunities to engage our members in person each year. In 2014, SHEPP conducted 44 Pension Information Sessions in 26 communities throughout 11 health regions across the province. Over 1,400 members attended these educational in-service sessions where we discussed Plan benefits and retirement planning. Two educational sessions were also held for SHEPP's participating employers to review policies and procedures for administering pension benefits, as well as a Board orientation session.



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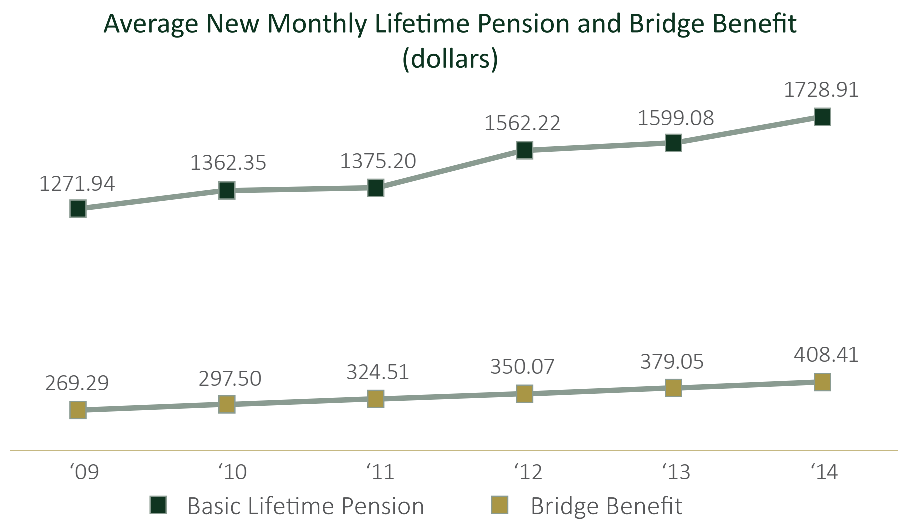

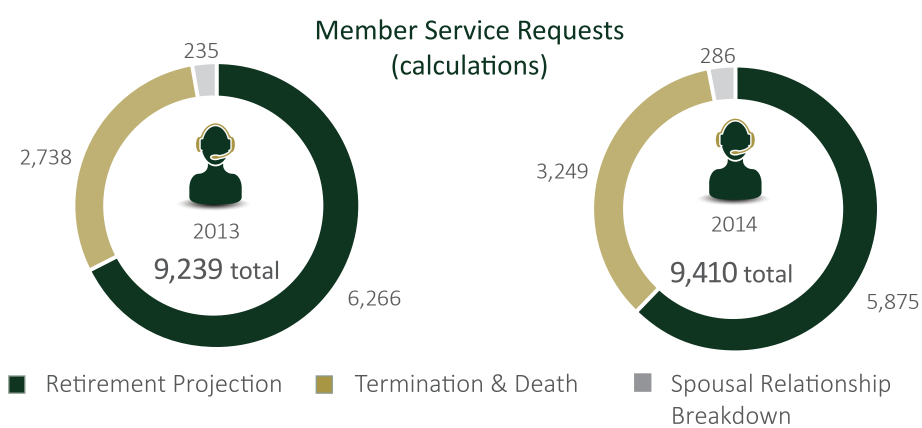

STRONG

GOVERNANCE

The Plan was originally established by the Saskatchewan Hospital Association in 1962. Over the next half century the Plan grew, extending eligibility to non-permanent employees, special care homes, home care facilities, as well as various agencies and associations that provided health, education and regulation services in Saskatchewan.

With the signing of a Declaration of Trust in 2002, the Plan became jointly trusteed and governed by a Board, equally represented by employer-appointed Trustees and union-appointed Trustees.

While the Board administers the Plan and the Fund, the responsibility of fundamental Plan design changes falls to the Partner Committees. Representatives of the Partner Committees are appointed by 3sHealth and the six healthcare unions: CUPE, HSAS, RWDSU, SEIU-West, SGEU, and SUN.

Under the oversight of the Board of Trustees, the CEO leads a team of 38 dedicated employees who manage the day-to-day operations of the Plan.

2014 HIGHLIGHTS

The SHEPP Board of Trustees' made two very important decisions for the Plan in 2014, which are sure to have positive impacts on the Plan's future success. First, the Board appointed Alison McKay as the third Chief Executive Officer in the Plan's history, and second, the Board conducted and approved a Plan valuation as of December 31, 2013.

The Board continued its focus on good governance, following best practices of leading Canadian pension plans. Specifically, in 2014 the Board:

- Completed the Pension Plan Governance Self-Assessment Questionnaire developed by the Canadian Association of Pension Supervisory Authorities (CAPSA).
- Reviewed and approved 13 Board policies in accordance with the Governance Review Policy;
- Completed the administration and investment management benchmarking studies;
- Identified key organisational risks as part of the enterprise risk management program; and
- Updated its Funding Policy, applying the related funding objectives to the 2013 Plan Valuation completed by the Plan actuary.

In 2014 the Board also welcomed a new Trustee. Randy Hoffman was appointed to the Board of Trustees by SUN for a one-year term, replacing Marg Romanow.

THE SHEPP PROMISE

Mission

To serve the best interests of our members.

