



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 4**  
**Halifax Regional Council**  
**October 1, 2013**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original signed  
Councillor Bill Karsten, Chair, Audit and Finance Standing Committee

**DATE:** September 20, 2013

**SUBJECT:** Investment Activities – Quarter Ending March 31, 2013

### **INFORMATION REPORT**

#### **ORIGIN**

A motion of the Audit and Finance Committee at a meeting held on September 18, 2013.

#### **LEGISLATIVE AUTHORITY**

The Terms of Reference of the Audit and Finance Standing Committee Section 3.2 – Finance and Risk Management.

#### **BACKGROUND**

The Audit and Finance Standing Committee received the July 4, 2013 staff report at the September 18, 2013 meeting. For further background see the attached report.

#### **DISCUSSION**

The Audit and Finance Committee recommended that the July 4, 2013 report be forwarded to Council for Information.

#### **FINANCIAL IMPLICATIONS**

There are no financial implications attached to this report.

#### **COMMUNITY ENGAGEMENT**

Audit and Finance Standing Committee meetings are open to public and all agendas, reports and minutes are available on the web in advance of meetings.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

**ALTERNATIVES**

The Committee did not provide any other alternatives.

**ATTACHMENTS**

Staff report dated July 4, 2013

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Sherryl Murphy, Deputy Municipal Clerk, 490-4211

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P.O. Box 1749  
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## Attachment 1

Audit and Finance Standing Committee  
August 21, 2013  
September 18, 2013

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**TO:** Councillor Bill Karsten, Chair and Members of the Audit and Finance Standing Committee

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, Director of Finance and Information Technology / CFO

**DATE:** July 4, 2013

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**SUBJECT:** Investment Activities – Quarter Ending March 31, 2013

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### ORIGIN

Quarterly report of investment performance and adherence to approved Investment Policy.

### LEGISLATIVE AUTHORITY

Section 121(1) of the HRM Charter requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Service Nova Scotia and Municipal Relations or invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy and the Minister has approved the Policy investment activities are governed by this Policy.

### RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee forward this report to Halifax Regional Council as an information item.

## BACKGROUND

The HRM Investment Policy calls for quarterly reporting by the Treasurer to Council and the Investment Policy Advisory Committee (the Committee). The report for the Quarter ending March 31, 2013 has been reviewed by the Committee. A report from the Committee on staff's compliance with the HRM Investment Policy has also been sent to the Audit and Finance Standing Committee meeting of August 21.

## DISCUSSION

### HRM Investment Activities

HRM Money Market Pool investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending March 31, 2013:

Money Market Funds	3 Months (to March 31, 2013)	1 Year (to March 31, 2013)
5 <sup>th</sup> Percentile	.34%	1.29%
1 <sup>st</sup> Quartile	.30%	1.24%
Mercer Median	.28%	1.17%
3 <sup>rd</sup> Quartile	.25%	1.07%
95 <sup>th</sup> Percentile	.23%	.96%
Dec 91 Day T-Bills	.23%	1.03%
<b>HRM</b>	<b>.30%</b>	<b>1.20%</b>

HRM relative performance was at the 1<sup>st</sup> quartile break for the Quarter and somewhat above median for the year before allowing for fees that would have been paid to an external management firm. The very high quality of the HRM portfolio was maintained. These positive relative performance figures are largely a result of locking in relatively attractive yields with a significant portion of the portfolio near the one year term in April 2012 when the Bank of Canada was threatening to raise rates in an attempt to moderate consumer borrowing.

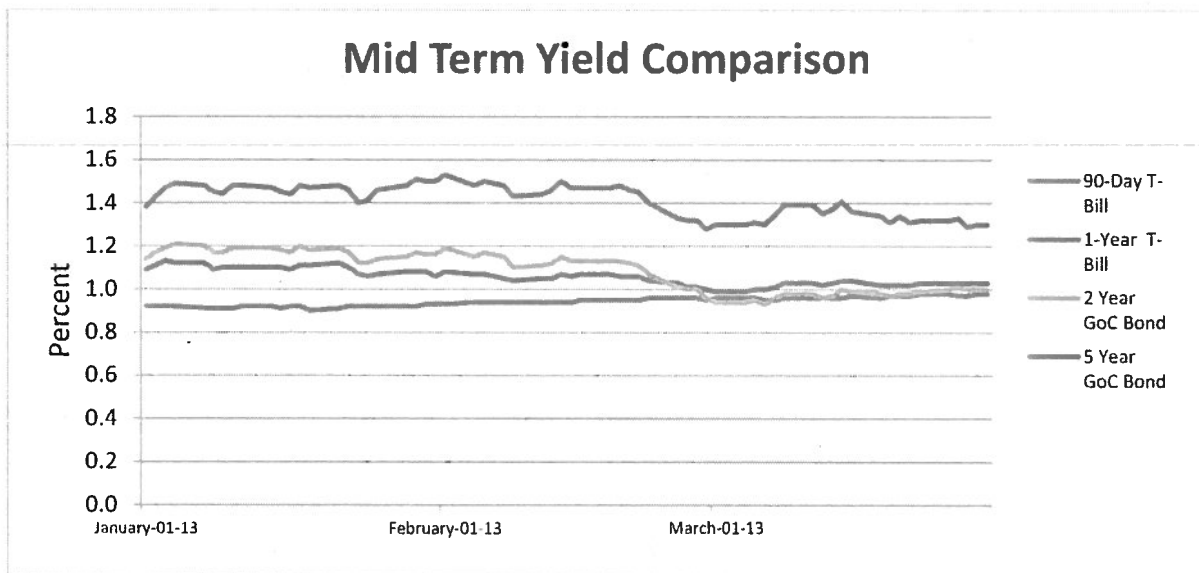
The Quarter saw 14 money market investments made at a cost of \$37,173,000 with an average term to maturity of 96 days. This compares to last year's 4<sup>th</sup> Quarter of 38 investments made at a cost of \$138,167,000 with an average term of 126 days. The elevated activity level in the 4<sup>th</sup> Quarter of 2012 was somewhat of an anomaly that resulted from more rollovers of investments as the previous two Quarters had seen somewhat shorter average terms.

