



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

Item No. 3
Halifax Regional Council
June 2, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

Councillor Bill Karsten, Chair Audit & Finance Standing Committee

DATE: May 22, 2015

SUBJECT: Investment Activities – Quarter Ending December 31, 2014

INFORMATION REPORT

ORIGIN

May 20, 2015 meeting of the Audit & Finance Standing Committee, Item No. 9.1.2.

LEGISLATIVE AUTHORITY

The principle role of the Audit and Finance Standing Committee is to provide advice to Council on matters relating to Audit and Finance. In particular, Section 3.2.6 of the Audit and Finance Standing Committee's Terms of Reference shall 'Review as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the Municipalities CAO and the Committee'.

BACKGROUND

A staff report dated May 6, 2015 pertaining to Investment Activities – Quarter Ending December 31, 2014 was before the Audit & Finance Standing Committee for consideration at its meeting held on May 20, 2015.

For further information please refer to the attached staff report dated May 6, 2015.

DISCUSSION

The Audit and Finance Standing Committee received the staff report dated May 6, 2015 at its meeting held on May 20, 2015 and forwarded it to Halifax Regional Council as an Information item.

FINANCIAL IMPLICATIONS

As outlined in the attached staff report dated May 6, 2015

COMMUNITY ENGAGEMENT

All meetings of the Audit & Finance Standing Committee are open to the public. The agenda and reports are provided online in advance of the meeting.

ATTACHMENTS

1. Staff report dated May 6, 2015

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Liam MacSween, Legislative Assistant, 902.490.6521



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

Attachment 1
Audit and Finance Standing Committee
May 20, 2015

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: May 6, 2015

SUBJECT: Investment Activities – Quarter Ending December 31, 2014

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 Investment Committee). The report for the Quarter ending December 31, 2014 has been reviewed by the Investment Committee. A report from the Investment Committee on staff's compliance with the HRM Investment Policy has also been sent to the Audit and Finance Standing Committee meeting of May 20.