Vision

Excellence in pension plan administration, governance and the provision of benefits.

Values

Accountability, integrity, trust:

We embrace our responsibilities and hold ourselves accountable to our members. We uphold a standard of reliability and transparency that makes us worthy of our members' trust.

Board of Trustees (left to right): Jim Tomkins, Leanne Ashdown, Randy Hoffman, Russell Doell, Natalie Horejda, Jeff Stepan, Ted Warawa, Andrew Huculak.

Openness, respect and service:

We extend consideration and appreciation to our members, stakeholders and each other to foster an environment of honesty and fairness. We are honoured to serve our members and fulfill our mission by providing our members with superior service.

Excellence, initiative and innovation:

We approach our work with excitement and optimism. We are a high energy organisation with a "can-do" spirit. We are committed to achieving high standards in all that we do because our members deserve nothing less.

Leadership and professionalism:

We are dedicated to delivering creative and forward-looking solutions to overcome our challenges. We seek influence through engagement, cooperation, hard work and effective communication.

FINANCIAL HIGHLIGHTS

	2014 (000's)	2013 (000's)	2012 (000's)	2011 (000's)
NET ASSETS AVAILABLE FOR BENEFITS	$ 5,416,739	$ 4,767,369	$ 4,068,628	$ 3,565,222
ACCRUED PENSION OBLIGATIONS	5,250,500	4,694,000	4,390,100	4,089,000
CONTRIBUTIONS				
Member	146,917	131,637	128,724	128,810
Employer	164,547	147,433	144,171	144,267
Other	4,213	5,871	3,527	3,082
TOTAL CONTRIBUTIONS	315,677	284,941	276,422	276,159
BENEFIT PAYMENTS				
Pensions	192,525	169,215	149,544	131,064
Terminations, Death Benefits and Holdbacks	39,682	34,109	28,985	34,447
TOTAL BENEFIT PAYMENTS	232,207	203,324	178,529	165,511
PLAN EXPENSES				
Administrative	6,779	5,860	4,851	4,234
Investment	20,415	18,700	15,846	14,310
TOTAL PLAN EXPENSES	$ 27,194	$ 24,560	$ 20,697	$ 18,544

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Saskatchewan Healthcare Employees' Pension Plan

We have audited the accompanying financial statements of Saskatchewan Healthcare Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2014, the statements of changes in net assets available for benefits and change in pension obligations for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Saskatchewan Healthcare Employees' Pension Plan as at December 31, 2014, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

June 1, 2015
Regina, Canada

STATEMENT OF
FINANCIAL POSITION
AS AT DECEMBER 31

	2014 (000's)	2013 (000's)
ASSETS		
Investments (Note 5)	$ 4,726,625	$ 4,160,449
Investments under security lending program (Note 5)	684,128	596,452
Accrued interest receivable	572	635
Members' contributions receivable	7,183	8,171
Employers' contributions receivable	8,044	9,152
Dividends receivable	3,343	2,700
Securities transactions receivable	1,558	-
Property and equipment (Note 6)	1,466	1,531
Intangible assets (Note 7)	1,371	641
Other receivables	409	357
Prepaid expenses	122	76
	5,434,821	4,780,164
LIABILITIES		
Accounts payable	5,677	4,638
Securities transactions payable	-	189
Transfer deficiency holdback	12,405	7,968
	18,082	12,795
NET ASSETS AVAILABLE FOR BENEFITS	5,416,739	4,767,369
PENSION OBLIGATIONS (Note 9)	5,250,500	4,694,000
SURPLUS	$ 166,239	$ 73,369

The accompanying notes to the financial statements are an integral part of this financial statement.

Approved by the Board of Trustees and signed on their behalf on June 1, 2015.

Chair

Vice-Chair

STATEMENT OF

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

FOR YEAR ENDED DECEMBER 31

	2014 (000's)	2013 (000's)
INCREASE IN NET ASSETS		
Contributions - Members	$ 146,917	$ 131,637
Contributions - Employers	164,547	147,433
Contributions - Other	4,213	5,871
Investment income (Note 8)	119,778	75,790
Net realised gain on investments	327,822	213,779
	763,277	574,510
DECREASE IN NET ASSETS		
Pension benefits	192,525	169,215
Realised loss on foreign exchange	31,615	47,269
Terminations and death benefits	35,244	29,895
Transfer deficiency holdback	4,438	4,214
	263,822	250,593
EXPENSES		
Administrative expenses	5,409	4,794
Custodian fees	547	480
Fund management fees	18,332	16,799
Investment consulting fees	377	455
Investment transaction fees	1,159	966
Professional fees	1,370	1,066
	27,194	24,560
	472,261	299,357
UNREALISED GAINS		
Unrealised market value gain	167,324	380,434
Unrealised gain on foreign exchange	9,785	18,950
	177,109	399,384
NET INCREASE FOR THE YEAR	649,370	698,741
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	4,767,369	4,068,628
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 5,416,739	$ 4,767,369

The accompanying notes to the financial statements are an integral part of this financial statement.