The majority of investments this Quarter were in the shorter term to cover cash needs. When rates were relatively attractive some longer term Provincial investments were purchased. The bank account continued to provide an attractive rate of interest relative to other short term Financial Institution instruments and was used extensively. Some \$13,000,000 of short dated (less than a year) Provincial Floating Rate Notes were also purchased to enhance the yield on the

Government portion of the portfolio. While the reset feature adds somewhat to interest rate risk, with at most only two resets left prior to maturity, staff believes this risk is reasonable in the current environment for the pickup in yield over similar dated fixed rate Provincial instruments.

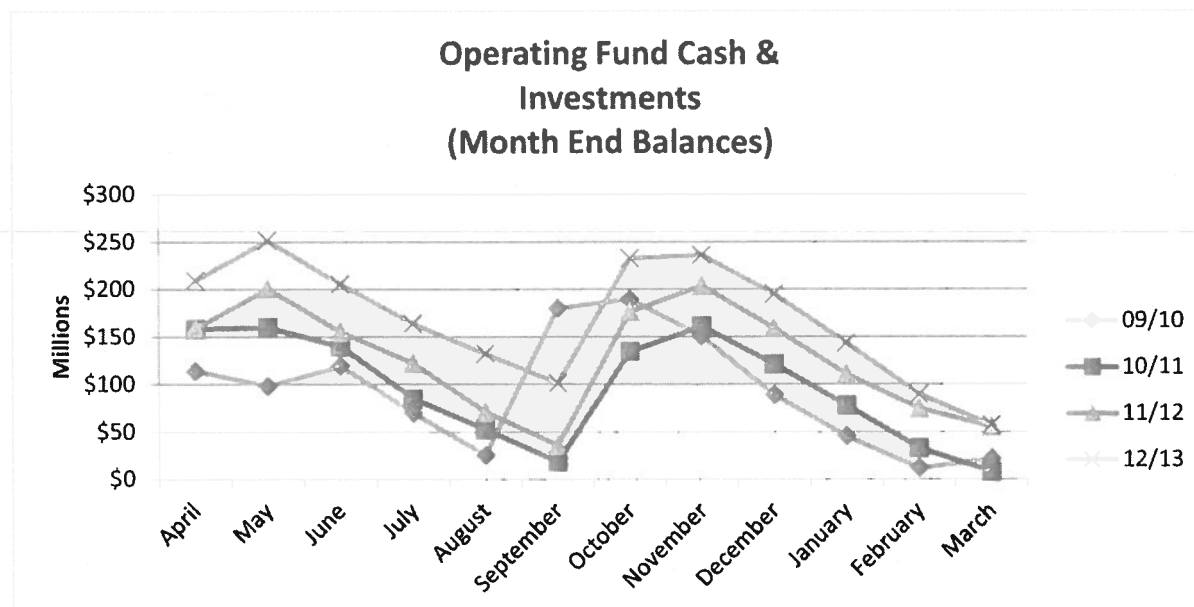
### HRM Short Term Bond Pool

The Short Term Bond Pool holds bonds to a maximum term to maturity of approximately five years. The \$5,000,000 of bonds currently held have yields ranging from 2.21% to 3.07%. These bonds are guaranteed by either the Government of Canada or highly rated Provinces. There were no additions to the Bond Pool during the Quarter. Staff continues to look for opportunities to add to the Bond Pool with the ever changing outlook for future interest rates over a potential five year holding period and the very narrow spread on yields between the shorter and longer dated instruments key considerations.



### Cash Flows

Operating Fund cash and investment balances continue at elevated levels. The dip at the end of March was largely due to increased transfers to Reserves however balances finished this year at very close to the level of the previous year. The main sources of this balance are accumulated funds for Retiring Allowances, the pre-payment of property taxes both from the Pre-Authorized Payment Program and early payments on the interim Property Tax bill and the surplus. An increase, relative to the previous year, in payables offset an increase in bridge financing to the Capital Fund.