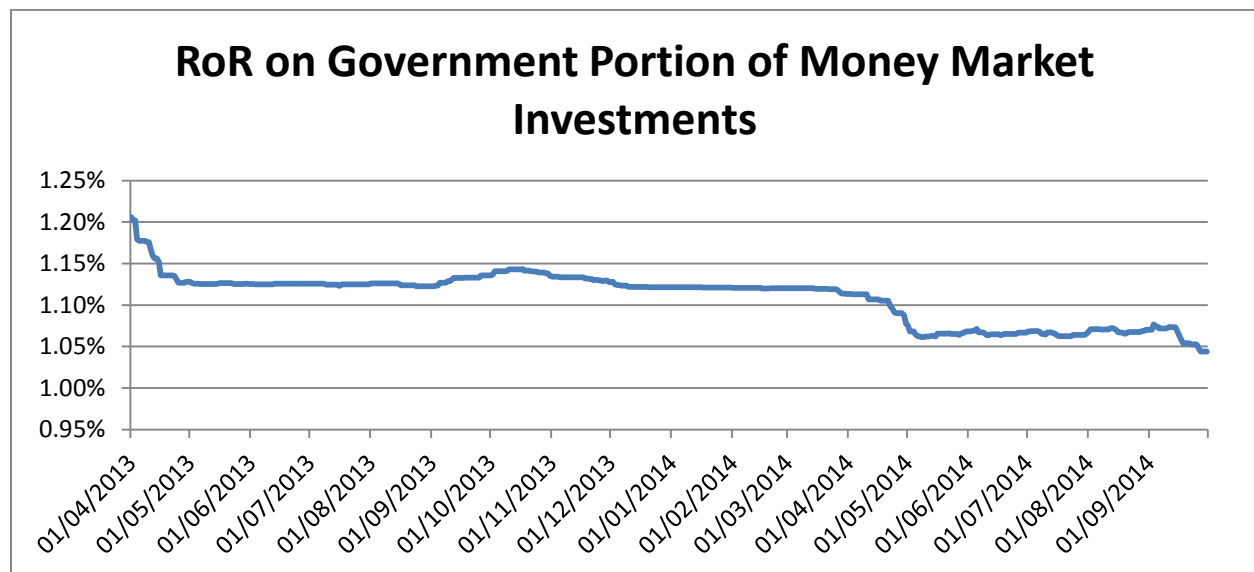
DISCUSSION

HRM Investment Activities

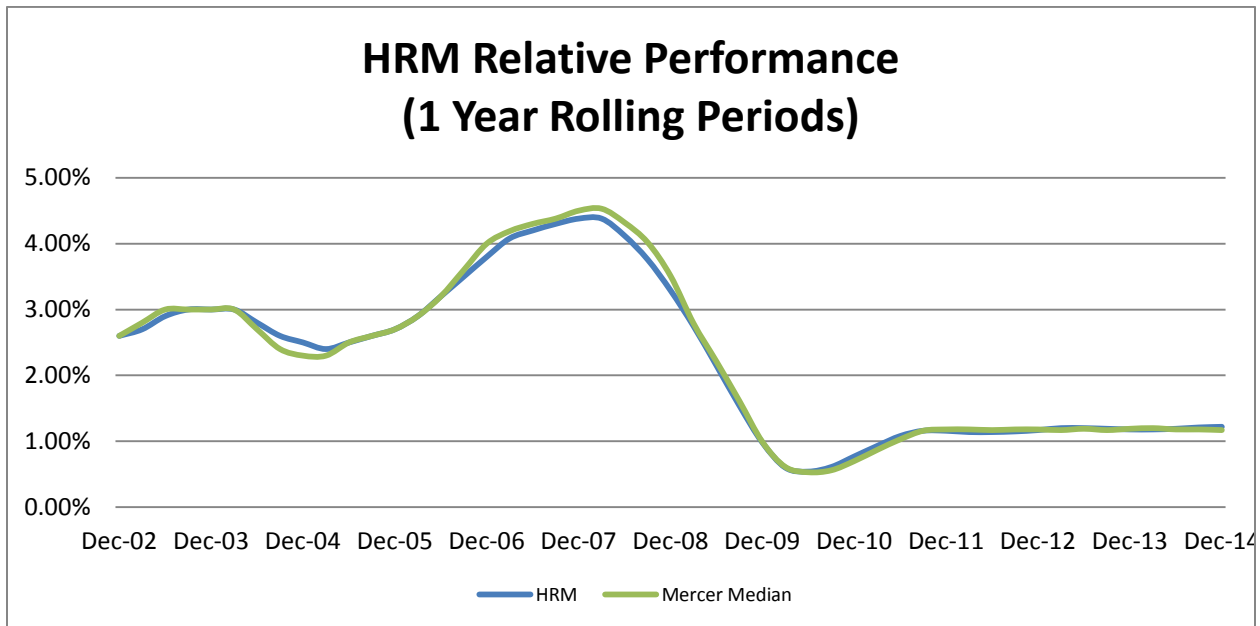
HRM Money Market Pool investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending December 31, 2014:

Money Market Funds	3 Months (to Dec. 31, 2014)	1 Year (to Dec. 31, 2014)
5 th Percentile	.33%	1.31%
1 st Quartile	.30%	1.22%
Mercer Median	.29%	1.17%
3 rd Quartile	.26%	1.06%
95 th Percentile	.25%	0.95%
FTSE TMX 91 Day T-Bill	.22%	0.91%
HRM	.31%	1.22%

Relative performance was again quite positive with the Quarter in the 1st quartile while the one year return was at the 1st Quartile break. These returns are before any allowance for fees that could be paid for external management. The investment bank accounts appear to be largely responsible for this relative performance as can be seen below the rate of return from the Government half of the portfolio continues to deteriorate as maturities are re-invested in this even lower interest rate environment.



As shown in the graph below, over the longer term HRM investment performance closely matches the Mercer Median with fee savings also accruing to HRM.



The Quarter saw 84 money market investments made at a cost of \$195,716,890 with an average term to maturity of 80 days. This compares to last year when 88 investments were made at a cost of \$382,934,060 with an average term of 103 days. Last year the investment bank accounts were just ramping up so there were still quite a number of non-Government investments being made, particularly earlier in the Quarter. This Quarter the predominant strategy was to allocate funds to the investment bank accounts and when necessary to use Government instruments to manage sector weights.

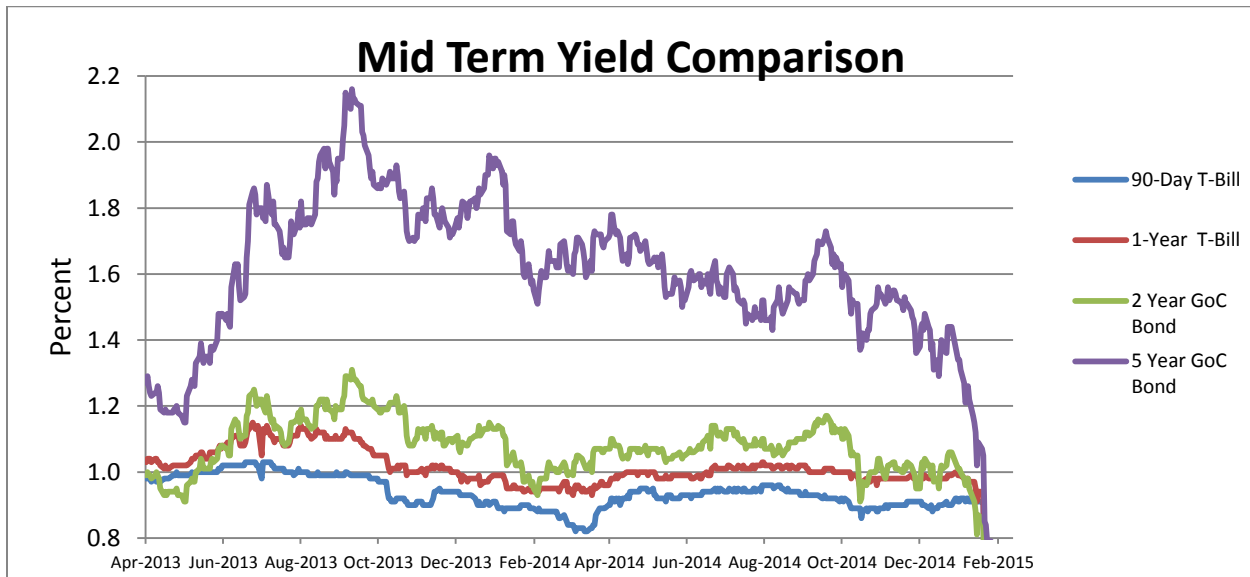
Funds held in the investment bank accounts, including Term Deposits, totaled \$160,034,799 by the end of the Quarter. Staff estimates that incremental income from using the investment bank accounts was \$58,000 for the Quarter bringing the cumulative amount for the first three Quarters of the fiscal year to \$219,000.

