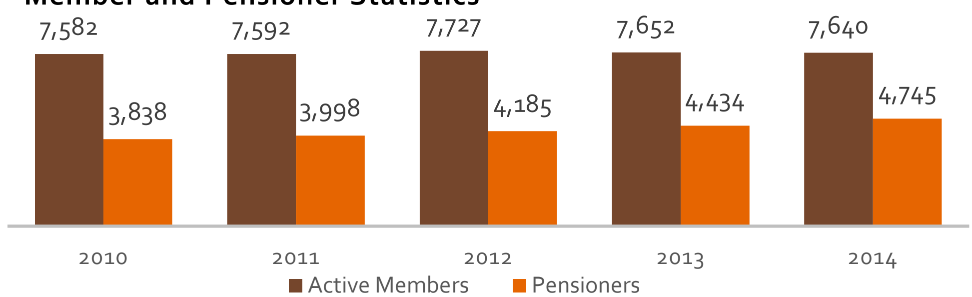
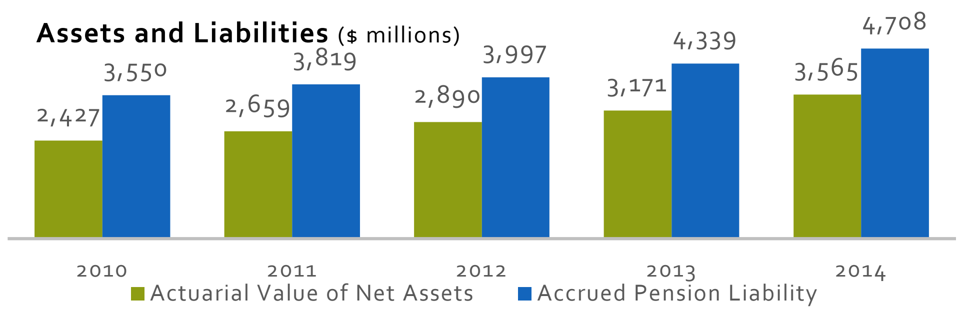
Communiqué

2014 Annual Report Highlights

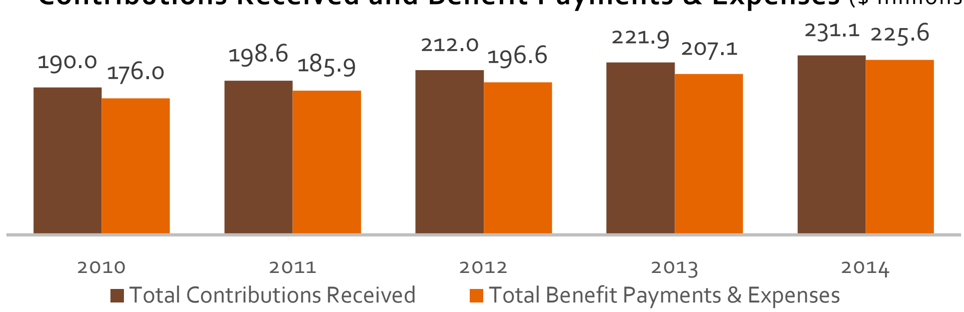
Member and Pensioner Statistics



Assets and Liabilities ($ millions)



Contributions Received and Benefit Payments & Expenses ($ millions)



Summary of Net Assets and Pension Liabilities As at December 31 ($millions)	**2014**	**2013**
Investments	$3,749	$3,339
Net receivables	18	18
Net assets	3,767	3,357
Actuarial adjustment for fluctuation in fair value of net assets	(202)	(186)
Actuarial value of net assets	3,565	3,171
Actuarial deficiency	1,143	1,168
Accrued pension liability	$4,708	$4,339