During the Quarter there were six instances when the cash on deposit with the HRM banker exceeded the Investment Policy guidelines on a temporary basis, generally one business day. In four of these cases the amounts were quite minor, 0.10% of the portfolio or less. In the other two instances the amounts were for less than 1.50% of the portfolio. These temporary variances were discussed with the Committee and the Committee concurred with staff's assessment that they did not constitute a material increase in risk to the portfolio.

#### Notable Events

The March 21 Federal Budget included a 'bail-in' policy framework to recapitalize a Canadian bank in the unlikely event of non-viability by converting some liabilities into capital. A public consultation process was promised before any regulations would be crafted. Staff will continue to monitor this situation closely for any suggestion that the types of investment instruments purchased by staff under the Investment Policy could be part of a 'bail-in' plan.

The Office of the Superintendent of Financial Institutions formally declared the big six Canadian banks systemically important in March subjecting them to 'continued supervisory intensity', enhanced disclosure and a 1% risk weighted capital surcharge effective Jan. 1, 2016. These measures are in keeping with Basel principals and were in line with market expectations.

#### Subsequent to End of Reporting Quarter

A new Bank of Japan Governor has delivered on a promise to take more aggressive action to try to lift Japan out of its long term economic slump by shifting monetary policy from interest rate targeting to targeting the monetary base. The Bank has committed to doubling the monetary base in the next 18 months to try to achieve 2% inflation as soon as possible. In addition, they will

increase the purchase of Japanese government bonds to \$531 billion per year, extend the average term to seven years from the current average of under three as well as buy commercial paper, corporate bonds, exchange traded funds and real estate investment trusts. There is no precedent to use to judge whether these measures will be effective.

In somewhat of a surprise, Stephen Poloz was appointed Governor of the Bank of Canada over Senior Deputy Governor Tiff Maclem. While Mr. Poloz had been with the Bank previously his most recent posting has been as CEO of Export Development Canada. This connection stirred some market sentiment that he may lean towards more easing in Monetary Policy to weaken the Canadian dollar.

Julie Dickson the head of the Office of the Superintendent of Financial Institutions announced she would not be returning in this role when her term ends in 2014. Staff believes her strong leadership was instrumental in creating the regulatory environment that contributed to the Canadian banking system relatively successfully navigating the heights of the recent financial crisis as well as being recognized as the soundest in the world five years in a row by the World Economic Forum.

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#### Outlook & Strategy

Expectations of tepid growth continue to be the norm in North American economies rather it be for GDP or employment. Housing is an exception with the U.S. likely to show a strengthening recovery while in Canada stability or modest decline is most likely after a number of years of strong price appreciation. Many European economies appear destined to continue to break new unemployment records. The net result appears to be lower for longer interest rates. Recently the Canadian Parliamentary Budget Office suggested the Bank of Canada may be on hold until the middle of 2015.

The usual strategy of locking rates in terms out to a year when they are 'relatively' attractive and covering shorter term cash needs when they aren't is getting more 'relative' all the time. In this fairly flat and stable interest rate environment staff are supplementing this strategy with purchases of Provincial Floating Rate Notes with one or two resets left to add some yield with, in staff's view, acceptable interest rate risk and purchasing Provincial instruments near the six month term to contribute to covering cash requirements as well as offering the potential to be profitably sold under the right market conditions. It is anticipated that Provincial instruments will continue to be favoured over Government of Canada T-Bills for the yield advantage. In a financial disaster / market freeze-up type scenario having virtually no Government of Canada T-Bills could be detrimental from a liquidity perspective. However the yield pick-up appears to offer a reasonable trade-off for this potential risk.

#### Policy Compliance

In keeping with the recent amendments to the Policy staff has modified the Policy Compliance section.

Objectives:

Preservation of Capital - There was no loss of capital during the Quarter.

Liquidity - No overdraft charges were incurred and sufficient cash was available to meet all requirements. The funded ratio of the Reserves at Quarter end was 100%.

Competitive Return on Investments - The rate of return was somewhat above median for the year ending March 31, 2013 even before allowing for fees for external management. As a result, staff maintains that the Policy benchmark was met.

Strategies:

Diversification of Investment Portfolio - Staff believes that diversification has been adequately maintained under the constraints of the Policy.

Regular Review of Performance - Performance data continues to be reported to the Investment Policy Advisory Committee.

Risk Management Approach – In implementing investment decisions staff seek a balance between the Objectives of the Investment Policy and the risks inherent in markets to look to achieve an optimal rate of return.