STATEMENT OF

CHANGE IN PENSION OBLIGATIONS

FOR YEAR ENDED DECEMBER 31

	2014 (000's)	2013 (000's)
PENSION OBLIGATIONS, BEGINNING OF YEAR	$ 4,694,000	$ 4,390,100
Current service costs	202,000	189,400
Benefits paid by the plan	(232,200)	(203,300)
Interest expense	336,800	317,800
Change in actuarial assumption	249,900	-
PENSION OBLIGATIONS, END OF YEAR (NOTE 9)	$ 5,250,500	$ 4,694,000

The accompanying notes to the financial statements are an integral part of this financial statement.

NOTES TO

FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - SASKATCHEWAN HEALTHCARE EMPLOYEES' PENSION PLAN

The Saskatchewan Healthcare Employees' Pension Plan ("the Plan") is a multi-employer defined benefit pension plan registered under *The Pension Benefits Act, 1992* (Saskatchewan) and the *Income Tax Act* (Canada). The Plan is governed by a Board of Trustees pursuant to an Agreement and Declaration of Trust dated December 31, 2002. Four trustees are appointed by Health Shared Services Saskatchewan (3sHealth) and four healthcare unions each appoint one trustee. The Chief Executive Officer and the Plan's staff are responsible for the administration of the Plan, subject to Board monitoring and review.

NOTE 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 (CPA Handbook Section 4600). For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented.

B. BASIS OF MEASUREMENT
The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured at fair value.

C. FUNCTIONAL AND PRESENTATION CURRENCY
These financial statements are presented in Canadian Dollars, which is the Plan's functional currency and are rounded to the nearest thousand unless otherwise noted.

D. USE OF ESTIMATES AND JUDGEMENTS
The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of pension obligations (note 9).

NOTE 3 - DESCRIPTION OF PLAN

The following description of the Plan is a summary only. For more complete information reference should be made to the Plan text.

A. EFFECTIVE DATE
The effective date of the Plan was March 1, 1962.

B. ELIGIBILITY
Eligible permanent full-time and permanent part-time employees of the Plan employers must participate.

Membership is optional for eligible casual and temporary employees who work at least 780 hours in the immediately preceding calendar year or at least 700 hours in each of the two immediately preceding calendar years.

C. MEMBER CONTRIBUTIONS
The Plan employers are responsible for the accuracy and completeness of the payroll information on which contributions are remitted and benefits determined under the Plan. Contributions are made by both members and the Plan employers in accordance with the provisions of the Plan.

For the year ending December 31, 2014 members are required to contribute 8.1 percent of their pensionable earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 10.7 percent of pensionable earnings above the YMPE.

Plan members may purchase eligible prior and current service provided they satisfy the full purchase cost. These contributions are referred to as additional purchased service contributions and may be purchased on a current service or prior service basis.

Plan members may transfer in service and contributions from the pension plan of a prior employer. These contributions are referred to as portability transfer contributions.

D. EMPLOYER CONTRIBUTIONS
Employers contribute 112 percent of a member's required contributions.

E. AMOUNT OF PENSION
Subject to the maximum pension limits set out in the Plan Text the basic lifetime pension is equal to the sum of:

i. 2 percent of highest average contributory earnings (HACE[1]) multiplied by years of credited service up to December 31, 1989, plus

ii. 1.65 percent of highest average base contributory earnings (HABCE[2]) plus two percent of highest average excess contributory earnings (HAECE[3]) multiplied by years of credited service between January 1, 1990 and December 31, 2000, plus

iii. 1.4 percent of highest average base contributory earnings (HABCE) plus two percent of highest average excess contributory earnings (HAECE) multiplied by years of credited service after January 1, 2001.

F. RETIREMENT DATES
The normal retirement date of a member is the first day of the month coincident with or next following the member's 65th birthday.

Members can retire early with an unreduced pension as soon as their age and years of credited service add up to 80 years.

Members can retire with a reduced pension any time after age 55 with at least two years of service. The reduction applied to the member's pension depends on how long the member has worked for his or her employer. If the member has worked for at least 10 years, the pension is reduced by the lesser of:

i. Three percent multiplied by the number of years, and portions thereof, that the member is short of age 65, and

ii. Three percent multiplied by the number of years, and portions thereof, that the member's age plus credited service is short of 80 years, and

iii. the greater of:

   a. Three percent multiplied by the number of years, and portions thereof, that the member is short of age 62, and

   b. Three percent multiplied by the number of years, and portions thereof, that the

[1]HACE – is the average of a member's four highest years of contributory earnings.
[2]HABCE – is the average of a member's contributory earnings up to the Year's Maximum Pensionable Earnings during the five highest calendar years of contributory earnings.
[3]HAECE – is the difference between a member's HACE and HABCE.

NOTE 3 - DESCRIPTION OF PLAN (CONTINUED)

member's credited service is short of 20 years.

A member may delay receipt of pension payments until December 1 of the year in which they attain age 71. In this event, pension accruals will continue in the normal manner.

G. TRANSFER DEFICIENCY HOLDBACKS
The valuation performed at December 31, 2013 revealed a solvency deficit of 27 percent. The Plan is required to apply a transfer deficiency holdback of 27 percent to certain termination benefits. This is effective September 30, 2014. The previous transfer deficiency holdback was 19.72 percent, based on the valuation performed at December 31, 2010. Transfer deficiency holdbacks plus applicable interest is paid within five years of the initial payment or when the Plan becomes fully funded on a solvency basis (whichever occurs first).