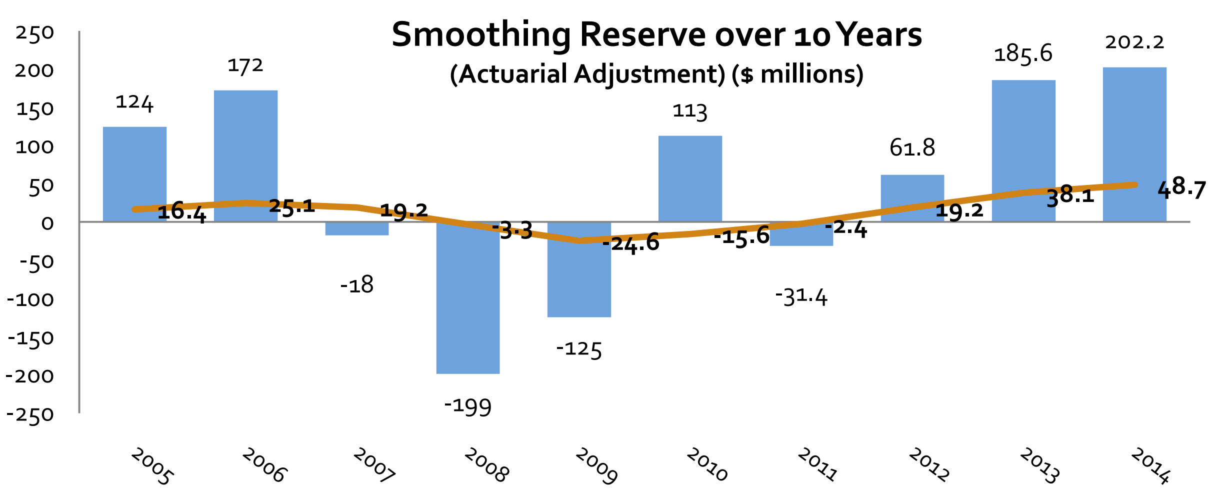
Financial Position of the Plan

The Plan's Assets

The market value of the Plan's assets grew to $3,767.6 million at December 31, 2014, increasing 12.2% from the December 31, 2013 value of $3,357.2 million. All of the 12.2% growth came in investment returns in 2014 which followed returns of 13.1% in 2013 and 11.8% in 2012. The latest actuarial valuation assumed that the Fund would earn 6.25% per year. Despite contribution rates increasing July 1, 2014, contributions only exceeded benefit payments by $7.4 million as a result of a significant number of retirements in 2014.

$ Millions	December 31, 2014			December 31, 2013		
Service Period	Pre-92	Post-91	Total	Pre-92	Post-91	Total
Fair Value of Net Assets	824.9	2,942.7	3,767.6	826.0	2,531.2	3,357.2
Actuarial Adjustment	(51.0)	(151.2)	(202.2)	(52.5)	(133.1)	(185.6)
Actuarial Value of Net Assets	773.9	2,791.5	3,565.4	773.5	2,398.1	3,171.6
Accrued Pension Liability	1,677.6	3,030.4	4,708.0	1,626.1	2,713.3	4,339.4
Actuarial Deficiency	(903.7)	(238.9)	(1,142.6)	(852.6)	(315.2)	(1,167.8)
Funded Ratio	46.1%	92.1%	75.7%	47.6%	88.4%	73.1%

The actuarial value of the Fund grew to $3,565.4 million at the end of 2014 from $3,171.6 million in 2013. To calculate the actuarial value of the assets, the Fund uses a 3-year averaging of the differences between the assumed and actual market rates of return, as described in Note 14 of the Financial Statements. This method makes smooth the volatility in market values for the determination of the funding requirements under the Employment Pension Plans Act.