**FINANCIAL IMPLICATIONS**

Subject to yearend adjustments, Operating Fund Investment Income for the 2012/13 fiscal year was \$2,080,000 versus a budget of \$1,100,000. The vast majority of this positive variance was due to higher than anticipated cash flows as the rate of return for the year was 1.20% versus a budgeted rate of 1.00%

**COMMUNITY ENGAGEMENT**

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (5 of 7) are volunteers from the general public. The Committee reports to Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

**ENVIRONMENTAL IMPLICATIONS**

N/A



**ALTERNATIVES**

N/A

**ATTACHMENTS**

Sector Weight Schedules @ March 31, 2013 (Schedules A,B,C,D & E) \*

Appendix A - Economic Statistics and Central Bank Actions

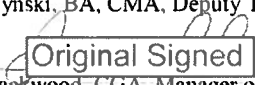
Appendix B - List of Eligible Investments

Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by : Derek Tynski, BA, CMA, Deputy Treasurer, 490-6471

Report Approved by:  Original Signed  
Jerry Blackwood, CGA, Manager of Revenue, 490-6470

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## Sector Weights @ March 31, 2013

## SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	5,928,880	3%	234,711,931	100%	224,795,226	96%
Federal Government	Open	5,928,880	3%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	122,612,860	52%	234,711,931	100%	112,099,071	48%
Total Alberta (R-1 High)	Open	0	4%	58,677,983	25%	49,642,138	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	59,081,231	25%	58,677,983	25%	-403,248	0%
Manitoba (R-1 Mid)	Open	0	0%	58,677,983	25%	58,677,983	25%
New Brunswick (R-1 Mid)	Open	2,401,511	1%	58,677,983	25%	56,276,472	24%
Ontario (R-1 Mid)	Open	25,410,648	11%	58,677,983	25%	33,267,335	14%
Quebec (R-1 Mid)	Open	35,719,470	22%	58,677,983	25%	7,950,548	3%
Quebec		10,932,050					
Financement Quebec		4,934,250					
Hydro Quebec		19,853,170					
Saskatchewan (R-1 High)	Open	0	0%	58,677,983	25%	58,677,983	25%
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		58,677,983	25%	58,677,983	25%
Calgary (R-1 High)	Open	0		23,471,193	10%	23,471,193	10%
Edmonton (R-1 High)	Open	0		23,471,193	10%	23,471,193	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		78,132,146	33%	117,355,966	50%	39,223,819	17%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	Mid	52,456,579	22%	117,355,966	50%	64,899,386	28%
Bank of Montreal (R-1 High)	Open	23,939,565	10%	23,471,193	10%	-468,372	0%
Bank of Nova Scotia (R-1 High)	Open	0	7%	23,471,193	10%	6,892,432	3%
Bank of Nova Scotia - Effective Cash		1,578,761					
Bank of Nova Scotia - Notice Account		15,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	4,944,458	2%	23,471,193	10%	18,526,735	8%
Royal Bank (R-1 High)	Open	4,986,230	2%	23,471,193	10%	18,484,963	8%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	2,007,565	1%	23,471,193	10%	21,463,628	9%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	R-1 Mid/High***	25,675,567	11%	58,677,983	25%	33,002,416	14%
National Bank of Canada (R-1 Mid)	Open	10,418,218	4%	11,735,597	5%	1,317,379	1%
OMERS Realty Corporation (R-1 High)	Open	11,267,869	5%	11,735,597	5%	467,728	0%
CDP Financial Inc (R-1 High)	Open	0	0%	11,735,597	5%	11,735,597	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	11,735,597	5%	11,735,597	5%
Desjardins Total		3,989,480	2%	11,735,597	5%	7,746,117	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	3,989,480					
<b>Total Cash and Equivalents</b>		<b>206,673,886</b>	<b>88%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		3,987,825	2%	46,942,386	20%	42,954,561	18%
Money Market							
Bond Pool		3,987,825					
<b>Provincial Government &amp; their Guarantees</b>		24,043,810	10%	46,942,386	20%	22,898,576	10%
<b>Money Market</b>		23,012,212	10%	46,942,386	20%	22,898,576	10%
Alberta		8,004,247	4%	23,471,193	10%	14,435,348	6%
Alberta		1,991,290					
Alberta Capital Finance Authority		6,012,957					
Alberta Treasury Branches		0					
British Columbia	0	0%	23,471,193	10%	23,471,193	10%	
Manitoba	0	0%	23,471,193	10%	23,471,193	10%	
New Brunswick	0	0%	23,471,193	10%	23,471,193	10%	
Ontario	0	0%	23,471,193	10%	23,471,193	10%	
Quebec	15,007,965	6%	23,471,193	10%	8,463,228	4%	
Quebec	4,002,103						
Financement Quebec	11,005,862						
Saskatchewan	0	0%	23,471,193	10%	23,471,193	10%	
<b>Bond Pool</b>		1,031,598	10%	46,942,386	20%	22,898,576	10%
Alberta		1,031,598	4%	23,471,193	10%	14,435,348	6%
Alberta							
Alberta Capital Finance Authority		1,031,598					
Alberta Treasury Branches		0					
British Columbia	0	0%	23,471,193	10%	23,471,193	10%	
Manitoba	0	0%	23,471,193	10%	23,471,193	10%	
New Brunswick	0	0%	23,471,193	10%	23,471,193	10%	
Ontario	0	0%	23,471,193	10%	23,471,193	10%	
Quebec	0	6%	23,471,193	10%	8,463,228	4%	
Quebec							
Financement Quebec							
Saskatchewan	0	0%	23,471,193	10%	23,471,193	10%	
<b>Total Fixed</b>		<b>28,031,635</b>	<b>12%</b>	<b>46,942,386</b>	<b>20%</b>	<b>18,910,751</b>	<b>8%</b>
<b>Equities</b>							
Bank of Montreal		6,410					
Total Equities		6,410					
<b>Total Investments</b>		<b>234,711,931</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		10,840,039					
<b>Total Investments and O/S Cheques Coverage</b>		<b>245,551,970</b>					