H. DEATH IN SERVICE
On the death of a member before retirement, the member's surviving spouse receives the greater of:

i. the sum of:

   a. the commuted value of the member's pension earned to the date of death in respect of all core credited service, plus excess contributions, if any, and

   b. the member's accumulated additional purchased service and portability transfer contributions, plus interest, and

ii. the sum of:

   a. the commuted value of the member's core credited service pension earned from January 1, 1992 to the date of the member's death, plus excess contributions, if any, and

   b. twice the member's required contributions, with respect to pre-1992 core credited service, plus interest, plus the member's additional purchased service contributions and portability transfer contributions, plus interest.

If the member is not survived by a spouse, or the spouse has completed and submitted the pre-retirement death benefit waiver form prescribed under *The Pension Benefits Act, 1992* (Saskatchewan), the death benefit is payable in a lump sum to the member's designated beneficiary or estate. This transfer deficiency holdback is paid within five years of the initial death benefit payment.

I. NORMAL FORM OF PENSION
The normal form of pension provides for monthly payments for life, with a minimum of 60 monthly payments being guaranteed in any event. Optional forms of pension are available on an actuarial equivalent basis. If the retiring member has a spouse, a joint life optional pension reduced by not more than 40 percent on the member's death must be elected unless the spouse has waived this option.

J. TERMINATION OF EMPLOYMENT
Benefit entitlement to members who are terminated depends upon whether or not the member is vested.

A member is vested if on termination, the member has:

- more than two years of credited service in which case the benefit is not locked in, or
- more than two years of continuous service in which case the benefit is locked in.

A non-vested member is entitled to a refund of his or her own required and additional purchased service contributions, plus interest as either:

- a taxable payment issued directly to the member, or
- a tax exempt transfer directly to the member's personal registered retirement savings plan (RRSP) or other qualifying vehicle.

A vested member may discharge his or her non-locked in deferred pension and receive a refund of his or her own required and additional purchased service contribution as either:

- a taxable payment issued to the member, or
- a tax-exempt transfer directly to the member's personal RRSP or other qualifying vehicle.

A vested member is entitled to a deferred pension payable at age 65. The member's deferred pension is calculated based on the member's credited service and contributory earnings at the date

NOTE 3 - DESCRIPTION OF PLAN (CONTINUED)

of termination.

A vested member may discharge his or her locked-in deferred pension and transfer the present value of the deferred pension to a personal registered retirement savings plan or another registered pension plan, providing the funds transferred are administered on a locked-in basis.

K. DISABILITY BENEFIT
Members who become disabled under the terms of the Plan will continue to earn credited service under the Plan. Their pension at retirement is based on all years of credited service including those on approved disability, and their highest average contributory earnings are calculated assuming they had made contributions during disability based on their salary when the disability commenced.

L. MAXIMUM EMPLOYEE COST
At least 50 percent of the cost of the benefit payable at retirement or termination of employment to a member who is vested and locked-in must be provided by employer contributions. Any "excess" contributions on termination or retirement are refundable to the member.

M. INTEREST
For the purpose of calculating accumulated member contributions, interest rates are applied in respect of required contributions at the rates of interest determined by the plan from time to time, but in no event are lower than the minimum rate required by *The Pension Benefits Act, 1992* (Saskatchewan).

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian Accounting Standards for pension plans (ASPP). These standards provide guidance in the measurement of the Plan's pension obligations and any investments held by the Plan. ASPP also provides the Plan with the ability to select and follow International Financial Reporting Standards (IFRS) or Accounting Standards for Private Enterprises for all other accounting policies. The Plan has chosen to adopt the relevant sections in IFRS.

The following policies are considered to be significant:

A. REVENUE RECOGNITION
Interest on bonds and short term investments is recognised as it accrues. Income from real estate equity investments is recognised on the accrual basis as earned.

Dividend income and pooled fund distributions are recognised as of the date of record. Investment transactions are accounted for on the trade date. Realised gains and losses on currency forward contracts are recognised on the settlement date and unrealised gains and losses are recognised with reference to the fair value determined using appropriate valuation techniques. The Plan follows the accrual method for the recording of income and expenses.

B. FINANCIAL INSTRUMENTS
All financial instruments are carried at fair value. The fair value of short term instruments is based on cost, which approximates fair value due to the immediate or short term nature of these financial instruments. The fair value of equities is based on year-end market quotations. The fair value of bonds is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity. The fair value of bond, mortgage and equity pooled funds is based on the quoted market values of the underlying investments, based on the latest bid prices. Unlisted bonds are valued at fair value reflecting current market yields of similar debt obligations. The fair value of currency forward contracts is determined using appropriate valuation techniques. The fair value of real estate funds is based on the most recent appraisal and earnings results. The fair value of real estate equity investments is based on the most recent appraisal.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure investments are valued by using market comparable and discounted cash flow valuation models.

C. INVESTMENTS UNDER SECURITIES LENDING PROGRAM

Securities lending transactions are entered into on a collateralised basis. The securities lent are not derecognised on the statements of financial position given that the risks and rewards of ownership are not transferred from the Plan to the counterparties in the course of such transactions. The securities are reported separately on the statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities and cash received from counterparties as collateral are not recorded on the statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Plan in the course of such transactions.