Operating Fund Investment Income for the nine months ending December 31, 2014 was \$1,641,000 versus a budget of \$1,675,000 for a shortfall of \$34,000. This shortfall was due to cash flow being less than anticipated as the actual rate of return for this period was .92% versus a budgeted rate of .87%. Staff is currently projecting a shortfall for the year of \$150,000. While most of this is due to cash flow, the impacts of the Bank of Canada rate cut in late January, discussed later in this report, will also exert a negative influence on Investment Income for the balance of the fiscal year and especially in the next year.

The cumulative incremental gross investment income from the 2007 Policy change that expanded the Non-Government Sector Weight was \$1,207,706 or a \$83,777 increase during the Quarter.

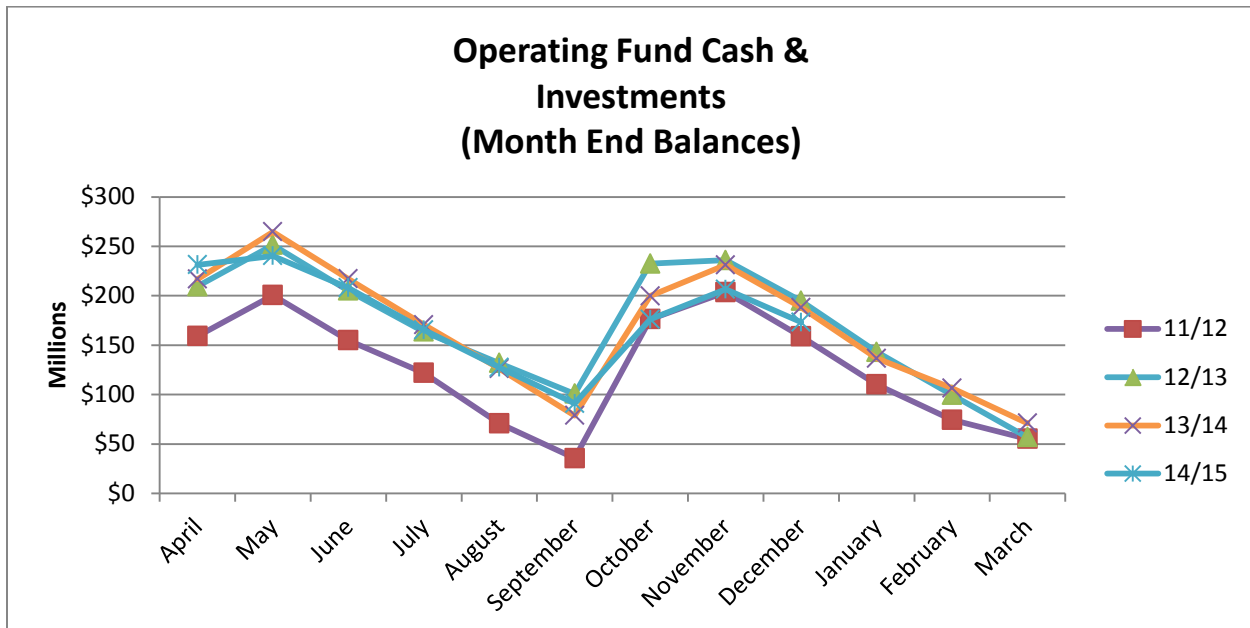
HRM Short Term Bond Pool

There were no additions or maturities in the Bond Pool during the Quarter. At the end of the Quarter the Bond Pool consisted of \$15,000,000 of bonds with yields ranging from 1.59% to 2.78% with a simple average yield of 2.26%. The term to maturity ranges from June 2015 to December 2018. As can be seen below, and will be discussed later in this report, the late January surprise Bank of Canada rate cut has had a dramatic impact.



Cash Flows

Operating Fund Cash and Investment balances lagged behind the previous year's levels throughout the Quarter. At the end of the Quarter balances were some \$14,000,000 below last year's amounts. Staff believes this was due to the cumulative effects of the projected Operating Fund deficit as well as some larger than usual bridge financing of some capital projects resulting from delays in receipt of the first installment of Gas Tax funding owing to the renewal of related Federal, Provincial and Municipal agreement.



There were four days when amounts ranging from \$84,000 to \$3,000,000 exceeded the Sector Weight guidelines for one business day. Each of these instances were discussed with the Investment Committee

and they agreed with staff that these minor temporary variances did not create any material increase in risk to the portfolio.