**Operating Funds  
Sector Weights  
Sector Weights @ March 31, 2013**

Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>2,110,359</b>	<b>3%</b>	<b>81,755,751</b>	<b>100%</b>	<b>79,645,392</b>	<b>97%</b>
Federal Government	Open	2,110,359	3%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>43,643,505</b>	<b>53%</b>	<b>81,755,751</b>	<b>100%</b>	<b>38,112,246</b>	<b>47%</b>
Total Alberta (R-1 High)	Open	0	0%	20,438,938	25%	18,298,652	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	21,029,703	26%	20,438,938	25%	-590,765	-1%
Manitoba (R-1 Mid)	Open	0	0%	20,438,938	25%	20,438,938	25%
New Brunswick (R-1 Mid)	Open	854,807	1%	20,438,938	25%	19,584,131	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		20,438,938	25%	20,438,938	25%
Ontario (R-1 Mid)	Open	9,044,808	14%	20,438,938	25%	11,394,130	14%
Quebec (R-1 Mid)	Open	12,714,187	16%	20,438,938	25%	2,382,732	3%
Saskatchewan (R-1 High)	Open	0	0%	20,438,938	25%	20,438,938	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>20,438,938</b>	<b>25%</b>	<b>20,438,938</b>	<b>25%</b>
Calgary (R-1 High)	Open	0		8,175,575	10%	8,175,575	10%
Edmonton (R-1 High)	Open	0		8,175,575	10%	8,175,575	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>27,810,792</b>	<b>34%</b>	<b>40,877,875</b>	<b>50%</b>	<b>13,067,084</b>	<b>16%</b>
	<b>BA's Schedule A Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>18,671,687</b>	<b>23%</b>	<b>40,877,875</b>	<b>50%</b>	<b>22,206,188</b>	<b>27%</b>
Bank of Montreal (R-1 High)	Open	8,521,182	10%	8,175,575	10%	-345,607	0%
Bank of Nova Scotia (R-1 High)	Open	0	7%	8,175,575	10%	2,274,438	3%
Bank of Nova Scotia Effective Cash		561,953					
Bank of Nova Scotia - Notice Account		5,339,184					
Canadian Imperial Bank of Commerce (R-1 High)	Open	1,759,958	2%	8,175,575	10%	6,415,617	8%
Royal Bank (R-1 High)	Open	1,774,827	2%	8,175,575	10%	6,400,749	8%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	714,584	1%	8,175,575	10%	7,460,991	9%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>9,139,105</b>	<b>11%</b>	<b>20,438,938</b>	<b>25%</b>	<b>11,299,833</b>	<b>14%</b>
National Bank of Canada (R-1 Mid)	Open	3,708,319	5%	4,087,788	5%	379,469	0%
OMERS Realty Corporation (R-1 High)	Open	4,010,748	5%	4,087,788	5%	77,039	0%
CDP Financial Inc (R-1 High)	Open	0	0%	4,087,788	5%	4,087,788	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	4,087,788	5%	4,087,788	5%
Desjardins Total		1,420,038	2%	4,087,788	5%	2,667,750	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	1,420,038					
<b>Total Investments</b>		<b>73,564,656</b>	<b>90%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government</b>		<b>0</b>	<b>0%</b>	<b>16,351,150</b>	<b>20%</b>	<b>16,351,150</b>	<b>20%</b>
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		<b>8,191,095</b>	<b>10%</b>	<b>16,351,150</b>	<b>20%</b>	<b>8,160,055</b>	<b>10%</b>
<b>Money Market</b>		<b>8,191,095</b>	<b>10%</b>	<b>16,351,150</b>	<b>20%</b>	<b>8,160,055</b>	<b>10%</b>
Alberta		2,140,285	3%	8,175,575	10%	6,035,290	7%
Alberta		0					
Alberta Capital Finance Authority		2,140,285					
Alberta Treasury Branches		0					
British Columbia		0	0%	8,175,575	10%	8,175,575	10%
Manitoba		0	0%	8,175,575	10%	8,175,575	10%
New Brunswick		0	0%	8,175,575	10%	8,175,575	10%
Ontario		0	0%	8,175,575	10%	8,175,575	10%
Quebec		5,342,019	7%	8,175,575	10%	2,833,556	3%
Quebec		1,424,531					
Financement Quebec		3,917,488					
Saskatchewan		0	0%	8,175,575	10%	8,175,575	10%
<b>Bond Pool</b>		<b>0</b>	<b>10%</b>	<b>16,351,150</b>	<b>20%</b>	<b>8,160,055</b>	<b>10%</b>
Alberta		0	3%	8,175,575	10%	6,035,290	7%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	8,175,575	10%	8,175,575	10%
Manitoba		0	0%	8,175,575	10%	8,175,575	10%
New Brunswick		0	0%	8,175,575	10%	8,175,575	10%
Ontario		0	0%	8,175,575	10%	8,175,575	10%
Quebec		0	7%	8,175,575	10%	2,833,556	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	8,175,575	10%	8,175,575	10%
<b>Total Fixed</b>		<b>8,191,095</b>	<b>10%</b>	<b>16,351,150</b>	<b>20%</b>	<b>8,160,055</b>	<b>10%</b>
<b>Total Investments</b>		<b>81,755,751</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		10,840,039					
<b>Total Investments and O/S Cheques Coverage</b>		<b>92,595,790</b>					