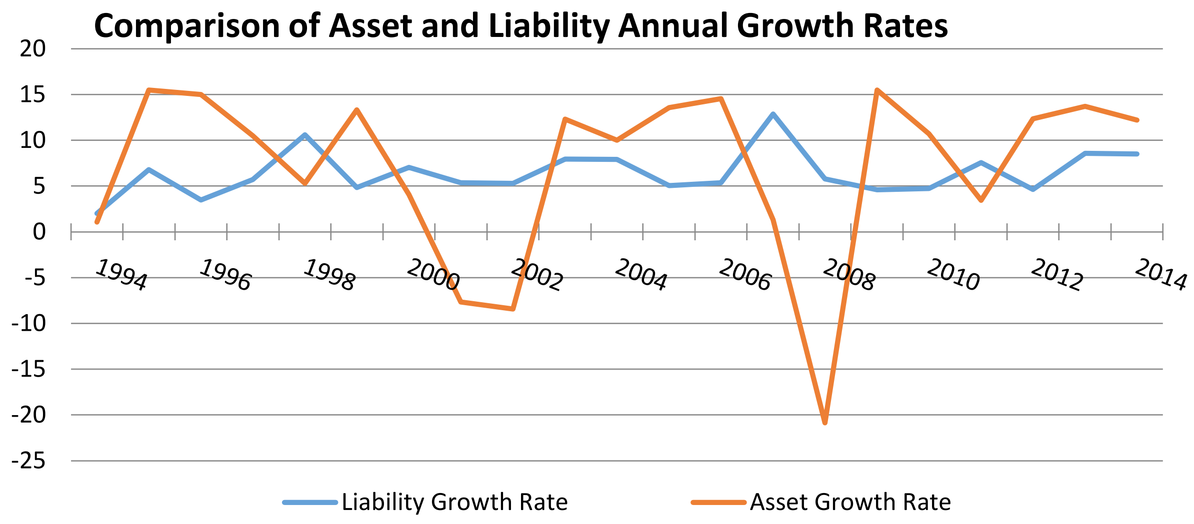
Financial Position of the Plan

THE PLAN'S ASSETS (CON'T)

When actual capital market returns exceed assumed returns, the Fund builds up a reserve that can be used when the markets perform below the assumed rate. Since the return in 2014 is higher than the assumed return of 6.25%, the smoothing reserve has increased to $202.2 million to offset future lower-than-expected returns. The smoothing reserve has fluctuated from $202.2 million to -$199 million, averaging $48.7 million over the last 10 years.

THE PLAN'S LIABILITIES

The total liability in the Plan as at December 31, 2014 is calculated to be $4,708.0 million as compared to $4,339.4 million at the end of 2013, representing an increase of 8.5% year over year. The liability is based on extrapolations of the liability calculated in the December 31, 2012 actuarial valuation. An actuarial valuation using data as of December 31, 2014 is expected to be completed in 2015 and should be available for use in the 2015 financial statements.



Note: Plan liability based on valuation results for even years and extrapolation for odd years.

Actuarial valuations and extrapolations use a number of assumptions about economic and demographic factors. For the extrapolation for the 2014 financial statements, the only change made was to the assumed mortality table. In 2014, a new set of tables were released based on recent mortality experience of Canadian pensioners.

Financial Position of the Plan

The Plan's Liabilities (con't)

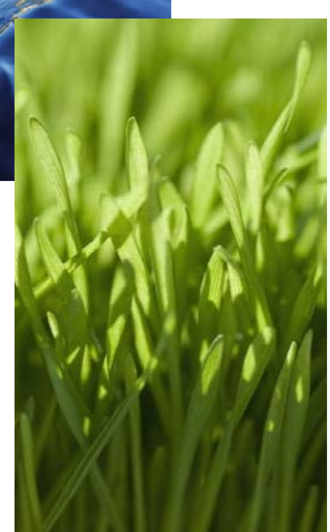
To reflect emerging trends in capital and labour markets, the Board has undertaken a full actuarial valuation every two years with adjustments to contribution rates as necessary to keep the Plan on a sound financial track. The Board has pushed forward with an actuarial valuation as at December 31, 2014. The assumptions will be reviewed by the Board in light of the historical experience of the Plan and the advice of the Plan's actuary.