D. PROPERTY AND EQUIPMENT

Items of property and equipment are measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation method, the useful lives and the residual value of the assets are reviewed at each reporting date. Repairs and maintenance are recorded as administrative expenses in the period in which they have been incurred.

Amortisation is recorded on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Leasehold improvements	15 years
Furniture and equipment	4 - 10 years
Computer equipment	2 - 4 years

Cost includes expenditures that are directly attributable to the acquisition of the asset. The Plan has not incurred borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalised.

E. INTANGIBLE ASSETS

Intangible assets that are acquired by the Plan and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in net increase (decrease) in net assets on a straight-line basis over the estimated useful lives of intangible assets of between 5 and 10 years.

F. PROVISION FOR ACCRUED PENSION BENEFITS

The provision for accrued pension benefits represents the most recent actuarial present value of accrued pension benefits extrapolated to the year-end reporting date. Any resulting change in this provision is recognised as a revenue or expense in the statement of changes in net assets available for benefits.

G. FOREIGN CURRENCIES

Foreign currency transactions are translated into Canadian dollars using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sales of investments are included in the statement of changes in net assets in the year incurred. Future changes in the fair value of foreign currency derivative financial instruments are recognised as gains or losses in the period of change.

H. INCOME TAXES

The Plan is not subject to income tax since it is a Registered Pension Plan as defined by the Income Tax Act (Canada).

I. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following future changes to accounting standards will have applicability to the Plan:

IFRS 9, Financial Instruments, was issued in 2009 and amended in 2010 and 2013. The fourth and final version of the Standard was issued on July 24, 2014. The standard is effective for annual periods beginning on or after 1 January 2018 and is applied retrospectively with some exemptions. Restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. The Plan does not expect to be materially affected by the new recommendations.

NOTE 5 - INVESTMENTS

The objective of the Plan is to maintain sufficient assets to discharge future pension obligations and to generate cash flow required for pension plan payments. The fund has the following investments:

SUMMARY OF INVESTMENT HOLDINGS:		2014		2013	
TYPE	YEARS TO MATURITY	FAIR VALUE (000's)	YIELD (%)	FAIR VALUE (000's)	YIELD (%)
BONDS					
Government of Canada	1 - 5	$ -	-	$ 1,117	2.4
	10+	-	-	3,853	3.8
		-		4,970	
Provincial	10+	62,838	3.2 – 3.4	296,001	4.0 – 4.5
		62,838		296,001	
Corporate	10+	772,761	2.4 – 3.6	228,161	2.9 – 4.9
TOTAL BONDS		835,599		529,132	
BOND POOLED FUNDS		629,296	2.2 – 3.1	469,779	2.7 – 4.0
MORTGAGE POOLED FUND		60,621	3.6	47,567	4.6
EQUITIES AND EQUITY POOLED FUNDS					
Canadian equities		274,106		328,455	
Non-North American equities		322,681		360,237	
Non-North American pooled funds		375,670		361,856	
Emerging markets equities		265,736		245,108	
United States pooled funds		524,647		566,459	
Global pooled funds		743,719		728,530	
TOTAL EQUITIES AND EQUITY POOLED FUNDS		2,506,559		2,590,645	
OTHER					
Short term investments		24,920		26,822	
Real estate pooled fund		366,348		240,913	
Real estate equity investments		170,309		172,091	
Infrastructure		76,177		41,177	
Cash		57,625		56,647	
Currency forward contracts		(829)		(14,324)	
TOTAL OTHER		694,550		523,326	
TOTAL INVESTMENTS		$ 4,726,625		$ 4,160,449	

NOTE 5 - INVESTMENTS (CONTINUED)

TYPE	YEARS TO MATURITY	2014 FAIR VALUE (000's)	2014 YIELD (%)	2013 FAIR VALUE (000's)	2013 YIELD (%)
INVESTMENTS UNDER SECURITIES LENDING PROGRAM					
Bonds					
Government of Canada	1 - 5	$ 29,395	1.3 – 1.5	$ 17,944	2.4 - 3.8
	6 – 10	24,713	1.8 – 2.0	31,488	2.7
	10+	4,601	2.3	-	-
Provincial	6 - 10	-	-	11,110	3.5
	10+	38,101	3.3	91,765	4.1 – 4.5
Canadian equities		534,570		418,852	
Non-North American equities		33,677		14,307	
Short term investments		19,071		10,986	
TOTAL INVESTMENTS UNDER SECURITIES LENDING PROGRAM		$ 684,128		$ 596,452	

BONDS, BOND POOLED FUNDS AND MORTGAGE POOLED FUNDS

Bonds are subject to a minimum quality standard of BBB or equivalent unless otherwise specified in an investment manager's mandate. In the active bond mandate, BBB bonds or lower may not be purchased if they comprise more than 15 percent of the book value of the total portfolio of any individual manager. No single issuer is to exceed 10 percent of the carrying value of the fund except for securities issued or guaranteed by the provincial or federal governments. No more than 20 percent of the carrying value of the bond portfolio may be held in foreign issuer bonds. Pooled funds have no fixed distribution rate and returns are based on the success of the investment managers.

EQUITIES AND EQUITY POOLED FUNDS

Pooled funds have no fixed distribution rates and returns are based on the success of the investment managers. No one holding of an individual stock may represent more than 10 percent of the carrying value of the specific equity mandate. Stock shorting is permitted and limited at the investment manager level to a band of 25 to 35 percent of the carrying value, with a target of 30 percent. At December 31, 2014 stock shorting was permitted in one investment mandate with a carrying value of $446,042,000 (2013 - $441,324,000).