**Capital Funds  
Sector Weights  
Sector Weights @ March 31, 2013**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	0	0%	0	100%	0	0%
Federal Government	Open	0	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	0	0%	0	100%	0	0%
Total Alberta (R-1 High)	Open	0	0%	0	25%	0	0%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	0	0%	0	25%	0	0%
Manitoba (R-1 Mid)	Open	0	0%	0	25%	0	0%
New Brunswick (R-1 Mid)	Open	0	0%	0	25%	0	0%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0	0%	0	25%	0	0%
Ontario (R-1 Mid)	Open	0	0%	0	25%	0	0%
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	0%
Saskatchewan (R-1 High)	Open	0	0%	0	25%	0	0%
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		0	25%	0	0%
Calgary (R-1 High)	Open	0		0	10%	0	0%
Edmonton (R-1 High)	Open	0		0	10%	0	0%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		0	0%	0	50%	0	0%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	Mid	0	0%	0	50%	0	0%
Bank of Montreal (R-1 High)	Open	0	0%	0	10%	0	0%
Bank of Nova Scotia (R-1 High)	Open	0	0%	0	10%	0	0%
Bank of Nova Scotia - Effective Cash		0					
Bank of Nova Scotia - Notice Account		0					
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	0	10%	0	0%
Royal Bank (R-1 High)	Open	0	0%	0	10%	0	0%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	0	0%	0	10%	0	0%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	R-1 Mid/High**	0	0%	0	25%	0	0%
National Bank of Canada (R-1 Mid)	Open	0	0%	0	5%	0	0%
OMERS Realty Corporation (R-1 High)	Open	0	0%	0	5%	0	0%
CDP Financial Inc (R-1 High)	Open	0	0%	0	5%	0	0%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	0	5%	0	0%
Desjardins Total		0	0%	0	5%	0	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Investments</b>		<u>0</u>	<u>0%</u>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government</b>		0	0%	0	20%	0	0%
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		0	0%	0	20%	0	0%
<b>Money Market</b>		0	0%	0	20%	0	0%
Alberta		0	0%	0	10%	0	0%
Alberta							
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	0	10%	0	0%
Manitoba		0	0%	0	10%	0	0%
New Brunswick		0	0%	0	10%	0	0%
Ontario		0	0%	0	10%	0	0%
Quebec		0	0%	0	10%	0	0%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	0	10%	0	0%
<b>Bond Pool</b>		0	0%	0	20%	0	0%
Alberta		0	0%	0	10%	0	0%
Alberta							
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	0	10%	0	0%
Manitoba		0	0%	0	10%	0	0%
New Brunswick		0	0%	0	10%	0	0%
Ontario		0	0%	0	10%	0	0%
Quebec		0	0%	0	10%	0	0%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	0	10%	0	0%
<b>Total Fixed</b>		<u>0</u>	<u>0%</u>	<u>0</u>	<u>20%</u>	<u>0</u>	<u>0%</u>
<b>Total Investments</b>		0					