The Plan's Funded Ratio

Because the actual return on assets exceeded the extrapolated increase in the liability during 2014, the Plan's funded ratio on a market-value basis increased to 80.0% from 77.4% in 2013. The funded ratio on an actuarial value basis was 75.7% since the actuarial value of assets was $202.2 million lower than the market value.

On the actuarial value basis, the funded ratio for pre-1992 service is 46.1% while the funded ratio for post-1991 service is 92.1%. The unfunded liability for pre-1992 service is accounted for separately from the rest of the Plan. The Government of Alberta pays a fixed contribution equal to 1.25% of total salary towards this unfunded liability and the employers and employees share equally in the balance of the required contribution. The employer and employee contributions are adjusted each valuation as necessary to amortize the unfunded liability over a period ending in 2043. The funded ratio for pre-1992 service has eroded from 47.6% at the end of 2013 to 46.1% at the end of 2014. The funded ratio should continue to erode due mainly to the long amortization period.





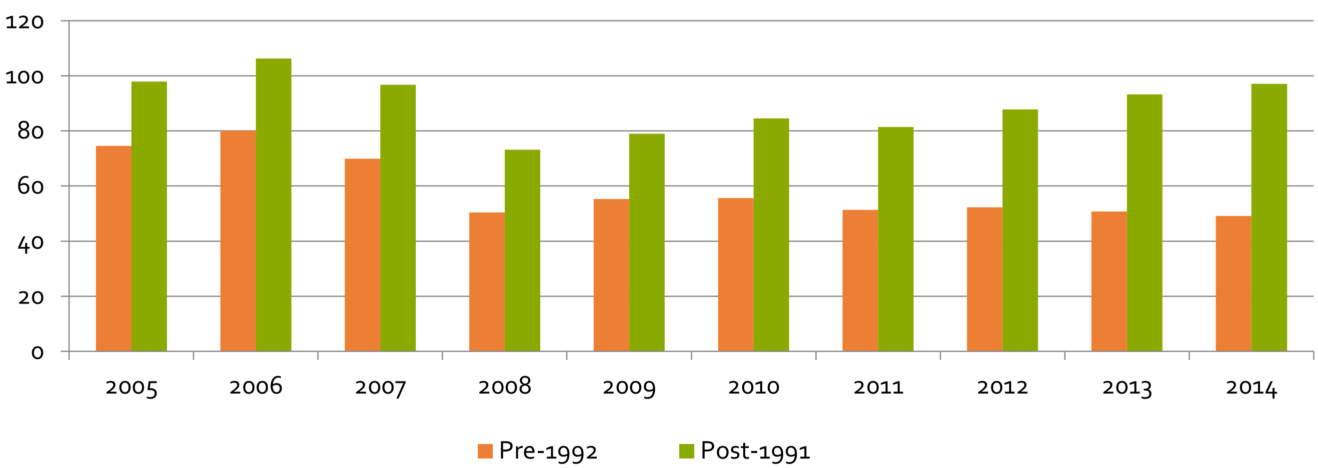
Financial Position of the Plan

The Plan's Funded Ratio (con't)

The Government of Alberta's share of the contributions towards the pre-1992 unfunded liability was approximately 50% when the cost-sharing was first established in the early 1990s. It now stands at 30% of the total contributions towards the pre-1992 unfunded liability.

The unfunded liability for post-1991 service is expected to be fully funded in the future. Any unfunded liability related to this service is amortized over 15 years in accordance with pension legislation and contributions are shared between employers and employees.

Funded Status on the Pre-1992 and Post-1991 Service
based on Market Value of Assets (percentage funded)



Looking to the Future

The UAPP is a defined benefit pension plan with benefits based on a member's highest average salary. A cost-of-living adjustment equal to 60% of Alberta inflation is guaranteed and applied to deferred and active pensions. The liability held in the Plan is determined by calculating the benefits earned by members using assumptions in the actuarial valuation. Economic assumptions are used to project inflation, salary increases, the return on Plan assets, etc. Demographic assumptions include the rates of retirement and termination, mortality experience, proportion of members with a spouse, spouse age difference, etc.

