

Fund Financial Statements of

**CALGARY FIREFIGHTERS
SUPPLEMENTARY
PENSION PLAN**

Year ended December 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Trustees of the Calgary Firefighters Supplementary Pension Plan

We have audited the accompanying financial statements of the Calgary Firefighters Supplementary Pension Plan ("the Plan"), which comprise the statement of financial position as at December 31, 2014, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 38(1)(c) of the Employment Pension Plans Act (Alberta).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 38(1)(c) of the Employment Pension Plans Act (Alberta), 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 an 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 net assets available for benefits of the Calgary Firefighters Supplementary Pension Plan as at December 31, 2014 and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 38(1)(c) of the Employment Pension Plans Act (Alberta).

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Board of Trustees of the Calgary Firefighters Supplementary Pension Plan to meet the requirements of the Alberta Superintendent of Pensions. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Trustees of the Calgary Firefighters Supplementary Pension Plan and the Alberta Superintendent of Pensions and should not be used by parties other than the Board of Trustees of the Calgary Firefighters Supplementary Pension Plan and the Alberta Superintendent of Pensions.

Chartered Professional Accountants, Licensed Public Accountants

June 16, 2015
Calgary, Canada

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

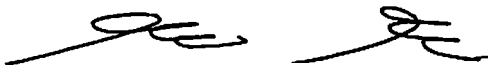
Statement of Financial Position

December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|--|----------------|----------------|
| Assets | | |
| Cash | \$ 362,126 | \$ 147,735 |
| Receivables: | | |
| Contributions receivable (note 6) | 667,250 | 675,509 |
| Accrued investment income | 77,411 | 88,893 |
| | 1,106,787 | 912,137 |
| Investments (note 5): | | |
| Treasury bills and short-term investment funds | 4,638,150 | 3,026,626 |
| Equity instruments | 87,400,197 | 80,550,541 |
| Bonds and bond funds | 50,182,502 | 44,007,309 |
| Real estate fund | 10,550,913 | 10,231,733 |
| | 152,771,762 | 137,816,209 |
| | \$ 153,878,549 | \$ 138,728,346 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 462,365 | \$ 1,235,269 |
| Net assets available for benefits | \$ 153,416,184 | \$ 137,493,077 |

See accompanying notes to financial statements.

On behalf of the Trustees:



CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|--|----------------|----------------|
| Increase in assets: | | |
| Contributions (note 7) | \$ 9,917,780 | \$ 8,024,415 |
| Investment income (note 8) | 6,345,175 | 10,144,817 |
| Change in net unrealized gain in the fair market value of investments | 10,557,904 | 7,076,090 |
| | 26,820,859 | 25,245,322 |
| Decrease in assets: | | |
| Benefits paid (note 9) | 10,107,300 | 15,021,583 |
| Expenses (note 4) | 790,452 | 559,900 |
| | 10,897,752 | 15,581,483 |
| Increase in net assets | 15,923,107 | 9,663,839 |
| Net assets available for benefits, beginning of year | 137,493,077 | 127,829,238 |
| Net assets available for benefits, end of year | \$ 153,416,184 | \$ 137,493,077 |

See accompanying notes to financial statements.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements

Year ended December 31, 2014

1. Description of plan:

The following description of the Calgary Firefighters Supplementary Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Agreement and any amendments thereto. The City of Calgary is the sole contributing employer to the Plan.

(a) Benefits and funding:

The Plan was jointly established by the City of Calgary (the "City") and the International Association of Firefighters Local 255 ("IAFF") on January 1, 1974 to provide ancillary early retirement benefits and supplementary pre-retirement and post-retirement death benefits.

Under the terms of the agreement between the City and IAFF dated April 3, 1995, current service and unfunded liabilities are shared 45% by the members and 55% by the City.

The contribution rates for 2013 and up to December 31, 2014 were at 3.02% for members and 3.69% for the City, based on the pensionable earnings of plan members in accordance with the April 1995 cost sharing agreement. The rates are based on the recommendations of the Plan's actuary. The contributions made to the Plan are in addition to the contributions that the members and the City make to the Local Authorities Pension Plan.

(b) Indexation:

Each year, all pensions in payment will be increased at a rate of 60% of the rate of change in the Alberta Consumer Price Index ("CPI").

(c) Income taxes:

The Plan is a Registered Pension Plan under the Income Tax Act and is not subject to income taxes.