## SCHEDULE D

**Reserve Funds  
Sector Weights  
Sector Weights @ March 31, 2013**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>3,731,864</b>	<b>2%</b>	<b>149,592,636</b>	<b>100%</b>	<b>141,872,947</b>	<b>95%</b>
Federal Government	Open	3,731,864	2%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>77,177,222</b>	<b>52%</b>	<b>149,592,636</b>	<b>100%</b>	<b>72,415,413</b>	<b>48%</b>
Total Alberta (R-1 High)	Open	0	3%	37,398,159	25%	31,328,382	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	37,187,986	26%	37,398,159	25%	210,173	0%
Manitoba (R-1 Mid)	Open	0	0%	37,398,159	25%	37,398,159	25%
New Brunswick (R-1 Mid)	Open	1,511,603	1%	37,398,159	25%	35,886,556	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		37,398,159	25%	37,398,159	25%
Ontario (R-1 Mid)	Open	15,994,433	14%	37,398,159	25%	21,403,725	14%
Quebec (R-1 Mid)	Open	22,483,200	15%	37,398,159	25%	5,468,372	4%
Saskatchewan (R-1 High)	Open	0	6%	37,398,159	25%	37,398,159	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>37,398,159</b>	<b>25%</b>	<b>37,398,159</b>	<b>25%</b>
Calgary (R-1 High)	Open	0		14,959,264	10%	14,959,264	10%
Edmonton (R-1 High)	Open	0		14,959,264	10%	14,959,264	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>49,179,360</b>	<b>33%</b>	<b>74,796,318</b>	<b>50%</b>	<b>25,616,958</b>	<b>17%</b>
	<b>BA's Schedule A Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>33,018,177</b>	<b>22%</b>	<b>74,796,318</b>	<b>50%</b>	<b>41,778,141</b>	<b>28%</b>
Bank of Montreal (R-1 High)	Open	15,068,478	10%	14,959,264	10%	-109,214	0%
Bank of Nova Scotia (R-1 High)	Open	0	7%	14,959,264	10%	4,523,957	3%
Bank of Nova Scotia - Effective Cash		993,733					
Bank of Nova Scotia - Notice Account		9,441,574					
Canadian Imperial Bank of Commerce (R-1 High)	Open	3,112,231	2%	14,959,264	10%	11,847,033	8%
Royal Bank (R-1 High)	Open	3,138,524	2%	14,959,264	10%	11,820,740	8%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	1,263,638	1%	14,959,264	10%	13,695,625	9%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High**</b>	<b>16,161,184</b>	<b>11%</b>	<b>37,398,159</b>	<b>25%</b>	<b>21,236,975</b>	<b>14%</b>
National Bank of Canada (R-1 Mid)	Open	6,557,625	4%	7,479,632	5%	922,007	1%
OMERS Realty Corporation (R-1 High)	Open	7,092,428	5%	7,479,632	5%	387,204	0%
CDP Financial Inc (R-1 High)	Open	0	0%	7,479,632	5%	7,479,632	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	7,479,632	5%	7,479,632	5%
Desjardins Total		2,511,131	2%	7,479,632	5%	4,968,501	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	2,511,131					
<b>Total Cash and Equivalents</b>		<b>130,088,446</b>	<b>87%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		3,987,825	3%	149,592,636	100%	145,604,811	97%
Money Market		0					
Bond Pool		3,987,825					
<b>Provincial Government &amp; their Guarantees</b>		<b>15,516,364</b>	<b>10%</b>	<b>74,796,318</b>	<b>50%</b>	<b>59,279,954</b>	<b>40%</b>
<b>Money Market</b>		<b>14,484,766</b>	<b>10%</b>	<b>74,796,318</b>	<b>50%</b>	<b>59,279,954</b>	<b>40%</b>
Alberta		5,038,179	4%	14,959,264	10%	8,889,486	6%
Alberta		1,253,394					
Alberta Capital Finance Authority		3,784,785					
Alberta Treasury Branches		0					
British Columbia	0	0%	14,959,264	10%	14,959,264	10%	
Manitoba	0	0%	14,959,264	10%	14,959,264	10%	
New Brunswick	0	0%	14,959,264	10%	14,959,264	10%	
Ontario	0	0%	14,959,264	10%	14,959,264	10%	
Quebec	9,446,587	6%	14,959,264	10%	5,512,677	4%	
Quebec	2,519,077						
Financement Quebec	6,927,510						
Saskatchewan	0	0%	14,959,264	10%	14,959,264	10%	
<b>Bond Pool</b>		<b>1,031,598</b>	<b>10%</b>	<b>74,796,318</b>	<b>50%</b>	<b>59,279,954</b>	<b>40%</b>
Alberta		1,031,598	4%	14,959,264	10%	8,889,486	6%
Alberta		0					
Alberta Capital Finance Authority		1,031,598					
Alberta Treasury Branches		0					
British Columbia	0	0%	14,959,264	10%	14,959,264	10%	
Manitoba	0	0%	14,959,264	10%	14,959,264	10%	
New Brunswick	0	0%	14,959,264	10%	14,959,264	10%	
Ontario	0	0%	14,959,264	10%	14,959,264	10%	
Quebec	0	6%	14,959,264	10%	5,512,677	4%	
Quebec	0						
Financement Quebec	0						
Saskatchewan	0	0%	14,959,264	10%	14,959,264	10%	
<b>Total Fixed</b>		<b>19,504,189</b>	<b>13%</b>	<b>149,592,636</b>	<b>100%</b>	<b>130,088,446</b>	<b>87%</b>
<b>Total Investments</b>		<b>149,592,636</b>					