Subsequent to End of Reporting Quarter

In response to the rapid drop in oil prices, the Bank of Canada shocked markets with a 25 bps rate cut January 21. It is somewhat alarming that previous long held concerns over the household imbalances that the low rate environment had contributed to could be dismissed so easily. The Bank of Canada also chose not to prepare markets by adopting more of an easing bias before enacting the actual rate cut. Just when the markets were getting comfortable that there would be an additional rate cut in early March the Governor of the Bank of Canada created substantial doubt in a speech in late February and then followed up March 4 by not cutting rates. In the March 4 statement the Bank seemed to indicate that the surprise January rate cut had done its job in terms of the downward impacts on the Canadian dollar and the yield curve.

The reaction by the commercial banks to first ignore then only partially pass on the January rate cut has added an additional level of uncertainty (what will they do if there is another rate cut?) in an area that doesn't really need it. Projecting Investment Income has gotten a little more challenging.

The yield curve reaction, alluded to above, have caused already anemic Government yields to worsen and are negatively impacting returns as Government maturities are re-invested or new cash is invested. There will also be a negative impact on Floating Rate Notes (FRN'S) when resets occur. Fortunately exposure is currently quite limited at only \$2,000,000 maturing in May of 2016. The additional \$7,000,000 FRN exposure shown at December 31, 2014 matured February 11.

The investment bank accounts, which are for the most part linked to the commercial bank prime rates, are continuing to provide significantly better returns than are available from BA's and BDN's especially when taking into consideration some 5 to 10 bps of inversion between the one and three month term that was in place for a time when addition rate cuts were anticipated. It is worth noting that the full 25 bps cut was quickly reflected in BA and BDN rates while the investment bank accounts only reflected the 15 bps reduction in the commercial bank prime rate. The one bank that offers term deposits as the preferred alternative to a deposit account is somewhere in the middle but still much better than the BA or BDN alternative.

In mid-January Regional Council approved the opening of the National Bank account for investment purposes. Staff is currently working with National Bank to complete the account opening documents and setup on-line banking access.

Outlook & Strategy

The rapid decline in oil prices and the still yet to be determined impacts on the Canadian and global economies as well as the abrupt change in policy by the Bank of Canada leave our already murky 'crystal ball' even more opaque than usual. Add to this the European Central Bank's recently announced easing policies with the spillover effects in other bond markets, uncertainty around Greece and the potential impacts should Greece exit the Euro, etc. to some degree offset by positive signs from the U.S. economy and labour market in particular leaves framing a reliable outlook difficult.

In the face of this uncertainty the dominant strategy will be to maximize the returns from the investment bank accounts, keeping in mind that their liquidity adds a safety factor, and spreading the maturity profile across terms up to one year in the Government half of the portfolio.

Policy Compliance

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 well above median for the year ending December 31, 2014 before allowing for fees that could have been paid to an external management firm. 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

Operating Fund Investment Income for the nine months ending December 31, 2014 was \$1,641,000 versus a budget of \$1,675,000 for a shortfall of \$34,000. This shortfall was due to cash flow being less than anticipated as the actual rate of return for this period was .92% versus a budgeted rate of .87%. Staff is currently projecting a shortfall for the year of \$150,000.

COMMUNITY ENGAGEMENT

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (4 of 6) 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 @ December 31, 2014 (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

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> 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