2. Basis of preparation:

(a) Basis of presentation:

As permitted under Section 38(1)(c) of the Employment Pension Plans Act (Alberta), the Plan may prepare financial statements in accordance with Canadian accounting standards for pension plans or in accordance Canadian accounting standards for pension plans excluding information relating to pension obligations. The Plan has prepared these financial statements in accordance with Canadian accounting standards for pension plans excluding information relating to pension obligations.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 2

Year ended December 31, 2014

2. Basis of preparation (continued):

(a) Basis of presentation (continued):

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans requires the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of The Chartered Professional Accountants' ("CPA") Handbook - Accounting or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Handbook - Accounting. The Plan has chosen to comply on a consistent basis with ASPE.

These financial statements have been prepared to assist the Trustees of the Calgary Firefighters Supplementary Pension Plan in meeting the requirements of the Alberta Superintendent of Pensions. As a result, these financial statements may not be suitable for another purpose.

These financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports.

Certain reclassifications have been made to the 2013 comparative financial information in order to conform to the current year's presentation.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits and derivative financial instruments which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with ASPE requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

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

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 3

Year ended December 31, 2014

3. Significant accounting policies:

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed for financial statements under Section 38(1)(c) of the Employment Pension Plans Act. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for pension plans because the actuarial liabilities of the plan are not included. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, at the Plan administrator's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

(a) Investments:

Investments are presented at fair market value. The methods used to determine the fair market value of investments are as follows:

- (i) Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- (ii) Money market funds are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- (iii) Bonds and equities are valued at year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- (iii) Investments in real estate through ownership of units in a real estate investment fund are valued at the year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are determined using the most recent independent appraisal value of the underlying real property net of any liabilities.
- (iv) Guaranteed investment certificates, term deposits maturing after a year, mortgages and real estate debentures are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality and maturity.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 4

Year ended December 31, 2014

3. Significant accounting policies (continued):

(b) Foreign currency translation:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Canadian dollars at the exchange rate at that date. Foreign currency differences arising on translation of investments are recognized in the statement of changes in net assets available for benefits as a change in net unrealized gains.

(c) Revenue recognition:

Investment income is recorded on the statement of changes in net assets available for benefits when earned on a trade basis.

Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis of accounting as earned.

Realized gains and losses on the disposition of investments are recognized as the difference between the proceeds received and the average cost of investments sold.

Unrealized holding gains and losses are recognized upon changes in the differential between the cost base and the fair value of investments.

(d) Transaction costs:

Brokers' commissions and other transaction costs are expensed in the statement of changes in net assets available for benefits in the year incurred.

(e) Trade and other receivables:

Trade and other receivables are measured at fair value on origination.

At year-end, the Plan assesses whether there are any indications that the carrying amount of the receivables may be impaired.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 5

Year ended December 31, 2014

3. Significant accounting policies (continued):

(f) Financial assets and financial liabilities:

(i) Financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain on sale of investments.

(ii) Financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument. The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Plan considers its accounts payable and accrued liabilities to be a non-derivative financial liability.

(g) Fair value measurement:

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

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Notes to Financial Statements, page 6

Year ended December 31, 2014

3. Significant accounting policies (continued):

(g) Fair value measurement (continued):

In determining fair value, the Plan has applied the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized gains.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

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Year ended December 31, 2014

4. Schedule of administrative expenses:

| | 2014 | 2013 |
|-----------------------------------|-------------------|-------------------|
| Administration costs | \$ 334,560 | \$ 257,712 |
| Board support | 101,221 | 59,971 |
| Custodian fees | 84,113 | 100,332 |
| Actuarial fees | 82,264 | 14,187 |
| Investment consulting fees | 61,901 | 44,720 |
| Legal fees | 30,526 | 13,873 |
| Audit fees | 27,011 | 27,012 |
| Trustee salary - board chair | 25,000 | 16,666 |
| Other | 22,137 | — |
| Regulatory filing fees | 18,298 | 8,904 |
| Board development and conferences | 3,421 | 3,963 |
| Insurance | — | 12,560 |
| | \$ 790,452 | \$ 559,900 |

Investment management fees of \$652,699 (2013 - \$499,871) are recorded as a reduction of investment income, presented in note 8.