SHORT-TERM INVESTMENTS

Short-term investments are comprised of investments with less than one year to maturity. The Plan requires a minimum R-1 or equivalent rating.

INFRASTRUCTURE

The Plan invests in investments through its 100 percent owned subsidiary, Horizon Alternative Investments SHEPP Holdings Ltd (Horizon). The fair value of this investment is shown as an infrastructure investment.

REAL ESTATE POOLED FUND

The real estate pooled fund portfolio is owned within Horizon and diversified by property type and geographic location throughout developed markets.

REAL ESTATE EQUITY INVESTMENTS

The Plan invests in real estate equity

NOTE 5 - INVESTMENTS (CONTINUED)

investments through its 100 percent owned subsidiary, Sunrise Properties Ltd. These properties are located in Ontario, Quebec, Alberta, and British Columbia. The fair value of this investment is shown as a real estate equity investment.

DERIVATIVE FINANCIAL INSTRUMENTS – CURRENCY FORWARD CONTRACTS

Currency forward contracts are financial contracts, the value of which is derived from underlying assets or indices. Derivative transactions are conducted in the over-the-counter market directly between two counterparties or on regulated exchanges. Derivatives are permitted in the Statement of Investment Policy & Procedures (SIP&P) and may not be used for speculative purposes or to create net leverage of the Plan.

FAIR VALUE HIERARCHY

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorised into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs such as interest rates.

Level 3 – Models using inputs that are not based on observable market data.

	2014 (000's)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and short-term investments	$ 57,625	$ 43,991	$ -	$ 101,616
Bonds, bond pooled funds and mortgage pooled funds	-	1,622,326	-	1,622,326
Canadian equities	808,676	-	-	808,676
Non-North American equities	356,358	-	-	356,358
United States pooled funds	-	524,647	-	524,647
Non-North America pooled funds	-	375,670	-	375,670
Global pooled funds	-	743,719	-	743,719
Emerging market equities	-	265,736	-	265,736
Infrastructure	-	-	76,177	76,177
Real estate pooled fund	-	-	366,348	366,348
Real estate equity investments	-	170,309	-	170,309
Currency forward contracts	-	(829)	-	(829)
	$ 1,222,659	$ 3,745,569	$ 442,525	$ 5,410,753

NOTE 5 - INVESTMENTS (CONTINUED)

	2013 (000's)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and short-term investments	$ 56,647	$ 37,808	$ -	$ 94,455
Bonds, bond pooled funds and mortgage pooled funds	-	1,198,785	-	1,198,785
Canadian equities	747,307	-	-	747,307
Non-North American equities	374,544	-	-	374,544
United States pooled funds	-	566,459	-	566,459
Non-North America pooled funds	-	361,856	-	361,856
Global pooled funds	-	728,530	-	728,530
Emerging market equities	-	245,108	-	245,108
Infrastructure	-	-	41,177	41,177
Real estate pooled fund	-	-	240,913	240,913
Real estate equity investments	-	172,091	-	172,091
Currency forward contracts	-	(14,324)	-	(14,324)
	$ 1,178,498	$ 3,296,313	$ 282,090	$ 4,756,901

LEVEL 3 RECONCILIATION	2014 (000's)	2013 (000's)
	POOLED REAL ESTATE AND INFRASTRUCTURE	POOLED REAL ESTATE AND INFRASTRUCTURE
Opening balance	$ 282,090	$ 230,857
Acquisitions	151,547	17,661
Dispositions	(33,793)	(1,641)
Realised gain	23,442	931
Change in unrealised gain	19,239	34,282
	$ 442,525	$ 282,090

During the current year no investments were transferred between levels.

NOTE 6 - PROPERTY AND EQUIPMENT

	FURNITURE AND EQUIPMENT (000's)	COMPUTER EQUIPMENT (000's)	LEASEHOLD IMPROVEMENTS (000's)	TOTAL (000's)
COST OR DEEMED COST				
Balance at January 1, 2013	$ 162	$ 160	$ 1,830	$ 2,152
Additions	-	5	4	9
Disposals	(1)	-	(7)	(8)
Tenant Rebate	-	-	(289)	(289)
Balance at December 31, 2013	$ 161	$ 165	$ 1,538	$ 1,864
BALANCE AT JANUARY 1, 2014	**$ 161**	**$ 165**	**$ 1,538**	**$ 1,864**
Additions	34	65	36	135
Tenant Rebate	-	-	(56)	(56)
BALANCE AT DECEMBER 31, 2014	**$ 195**	**$ 230**	**$ 1,518**	**$ 1,943**
AMORTISATION				
Balance at January 1, 2013	$ 90	$ 103	$ 1	$ 194
Amortisation for the year	12	25	102	139
BALANCE AT DECEMBER 31, 2013	**$ 102**	**$ 128**	**$ 103**	**$ 333**
BALANCE AT JANUARY 1, 2014	$ 102	$ 128	$ 103	$ 333
Amortisation for the year	14	26	104	144
BALANCE AT DECEMBER 31, 2014	**$ 116**	**$ 154**	**$ 207**	**$ 477**
CARRYING AMOUNTS				
Balance at January 1, 2013	$ 72	$ 57	$ 1,829	$ 1,958
Balance at December 31, 2013	$ 59	$ 37	$ 1,435	$ 1,531
BALANCE AT JANUARY 1, 2014	**$ 59**	**$ 37**	**$ 1,435**	**$ 1,531**
BALANCE AT DECEMBER 31, 2014	**$ 79**	**$ 76**	**$ 1,311**	**$ 1,466**

NOTE 7 -INTANGIBLE ASSETS

Intangible assets consist of a pension administration system.