Original Signed

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

Original Signed

Financial Approval by: _____
Greg Keefe, Director of Finance & ICT/CFO, 490-6308

**Total Portfolio
Sector Weights @ December 31, 2014**

SCHEDULE A

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	0	0%	396,065,999	100%	393,067,107	99%
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%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	181,048,744	46%	396,065,999	100%	215,017,255	54%
Total Alberta (R-1 High)	Open	998,440	0%	99,016,500	25%	86,114,155	22%
Alberta (R-1 High)	Open	998,440					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	20,929,698	5%	99,016,500	25%	75,932,817	19%
Manitoba (R-1 Mid)	Open	12,071,271	3%	99,016,500	25%	86,945,229	22%
New Brunswick (R-1 Mid)	Open	3,892,230	1%	99,016,500	25%	95,124,270	24%
Nova Scotia (R-1 Mid)	Open	14,965,610	4%	99,016,500	25%	84,050,890	21%
Ontario (R-1 Mid)	Open	62,660,452	16%	99,016,500	25%	36,356,048	9%
Quebec (R-1 Mid)	Open	53,463,887	13%	99,016,500	25%	45,552,613	12%
Quebec		34,935,745					
Financement Quebec		0					
Hydro Quebec		18,528,142					
Saskatchewan (R-1 High)	Open	12,067,155	3%	99,016,500	25%	86,949,345	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0	0%	99,016,500	25%	99,016,500	25%
Calgary (R-1 High)	Open			39,606,600	10%	39,606,600	10%
Financial Institutions & their Guarantees /Corporations		197,954,063	50%	198,032,999	50%	78,936	0%
	BA's Schedule A Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	197,954,063	50%	198,032,999	50%	78,936	0%
Bank of Montreal (R-1 High)	Open	40,669,739	10%	39,606,600	10%	-1,063,139	0%
BMO - Instruments		0					
BMO - Account		40,669,739					
Bank of Nova Scotia (R-1 High)	Open	37,919,263	10%	39,606,600	10%	1,687,337	0%
Bank of Nova Scotia Effective Cash		2,919,263					
Bank of Nova Scotia - Notice Account		35,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	40,672,879	10%	39,606,600	10%	-1,066,279	0%
CIBC - Instruments		0					
CIBC - Account		40,672,879					
Royal Bank (R-1 High)	Open	38,942,182	10%	39,606,600	10%	664,418	0%
RBC - Instruments		0					
RBC - Account		38,942,182					
Toronto Dominion (R-1 High)	Open	39,750,000	10%	39,606,600	10%	-143,400	0%
TD - Instruments		0					
TD - Account		39,750,000					
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	99,016,500	25%	99,016,500	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	19,803,300	5%	19,803,300	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	19,803,300	5%	19,803,300	5%
CDP Financial Inc (R-1 High)	Open	0	0%	19,803,300	5%	19,803,300	5%
Desjardins Total		0	0%	19,803,300	5%	19,803,300	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		379,002,807	96%				
Federal Government & its Guarantees							
Money Market		0	0%	45,749,542	20%	45,749,542	20%
Reserves - Bond Pool		2,998,892	1%	163,944,195	100%	160,945,303	98%
Canada Mortgage & Housing Corp.		2,998,892	1%	163,944,195	100%	160,945,303	98%
Provincial Government & their Guarantees		14,057,890	4%	45,749,542	20%	31,691,652	14%
Money Market		1,995,979	4%	45,749,542	20%	25,022,614	11%
Alberta		1,995,979	3%	22,874,771	10%	10,970,866	5%
Alberta		1,995,979					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	1%	22,874,771	10%	20,720,786	9%
Manitoba		0	0%	22,874,771	10%	22,874,771	10%
New Brunswick		0	0%	22,874,771	10%	22,874,771	10%
Nova Scotia		0	0%	22,874,771	10%	22,874,771	10%
Ontario		0	0%	22,874,771	10%	22,874,771	10%
Quebec		0	0%	22,874,771	10%	22,874,771	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	22,874,771	10%	22,874,771	10%
Bond Pool		12,061,911	4%	32,788,839	20%	18,730,949	11%
Alberta		9,907,926	3%	16,394,420	10%	4,490,515	3%
Alberta		7,843,064					
Alberta Capital Finance Authority		2,064,862					
Alberta Treasury Branches		0					
British Columbia		2,153,985	1%	16,394,420	10%	14,240,435	9%
Manitoba		0	0%	16,394,420	10%	16,394,420	10%
New Brunswick		0	0%	16,394,420	10%	16,394,420	10%
Nova Scotia		0	0%	16,394,420	10%	16,394,420	10%
Ontario		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	16,394,420	10%	16,394,420	10%
Total Fixed		17,056,782	4%	32,788,839	20%	15,732,057	10%
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		396,065,999					
Interest Bearing Bank Accounts - O/S Cheque Coverage		12,807,205	*				
Total Investments and O/S Cheques Coverage		408,873,204					