5. Investments:

(a) Short-term investment funds:

| | 2014 | 2013 |
|-----------------------------|--------------|--------------|
| Short-term investment funds | \$ 4,638,150 | \$ 3,026,626 |

The investment in short-term investment funds have an effective market yield of 1.9% (2013 - 1.9%) and are redeemable on demand.

(b) Equity instruments:

| | 2014 | 2013 |
|------------------------------|----------------------|----------------------|
| Canadian equities | \$ 30,485,340 | \$ 30,466,895 |
| Foreign equities | 125,980 | 285,969 |
| Foreign pooled equity funds | 54,037,523 | 48,270,636 |
| Canadian pooled equity funds | 2,751,354 | 1,527,041 |
| | \$ 87,400,197 | \$ 80,550,541 |

Investments in Canadian and foreign equities are through direct holdings of stock and investments in Canadian and foreign pooled equity funds are indirect holdings of stock.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 8

Year ended December 31, 2014

5. Investments (continued):

(c) Bonds and bond funds:

| | 2014 | 2013 |
|----------------|---------------|---------------|
| Canadian bonds | \$ 50,182,502 | \$ 44,007,309 |

The investment in the Canadian pooled fixed income fund is an indirect investment in Canadian bonds.

(d) Real estate fund:

| | 2014 | 2013 |
|-----------------------------|---------------|---------------|
| Real estate investment fund | \$ 10,550,913 | \$ 10,231,733 |

The investment in real estate through the ownership of units in the real estate investment fund is an indirect investment in Canadian real estate.

6. Contributions receivable:

| | 2014 | 2013 |
|---|------------|------------|
| Employer contributions | \$ 365,661 | \$ 370,562 |
| Employee contributions | 301,589 | 303,275 |
| Employee additional voluntary contributions | — | 1,672 |
| | \$ 667,250 | \$ 675,509 |

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

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Year ended December 31, 2014

7. Contributions:

| | 2014 | 2013 |
|-------------------------------------|---------------------|---------------------|
| Employer contributions | \$ 5,415,528 | \$ 4,386,847 |
| Employer past service contributions | 714 | 1,831 |
| Employee contributions | 4,428,392 | 3,590,245 |
| Employee past service contributions | 73,146 | 45,492 |
| | <u>\$ 9,917,780</u> | <u>\$ 8,024,415</u> |

8. Investment income:

| | 2014 | 2013 |
|--|---------------------|----------------------|
| Dividends: | | |
| Canadian equity | \$ 879,024 | \$ 2,581,077 |
| Foreign equity | 893,702 | 1,192,163 |
| | <u>1,772,726</u> | <u>3,773,240</u> |
| Interest: | | |
| Bonds and guaranteed certificates | 2,349,545 | 1,165,302 |
| Short-term notes and cash | 18,157 | 14,776 |
| | <u>2,367,702</u> | <u>1,180,078</u> |
| Net realized gain (loss) on disposal of investments: | | |
| Bonds and short-term investments | (53,384) | (89,054) |
| Pooled real estate funds | 136,406 | 1,208,413 |
| Canadian equity | 2,352,060 | 1,963,666 |
| Foreign equity | 377,106 | 2,603,648 |
| Non-cash security dispositions | 45,258 | 4,697 |
| | <u>2,857,446</u> | <u>5,691,370</u> |
| Investment management fees | (652,699) | (499,871) |
| | <u>\$ 6,345,175</u> | <u>\$ 10,144,817</u> |

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 10

Year ended December 31, 2014

9. Benefits paid:

| | 2014 | 2013 |
|------------------------------|---------------------|---------------------|
| Termination benefit payments | \$ 1,844,027 | \$ 6,986,261 |
| Retirement benefit payments | 8,263,273 | 8,035,322 |
| | \$10,107,300 | \$15,021,583 |

10. Financial instruments:

(a) Fair value:

Fair value measurements recognized in the statement of net assets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- (i) Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- (ii) Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 - inputs for assets and liabilities that are not based on observable market data.