Trust Funds  
Sector Weights  
Sector Weights @ March 31, 2013

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	86,658	3%	3,363,545	100%	3,276,887	97%
Federal Government	Open	86,658	3%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	1,792,132	53%	3,363,545	100%	1,571,412	47%
Total Alberta (R-1 High)	Open	0	3%	840,886	25%	723,895	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	863,542	27%	840,886	25%	22,656	-1%
Manitoba (R-1 Mid)	Open	0	0%	840,886	25%	840,886	25%
New Brunswick (R-1 Mid)	Open	35,101	1%	840,886	25%	805,785	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		840,886	25%	840,886	25%
Ontario (R-1 Mid)	Open	371,407	15%	840,886	25%	469,479	14%
Quebec (R-1 Mid)	Open	522,082	16%	840,886	25%	99,445	3%
Saskatchewan (R-1 High)	Open	0	0%	840,886	25%	840,886	25%
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		840,886	25%	840,886	25%
Calgary (R-1 High)	Open	0		336,354	10%	336,354	10%
Edmonton (R-1 High)	Open	0		336,354	10%	336,354	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		1,141,994	34%	1,681,772	50%	539,778	16%
	BA's Schedule A Canadian Banks R-1						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	Mid	766,715	23%	1,681,772	50%	915,057	27%
Bank of Montreal (R-1 High)	Open	349,905	10%	336,354	10%	13,551	0%
Bank of Nova Scotia (R-1 High)	Open	0	7%	336,354	10%	94,036	3%
Bank of Nova Scotia - Effective Cash		23,075					
Bank of Nova Scotia - Notice Account		219,243					
Canadian Imperial Bank of Commerce (R-1 High)	Open	72,269	2%	336,354	10%	264,085	8%
Royal Bank (R-1 High)	Open	72,880	2%	336,354	10%	263,475	8%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	29,343	1%	336,354	10%	307,012	9%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	R-1 Mid/High***	375,279	11%	840,886	25%	465,607	14%
National Bank of Canada (R-1 Mid)	Open	152,275	5%	168,177	5%	15,903	0%
OMERS Realty Corporation (R-1 High)	Open	164,693	5%	168,177	5%	3,484	0%
CDP Financial Inc (R-1 High)	Open	0	0%	168,177	5%	168,177	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	168,177	5%	168,177	5%
Desjardins Total		58,311	2%	168,177	5%	109,866	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	58,311					
<b>Total Cash and Equivalents</b>		<u>3,020,784</u>	<u>90%</u>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	3,363,545	100%	3,363,545	100%
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		336,351	10%	3,363,545	100%	3,027,194	90%
<b>Money Market</b>		336,351	100%	3,363,545	100%	3,027,194	90%
Alberta		116,992	3%	336,354	10%	219,363	7%
Alberta		29,105					
Alberta Capital Finance Authority		87,886					
Alberta Treasury Branches		0					
British Columbia		0	0%	336,354	10%	336,354	10%
Manitoba		0	0%	336,354	10%	336,354	10%
New Brunswick		0	0%	336,354	10%	336,354	10%
Ontario		0	0%	336,354	10%	336,354	10%
Quebec		219,359	7%	336,354	10%	116,995	3%
Quebec		58,495					
Financement Quebec		160,864					
Saskatchewan		0	0%	336,354	10%	336,354	10%
<b>Bond Pool</b>		0	10%	3,363,545	100%	3,027,194	90%
Alberta		0	3%	336,354	10%	219,363	7%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	336,354	10%	336,354	10%
Manitoba		0	0%	336,354	10%	336,354	10%
New Brunswick		0	0%	336,354	10%	336,354	10%
Ontario		0	0%	336,354	10%	336,354	10%
Quebec		0	7%	336,354	10%	116,995	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	336,354	10%	336,354	10%
<b>Total Fixed</b>		<u>336,351</u>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		6,410					
<b>Total Investments</b>		<u>3,363,545</u>					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Jan 7.0%, Feb 7.0%, Mar 7.2%	Jan 7.9%, Feb 7.7%, Mar 7.6%
Jobs Created / (Lost) ('000's)	Jan -22, Feb 51, Mar -55	Jan +119, Feb +332, Mar +138
CPI (year over year)	Jan .5%, Feb 1.2%, Mar 1.0%	Jan 1.6%, Feb 2.0%, Mar 1.5%
CPI-X (Core) (year over year)	Jan 1.0%, Feb 1.4%, Mar 1.4%	Jan 1.9%, Feb 2.0%, Mar 1.9%
GDP	NA	Q1A 2.5%

Central Bank Activities

- January 23 Bank of Canada Maintains overnight rate at 1.0%
- January 30 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- March 6 Bank of Canada Maintains overnight rate at 1.0%
- March 20 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%

Appendix B

List of Eligible Investments

The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

The Municipality of Edmonton & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group

Caisse Centrale Desjardins

CDP Financial Inc

National Bank of Canada

Ontario Infrastructure and Lands Corporation

OMERS Finance Trust



Appendix C

**Dominion Bond Rating Service (DBRS) Rating Scale**

**R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

**R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

**R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.