**Operating Funds
Sector Weights @ December 31, 2014**

SCHEDULE B

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	0	0%	227,748,003	100%	227,748,003	100%
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%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	108,224,728	48%	227,748,003	100%	119,523,276	52%
Total Alberta (R-1 High)	Open	596,833	0%	56,937,001	25%	55,147,040	24%
Alberta (R-1 High)	Open	596,833					
Alberta Capital Finance Authority (R-1 High)	Open	0	0%				
Alberta Treasury Branches (R-1 High)	Open	0	0%				
British Columbia (R-1 High)	Open	12,511,055	5%	56,937,001	25%	44,425,945	20%
Manitoba (R-1 Mid)	Open	7,215,792	3%	56,937,001	25%	49,721,209	22%
New Brunswick (R-1 Mid)	Open	2,326,642	1%	56,937,001	25%	54,610,359	24%
Nova Scotia (R-1 Mid)	Open	8,945,928	4%	56,937,001	25%	47,991,073	21%
Ontario (R-1 Mid)	Open	37,456,269	16%	56,937,001	25%	19,480,732	9%
Quebec (R-1 Mid)	Open	31,958,878	14%	56,937,001	25%	24,978,123	11%
Quebec		20,883,390					
Financement Quebec		0					
Hydro Quebec		11,075,488					
Saskatchewan (R-1 High)	Open	7,213,331	3%	56,937,001	25%	49,723,670	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		56,937,001	25%	56,937,001	25%
Calgary (R-1 High)	Open			22,774,800	10%	22,774,800	10%
Financial Institutions & their Guarantees /Corporations		118,330,148	52%	113,874,002	50%	-4,456,146	-2%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	118,330,148	52%	113,874,002	50%	-4,456,146	-2%
Bank of Montreal (R-1 High)	Open	24,310,975	11%	22,774,800	10%	-1,536,174	-1%
BMO - Instruments		0					
BMO - Account		24,310,975					
Bank of Nova Scotia (R-1 High)	Open	22,666,835	10%	22,774,800	10%	107,966	0%
Bank of Nova Scotia Effective Cash		1,745,035					
Bank of Nova Scotia - Notice Account		20,921,799					
Canadian Imperial Bank of Commerce (R-1 High)	Open	24,312,852	11%	22,774,800	10%	-1,538,051	-1%
CIBC - Instruments		0					
CIBC - Account		24,312,852					
Royal Bank (R-1 High)	Open	23,278,300	10%	22,774,800	10%	-503,500	0%
RBC - Instruments		0					
RBC - Account		23,278,300					
Toronto Dominion (R-1 High)	Open	23,761,186	10%	22,774,800	10%	-986,386	0%
TD - Instruments		0					
TD - Account		23,761,186					
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	56,937,001	25%	56,937,001	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	11,387,400	5%	11,387,400	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	11,387,400	5%	11,387,400	5%
CDP Financial Inc (R-1 High)	Open	0	0%	11,387,400	5%	11,387,400	5%
Desjardins Total		0	0%	11,387,400	5%	11,387,400	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Investments		226,554,876	99%				
Federal Government & its Guarantees							
Money Market		0	0%	45,549,601	20%	45,549,601	20%
Reserves - Bond Pool		0	0%	45,549,601	100%	45,549,601	20%
Canada Mortgage & Housing Corp.		0					
Provincial Government & their Guarantees		1,193,128	1%	45,549,601	20%	44,356,473	19%
Money Market		1,193,128	1%	45,549,601	20%	44,356,473	19%
Alberta		1,193,128	1%	22,774,800	10%	21,581,673	9%
Alberta		1,193,128					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	22,774,800	10%	22,774,800	10%
Manitoba		0	0%	22,774,800	10%	22,774,800	10%
New Brunswick		0	0%	22,774,800	10%	22,774,800	10%
Nova Scotia		0	0%	22,774,800	10%	22,774,800	10%
Ontario		0	0%	22,774,800	10%	22,774,800	10%
Quebec		0	0%	22,774,800	10%	22,774,800	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	22,774,800	10%	22,774,800	10%
Bond Pool		0	1%	45,549,601	20%	44,356,473	19%
Alberta		0	1%	22,774,800	10%	21,581,673	9%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	22,774,800	10%	22,774,800	10%
Manitoba		0	0%	22,774,800	10%	22,774,800	10%
New Brunswick		0	0%	22,774,800	10%	22,774,800	10%
Nova Scotia		0	0%	22,774,800	10%	22,774,800	10%
Ontario		0	0%	22,774,800	10%	22,774,800	10%
Quebec		0	0%	22,774,800	10%	22,774,800	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	22,774,800	10%	22,774,800	10%
Total Fixed		1,193,128	1%	45,549,601	20%	44,356,473	19%
Total Investments		227,748,003					
Interest Bearing Bank Accounts - O/S Cheque Coverage		12,807,205	*				
Total Investments and O/S Cheques Coverage		240,555,208					

Capital Funds
Sector Weights @ December 31, 2014

SCHEDULE C

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	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						
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	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%
Nova Scotia (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%
Quebec							
Financement Quebec							
Hydro Quebec							
Saskatchewan (R-1 High)	Open		0%	0	25%	0	0%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		0	25%	0	0%
Calgary (R-1 High)	Open			0	10%	0	0%
Financial Institutions & their Guarantees /Corporations		0	0%	0	50%	0	0%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	0	0%	0	50%	0	0%
Bank of Montreal (R-1 High)	Open	0	0%	0	10%	0	0%
BMO - Instruments		0					
BMO - Account		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%
CIBC - Instruments		0					
CIBC - Account		0					
Royal Bank (R-1 High)	Open	0	0%	0	10%	0	0%
RBC - Instruments		0					
RBC - Account		0					
Toronto Dominion (R-1 High)	Open	0	0%	0	10%	0	0%
TD - Instruments		0					
TD - Account		0					
Tier 2 - Financial Institutions & Corporations	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%
Desjardins Total		0	0%	0	5%	0	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Investments		0	0%				
Federal Government & its Guarantees							
Money Market		0	0		20%	0	20%
Reserves - Bond Pool		0	0%	0	100%	0	0%
Canada Mortgage & Housing Corp.		0			100%		
Provincial Government & their Guarantees		0	0%	0	20%	0	0%
Money Market		0	0%	0	20%	0	0%
Alberta		0	0%	0	10%	0	0%
Alberta							
Alberta Capital Finance Authority		0					
Alberta Treasury Branches							
British Columbia		0	0%	0	10%	0	0%
Manitoba		0	0%	0	10%	0	0%
New Brunswick		0	0%	0	10%	0	0%
Nova Scotia							
Ontario		0	0%	0	10%	0	0%
Quebec		0	0%	0	10%	0	0%
Quebec		0					
Financement Quebec		0					
Hydro Quebec							
Saskatchewan		0	0%	0	10%	0	0%
Bond Pool		0	0%	0	20%	0	0%
Alberta		0	0%	0	10%	0	0%
Alberta		0					
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%
Nova Scotia							
Ontario		0	0%	0	10%	0	0%
Quebec		0	0%	0	10%	0	0%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	0	10%	0	0%
Total Fixed		0	0%	0	20%	0	0%
Total Investments		0					
Interest Bearing Bank Accounts - O/S Cheque Coverage		0	*				
Total Investments and O/S Cheques Coverage		0					