COST OR DEEMED COST		(000's)
Balance at January 1, 2013	$	2,415
Balance at December 31, 2013	$	2,775
BALANCE AT JANUARY 1, 2014	**$**	**2,775**
Additions for the year		973
BALANCE AT DECEMBER 31, 2014	**$**	**3,748**
AMORTISATION		
Balance at January 1, 2013	$	1,889
Amortisation for the year		245
Balance at December 31, 2013	$	2,134
BALANCE AT JANUARY 1, 2014	**$**	**2,134**
Amortisation for the year		243
BALANCE AT DECEMBER 31, 2014	**$**	**2,377**
CARRYING AMOUNTS		
Balance at January 1, 2013	$	526
Balance at December 31, 2013	$	641
BALANCE AT JANUARY 1, 2014	**$**	**641**
BALANCE AT DECEMBER 31, 2014	**$**	**1,371**

NOTE 8 - INVESTMENT INCOME

		2014 (000's)		2013 (000's)
Bond interest	$	26,493	$	13,887
Dividends		91,391		59,978
Interest on short term investments and cash balances		974		1,100
Other income		920		825
	$	119,778	$	75,790

NOTE 9 - PENSION OBLIGATIONS

The pension obligations are the actuarial present value of the future expected pension benefit obligation to members as determined by the actuarial valuation done by Aon Hewitt, an independent actuarial consulting firm, at least every three years. The last actuarial valuation was performed as of December 31, 2013. The present value of accrued pension benefits was then extrapolated to December 31, 2014 using the funding valuation cost method with the expectation that the Plan will continue on an ongoing basis.

The assumptions used in determining the provision for accrued pension benefits may change from year to year depending upon current and long-term market conditions. The following is a summary of the significant actuarial assumptions:

ASSUMPTIONS	2014	2013
Discount rate	6.80%	7.25%
Inflation rate	2.25%	2.50%
Mortality table	SHEPP Mortality Table projected generationally with scale CPM-B	UP1994 projected to 2020
Remaining service life	11.7 years	11.4 years
Salary Projection		
• SUN Members	3.00% per year	3.50% plus 2.0% for any member who attains 20 years of service
• All Other Members	3.00% per year	3.50% per year

The following illustrates the effect of changes in the interest rate and the salary and pensionable earnings assumptions:

- A one percent change in the discount rate results in approximately a 13 percent change in the pension obligations;
- A one percent change in the salary scale and the pensionable earnings levels results in approximately a 2 percent change in the pension obligations.

NOTE 10 - FINANCIAL RISK MANAGEMENT

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk), and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having a SIP&P, which is subject to review and approval by the Board of Trustees not less than annually.

Permitted investments under the SIP&P include equities; fixed income; cash and short-term investments; mortgages; derivatives; real estate; infrastructure and pooled funds. By investing in a well diversified portfolio of asset classes and further diversifying within each asset class, risk is reduced. The SIP&P sets out the asset mix to achieve sufficient asset growth on a risk controlled basis. The minimum, maximum and target weightings for each asset class, and sub-class, are clearly established within the total fund policy asset mix.

The SIP&P sets out a minimum quality requirement of "BBB" for bonds and debentures at the time of purchase unless otherwise specified in an investment manager's mandate; a minimum rating of "R-1" for short-term investments at the time of purchase and a minimum quality standard of "A" at the time of transaction for counterparties in a derivative transaction. Downgrades in qualities of an asset below the established purchased standards

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

require immediate disclosure to the Board and require the affected investment manager to set out a course of action to resolve the deviation.

In addition the SIP&P includes maximum quantity restrictions. With limited specific exceptions, debt and equity holdings in a single company are limited to 10 percent of the carrying value of the total fund. The fund may not invest directly or indirectly in the securities of a corporation representing more than 30 percent of the votes that may be cast to elect the directors of the corporation.

Maximum quantity restrictions are also applied at the investment manager level. Each investment manager engaged by the Plan is responsible for investing the assets of the fund in accordance with the SIP&P, the mandate prescribed by the Plan for the manager and the agreement under which the Plan has contracted the manager's services.

CREDIT RISK

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which the Plan is exposed at December 31, 2014 is limited to the carrying value of the financial assets summarised as follows:

	2014 (000's)	2013 (000's)
Cash	$ 57,625	$ 56,647
Accrued interest receivable	572	635
Members' contributions receivable	7,183	8,171
Employers' contributions receivable	8,044	9,152
Dividends receivable	3,343	2,700
Security transactions receivable	1,558	-
Other receivables	409	357
Short-term investments	43,991	37,808
Fixed income *	1,622,326	1,198,785
	$ 1,745,051	$ 1,314,255

*Fixed income is comprised of bonds, bond pooled funds, and mortgage pooled funds.