The following table illustrates the classification of the Plan's financial instruments using the fair value hierarchy as at December 31:

| 2014 | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------------|-------------|-------------|----------------------|
| Treasury bills and short-term investment funds | \$ 4,638,150 | \$ — | \$ — | \$ 4,638,150 |
| Equity instruments | 87,400,197 | — | — | 87,400,197 |
| Bonds and bond funds | 50,182,502 | — | — | 50,182,502 |
| Real estate fund | 10,550,913 | — | — | 10,550,913 |
| | \$ 152,771,762 | \$ — | \$ — | \$152,771,762 |

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 11

Year ended December 31, 2014

10. Financial instruments (continued):

(a) Fair value (continued):

| 2013 | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|---------|---------|---------------|
| Treasury bills and short-term investment funds | \$ 3,026,626 | \$ — | \$ — | \$ 3,026,626 |
| Equity instruments | 80,550,541 | — | — | 80,550,541 |
| Bonds and bond funds | 44,007,309 | — | — | 44,007,309 |
| Real estate fund | 10,231,733 | — | — | 10,231,733 |
| | \$137,816,209 | \$ — | \$ — | \$137,816,209 |

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Plan through construction of a diversified portfolio of instruments traded on various markets and across various industries.

The Plan's investments in equities are sensitive to market fluctuations. An immediate hypothetical decline of 10% in equity values would impact the Fund's equity investments by an approximate loss of \$8,740,020 (2013 - \$8,055,054).

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

Notes to Financial Statements, page 12

Year ended December 31, 2014

10. Financial instruments (continued):

(b) Associated risks (continued):

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The majority of the Plan is unit based and units are redeemed to pay accounts payable and accrued liabilities. These include equity, bonds, and Canadian fixed income portfolios. Although market events could lead to some investments becoming illiquid, the diversity of the Plan's portfolios should ensure that liquidity is available for benefit payments. The Plan also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. At December 31, 2014, the Plan had cash in the amount of \$362,126 (2013 - \$147,735), accounts receivable of \$744,661 (2013 - \$764,402), and accounts payable and accrued liabilities of \$462,365 (2013 - \$1,235,269). There has been no change to the risk exposures from December 31, 2014.

(iii) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated investments. The Plan does not have any hedges or derivative instruments in place to reduce its exposure to foreign currency fluctuations. If all of the respective foreign currencies had depreciated 10% against the Canadian dollar, with all other variables held constant, the value of the Plan's investments would decrease by approximately \$98,087 (2013 - \$109,585).

(iv) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. The City of Calgary and the members of the Plan are the only providers of contributions to the Plan. As the City of Calgary has a legal requirement to make contributions to the Plan, credit risk is low. Credit risk is considered low for cash, treasury bills and short term deposits as they are with reputable Canadian financial institutions. The maximum credit risk exposure as of December 31, 2014 was \$50,259,913 comprised of accrued investment income of \$77,411 and bonds of \$50,182,502. The maximum credit risk exposure as of December 31, 2013 was \$44,096,202 comprised of accrued investment income of \$88,893 and bonds of \$44,007,309.

CALGARY FIREFIGHTERS SUPPLEMENTARY PENSION PLAN

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Year ended December 31, 2014

10. Financial instruments (continued):

(b) Associated risks (continued):

(iv) Credit risk:

Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house. The Plan monitors the credit risk of counterparty through credit rating reviews.

The breakdown of the total fixed income securities portfolio by credit rating is:

| Credit rating | 2014 | | 2013 | |
|---------------|----------------------|-------------------------|----------------------|-------------------------|
| | Fair value | Percentage of portfolio | Fair value | Percentage of portfolio |
| AAA | \$ 10,416,574 | 20.7 | \$ 9,007,754 | 20.5 |
| AA | 17,054,201 | 34.0 | 13,848,506 | 31.5 |
| A | 16,343,840 | 32.6 | 15,982,298 | 36.3 |
| BBB | 5,172,887 | 10.3 | 4,189,751 | 9.5 |
| BB | 102,000 | 0.2 | — | 0.0 |
| Unrated | 1,093,000 | 2.2 | 979,000 | 2.2 |
| | \$ 50,182,502 | 100.0 | \$ 44,007,309 | 100.0 |

(v) Interest rate risk:

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to changes in market interest rates. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored.

The Plan mitigates its exposure to interest rate price and cash flow risks through a blend of fixed and variable rate fixed income securities. An immediate hypothetical 100 basis point or 1% change in interest rates, with all other variables held constant, would impact fixed income investments by an estimated \$7,154,603 (2013 - \$5,872,577).

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Year ended December 31, 2014

11. Capital risk management:

The main objective of the Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Plan, which are not presented or discussed in these specified purpose financial statements. The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Plan. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP.

Increases in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees. The main use of net assets is for benefit payments to eligible Plan members. The Plan is required to file financial statements under the Employment Pension Plans Amendment Act (Alberta).