Reserve Funds
Sector Weights @ December 31, 2014

SCHEDULE D

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	0	0%	164,930,640	100%	161,931,748	98%
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					
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	71,217,407	43%	164,930,640	100%	93,713,233	57%
Total Alberta (R-1 High)	Open	392,747	0%	41,232,660	25%	30,146,848	18%
Alberta (R-1 High)	Open	392,747					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	8,232,915	5%	41,232,660	25%	30,845,760	19%
Manitoba (R-1 Mid)	Open	4,748,360	3%	41,232,660	25%	36,484,300	22%
New Brunswick (R-1 Mid)	Open	1,531,049	1%	41,232,660	25%	39,701,611	24%
Nova Scotia (R-1 Mid)	Open	5,886,878		41,232,660	25%	35,345,782	21%
Ontario (R-1 Mid)	Open	24,648,141	15%	41,232,660	25%	16,584,519	10%
Quebec (R-1 Mid)	Open	21,030,576	13%	41,232,660	25%	20,202,084	12%
Quebec		13,742,339					
Financement Quebec		0					
Hydro Quebec		7,288,237					
Saskatchewan (R-1 High)	Open	4,746,741	3%	41,232,660	25%	36,485,919	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		41,232,660	25%	41,232,660	25%
Calgary (R-1 High)	Open			16,493,064	10%	16,493,064	10%
Financial Institutions & their Guarantees /Corporations		77,867,291	47%	82,465,320	50%	4,598,029	3%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	77,867,291	47%	82,465,320	50%	4,598,029	3%
Bank of Montreal (R-1 High)	Open	15,997,865	10%	16,493,064	10%	495,199	0%
BMO - Instruments		0					
BMO - Account		15,997,865					
Bank of Nova Scotia (R-1 High)	Open	14,915,937	9%	16,493,064	10%	1,577,127	1%
Bank of Nova Scotia Effective Cash		1,148,323					
Bank of Nova Scotia - Notice Account		13,767,614					
Canadian Imperial Bank of Commerce (R-1 High)	Open	15,999,100	10%	16,493,064	10%	493,964	0%
CIBC - Instruments		0					
CIBC - Account		15,999,100					
Royal Bank (R-1 High)	Open	15,318,313	9%	16,493,064	10%	1,174,751	1%
RBC - Instruments		0					
RBC - Account		15,318,313					
Toronto Dominion (R-1 High)	Open	15,636,076	9%	16,493,064	10%	856,988	1%
TD - Instruments		0					
TD - Account		15,636,076					
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	41,232,660	25%	41,232,660	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	8,246,532	5%	8,246,532	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	8,246,532	5%	8,246,532	5%
CDP Financial Inc (R-1 High)	Open	0	0%	8,246,532	5%	8,246,532	5%
Desjardins Total		0	0%	8,246,532	5%	8,246,532	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		149,084,698	90%				
Federal Government & its Guarantees							
Money Market		0	0%	0	20%	0	0%
Reserves - Bond Pool		2,998,892	2%	164,930,640	100%	161,931,748	98%
Canada Mortgage & Housing Corp.		2,998,892					
Provincial Government & their Guarantees		12,847,050	8%	82,465,320	50%	69,618,270	42%
Money Market		785,139	8%	82,465,320	50%	69,618,270	42%
Alberta		785,139	6%	16,493,064	10%	5,799,999	4%
Alberta		785,139					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	1%	16,493,064	10%	14,339,079	9%
Manitoba		0	0%	16,493,064	10%	16,493,064	10%
New Brunswick		0	0%	16,493,064	10%	16,493,064	10%
Nova Scotia		0	0%	16,493,064	10%	16,493,064	10%
Ontario		0	0%	16,493,064	10%	16,493,064	10%
Quebec		0	0%	16,493,064	10%	16,493,064	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	16,493,064	10%	16,493,064	10%
Bond Pool		12,061,911	8%	82,465,320	50%	69,618,270	42%
Alberta		9,907,926	6%	16,493,064	10%	5,799,999	4%
Alberta		7,843,064					
Alberta Capital Finance Authority		2,064,862					
Alberta Treasury Branches		0					
British Columbia		2,153,985	1%	16,493,064	10%	14,339,079	9%
Manitoba		0	0%	16,493,064	10%	16,493,064	10%
New Brunswick		0	0%	16,493,064	10%	16,493,064	10%
Nova Scotia		0	0%	16,493,064	10%	16,493,064	10%
Ontario		0	0%	16,493,064	10%	16,493,064	10%
Quebec		0	0%	16,493,064	10%	16,493,064	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	16,493,064	10%	16,493,064	10%
Total Fixed		15,845,942	10%	164,930,640	100%	149,084,698	90%
Total Investments		164,930,640					