Members' and employers' contributions receivable, dividends receivable and security transactions receivable are generally received in less than 30 days. Accrued interest receivable is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within short-term and fixed income investments is managed through the investment policy that establishes a minimum credit quality for issuers and spreads the risk amongst several issuers. The investment policy requires a minimum credit quality for individual bonds of BBB for issuers at the time of issue unless otherwise specified in an investment manager's mandate and R-1 for short-term investments.

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit ratings for fixed income investments are as follows:

	2014		2013	
CREDIT RATING	FAIR VALUE (000's)	MAKEUP OF PORTFOLIO	FAIR VALUE (000's)	MAKEUP OF PORTFOLIO
AAA	$ 359,074	22.1%	$ 284,281	23.7%
AA	508,445	31.4%	396,338	33.1%
A	559,177	34.5%	370,318	30.9%
BBB	191,737	11.8%	147,848	12.3%
Less than BBB	3,893	0.2%	-	-
	$ 1,622,326	**100%**	**$ 1,198,785**	**100.0%**

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities approved by the Board of Trustees.

As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2014, the Plan's investments included loaned securities with a market value of $684,128,000 (2013 - $596,452,000) and the fair value of securities and cash collateral received in respect of these loans was $716,419,000 (2013 - $619,355,000).

MARKET RISK

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

INTEREST RATE RISK

The Plan is exposed to changes in interest rates in its cash, short-term investments, bonds, bond pooled funds and mortgage pooled funds. Duration is a measure used to estimate the extent market values of these investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets by $259,514,000 at December 31, 2014 (2013 - $183,101,000); representing 15.1 percent (2013 – 14.2 percent) of the $1,723,940,000 (2013 - $1,293,205,000) fair value of these investments.

FOREIGN EXCHANGE RISK

The Plan is subject to changes in the United States/Canadian dollar exchange rate on its United States denominated investments. Also, the Plan is exposed to other non-North American currencies through its investment in non-North American and global equities. At December 31, 2014, the Plan's exposure to United States equities was 8 percent (2013 – 21 percent) and its exposure to non-North American equities was 6 percent (2013 – 22 percent).

The Plan manages this risk through the use of currency futures or forwards. At December 31, 2014 the fair value of currency forward contracts payable was $993,046,000 (2013 - $2,199,238,000) and the fair value of currency fund contracts receivable was $992,229,000 (2013 - $2,184,891,000).

EQUITY PRICE RISK

The Plan is exposed to changes in equity prices in Canadian, United States and other markets. Equities comprise 56.9 percent (2013 – 63.5 percent) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. A 10 percent change in equity prices would result in a $307,481,000 (2013 - $302,380,000) change in the Plan's net assets.

REAL ESTATE AND INFRASTRUCTURE RISK

Real estate and infrastructure assets are valued based on estimated fair values determined by using appropriate techniques and best estimates. An independent auditor

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

performs an annual assessment on these estimated fair values to ensure the assets are fairly stated in all material aspects. Risk in the real estate portfolio is further managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimised by having holdings diversified across property type, geographic location and investment size.

LIQUIDITY RISK

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

NOTE 11 - RELATED PARTY TRANSACTIONS

These financial statements include transactions for the Plan's administrative expenses paid to 3sHealth. All transactions are recorded at the exchange amounts agreed by the two parties.

	2014 (000's)	2013 (000's)
EXPENSES	$ 83	$ 83

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority over the planning, directing, and controlling activities of the Plan, which include directors and executive officers.

Key management personnel compensation is comprised of:

	2014 (000's)	2013 (000's)
Short-term employee benefits	$ 971	$ 941
Post-employment benefits		
Defined benefit retirement allowance	93	78
TOTAL BENEFITS	$ 1,064	$ 1,019

NOTE 12 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CORPORATE
DIRECTORY

PROFESSIONALS WORKING TOGETHER TO SERVE THE BEST INTERESTS OF OUR MEMBERS.

Board of Trustees

Leadership Team

Alison McKay
Chief Executive Officer (CEO)

Cheldon Angus
Chief Technology Officer (CTO)

Dale Markewich
Chief Financial Officer (CFO)

Kelley Orban
Senior Director of Stakeholder Relations

Paula Potter
Senior Director of Pension Services

Renee Boyd
Director of Finance

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Actuary
Aon Hewitt Consulting

Auditor
KPMG LLP

Custodian
CIBC Mellon Global Securities Services Company

Investment Consultant
Aon Hewitt Consulting

Legal Counsel
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Pension Administration System Supply & Support
James Evans & Associates
cfactor Works Inc.

Performance Measurement Service
BNY Mellon Asset Servicing

Investment Managers
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BlackRock Asset Management Canada Limited
Brookfield Infrastructure Fund
Connor, Clark & Lunn Investment Management Ltd.
Foyston, Gordon, Payne Inc.
Franklin Templeton Investment Corp.
Global Infrastructure Partners
Greystone Managed Investment Inc.
IFM Investors
Invesco Core Real Estate U.S.A.,LP
MFS Investment Management Canada Limited
JPMorgan Asset Management (Canada) Inc.
Phillips, Hager & North Investment Management Ltd.
Wellington Management Company, LLP

SHEPP

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