Trust Funds
Sector Weights @ December 31, 2014

SCHEDULE E

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	0	0%	3,387,355	100%	3,387,355	100%
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						
Farm Credit Corp	Open	0	0%				
		0					
Provincial Governments & their Guarantees	R-1 Mid or Greater	1,606,608	47%	3,387,355	100%	1,780,747	53%
Total Alberta (R-1 High)	Open	8,860	0%	846,839	25%	820,267	24%
Alberta (R-1 High)	Open	8,860					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0	0%				
British Columbia (R-1 High)	Open	185,728	5%	846,839	25%	661,111	20%
Manitoba (R-1 Mid)	Open	107,119	3%	846,839	25%	739,719	22%
New Brunswick (R-1 Mid)	Open	34,539	1%	846,839	25%	812,299	24%
Nova Scotia (R-1 Mid)	Open	132,803	4%	846,839	25%	714,035	21%
Ontario (R-1 Mid)	Open	556,043	16%	846,839	25%	290,796	9%
Quebec (R-1 Mid)	Open	474,433	14%	846,839	25%	372,406	11%
Quebec							
Financement Quebec							
Hydro Quebec							
Saskatchewan (R-1 High)	Open	107,083	3%	846,839	25%	739,756	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		846,839	25%	846,839	25%
Calgary (R-1 High)	Open			338,735	10%	338,735	10%
Financial Institutions & their Guarantees /Corporations		1,756,624	52%	1,693,677	50%	-62,947	-2%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	1,756,624	52%	1,693,677	50%	-62,947	-2%
Bank of Montreal (R-1 High)	Open	360,899	11%	338,735	10%	-22,164	-1%
BMO - Instruments		0					
BMO - Account		360,899					
Bank of Nova Scotia (R-1 High)	Open	336,492	10%	338,735	10%	2,244	0%
Bank of Nova Scotia Effective Cash		25,905					
Bank of Nova Scotia - Notice Account		310,586					
Canadian Imperial Bank of Commerce (R-1 High)	Open	360,927	11%	338,735	10%	-22,192	-1%
CIBC - Instruments		0					
CIBC - Account		360,927					
Royal Bank (R-1 High)	Open	345,569	10%	338,735	10%	-6,834	0%
RBC - Instruments		0					
RBC - Account		345,569					
Toronto Dominion (R-1 High)	Open	352,738	10%	338,735	10%	-14,002	0%
TD - Instruments		0					
TD - Account		352,738					
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	846,839	25%	846,839	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	169,368	5%	169,368	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	169,368	5%	169,368	5%
CDP Financial Inc (R-1 High)	Open	0	0%	169,368	5%	169,368	5%
Desjardins Total		0	0%	169,368	5%	169,368	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		3,363,233	99%				
Federal Government & its Guarantees							
Money Market		0	0%	0	20%	0	0%
Reserves - Bond Pool		0	0%	3,387,355	100%	3,387,355	100%
Canada Mortgage & Housing Corp.		0					
Provincial Government & their Guarantees		17,712	1%	3,387,355	100%	3,369,643	99%
Money Market		17,712	100%	3,387,355	100%	3,369,643	99%
Alberta		17,712	1%	338,735	10%	321,023	9%
Alberta		17,712					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	338,735	10%	338,735	10%
Manitoba		0	0%	338,735	10%	338,735	10%
New Brunswick		0	0%	338,735	10%	338,735	10%
Nova Scotia		0	0%	338,735	10%	338,735	10%
Ontario		0	0%	338,735	10%	338,735	10%
Quebec		0	0%	338,735	10%	338,735	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	338,735	10%	338,735	10%
Bond Pool		0	1%	3,387,355	100%	3,369,643	99%
Alberta		0	1%	338,735	10%	321,023	9%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	338,735	10%	338,735	10%
Manitoba		0	0%	338,735	10%	338,735	10%
New Brunswick		0	0%	338,735	10%	338,735	10%
Nova Scotia		0	0%	338,735	10%	338,735	10%
Ontario		0	0%	338,735	10%	338,735	10%
Quebec		0	0%	338,735	10%	338,735	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	338,735	10%	338,735	10%
Total Fixed		17,712					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		3,387,355					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Oct 6.6%, Nov 6.7%, Dec 6.7%	Oct 5.8%, Nov 5.8%, Dec 5.6%
Jobs Created / (Lost) ('000's)	Oct 62, Nov -16, Dec -11	Oct 221, Nov 423, Dec 329
CPI (year over year)	Oct 2.4%, Nov 2.0%, Dec 1.5%	Oct 1.7%, Nov 1.3%, Dec 0.8%
CPI-X (Core) (year over year)	Oct 2.3%, Nov 2.1%, Dec 2.2%	Oct 1.8%, Nov 1.7%, Dec 1.6%
GDP	2.4%	Q4 2.2%

Central Bank Activities

- Oct 22nd Bank of Canada Maintains overnight rate at 1.0%
- Nov 3rd U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- Dec 3rd Bank of Canada Maintains overnight rate at 1.0%
- Dec 14th 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
The Province of Nova Scotia

Municipal Governments & Their Guarantees:

The Municipality of Calgary & 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
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.