Financial Position of the Plan

LOOKING TO THE FUTURE (CON'T)

The Plan's liabilities grow with inflation, wage growth, general improvements in life expectancy, and service accruals. The liabilities are equal to the present value of the benefits earned to date that will be payable at some unknown point in the future. To calculate the present value, actuaries use the discount rate which equals the rate expected to be earned by the fund. This discount rate is determined based on the Plan's asset mix and has been trending downward over the last few years because long bond rates are a component of the fund and have been quite low for some time. In the mid-1990s, long Government of Canada bonds yielded over 8% but today only yield 2.3%. To obtain higher rates of return, the Plan invests in equities which come with a higher risk that the Plan's asset returns would deviate from the expected return. Based on return expectations of the Plan's asset mix, a discount rate of 6.25% is used. A 1% decline in this discount rate, while holding inflation and wage rates constant, is estimated to increase current service costs by 4.1% of salary and add $649.3 million to the accrued liability, a 13.8% increase from the current level.

The UAPP's investment returns rely heavily on healthy markets. These returns have a direct impact on the funding position of the Plan and on the required contribution rates. While oil price declines have made for challenging times for the Government of Alberta, the UAPP Fund is a highly-diversified portfolio with a clearly defined mix of asset types which include Canadian and foreign equities, bonds, real estate, infrastructure, and timberlands. For the past three years, investment returns have exceeded expectations and have had a positive impact on the funding position.

Financial Position of the Plan

LOOKING TO THE FUTURE (CON'T)

However, the assets are only half of the equation in terms of the Plan's health. The gains from asset returns exceeding the assumed returns have recently been partially offset by unexpected increases on the liability side. There are three such increases that are particularly worth noting. Firstly, interest rates have remained at historic lows much longer than expected which has resulted in high commuted value payouts. Secondly, the number of active members in the Plan has remained relatively constant meaning that the salary base, from which contributions are derived, has not grown as previously assumed. As a result, contributions into the Plan have been less than expected. Thirdly, life expectancy has increased more than projected, resulting in lifetime pension payments being paid for longer than assumed.

At each actuarial valuation, the Board reviews the assumptions closely and makes changes as needed to ensure they reflect actual Plan experience and to help reduce the risk of passing the cost of today's benefits on to future generations.

Keep Your Contact Information Current

It is important that you keep your contact information current. Active members should notify their employer about any changes to their address. It is vital that pensioners and other terminated members ensure UAPP has their current contact information in case the UAPP needs to contact them about their pension. Pensioners or their agents should contact CIBC Mellon directly by telephone at 1.800.565.0479 to update their information. Other terminated members should contact Buck Consultants at 1.866.709.2092.

Comments/Suggestions

If you recently used the services of any group (such as Buck Consultants, Human Resources Department at your institution, or the UAPP Trustees' Office) on a matter related to the UAPP and would like to comment on the service you received, please feel free to contact us through any of the means provided at http://www.uapp.ca/contact-us/.

Keep Your Beneficiary Information Current

If you leave employment and leave your funds with the UAPP, keep your Designation of Beneficiary and the addresses of your beneficiaries up-to-date with the UAPP. Doing so will help expedite payment to your beneficiaries. Make sure your family or your executor knows you are entitled to a benefit from the UAPP.

Questions About…

The Retirement Planner

Call Buck Consultants at 1.866.709.2092 if you need help accessing the Retirement Planner, or for login or password inquiries. The Retirement Planner can be accessed through the link on our homepage at www.uapp.ca. Your annual Member Statement can be accessed through the Retirement Planner.

Your Pension

Call Buck Consultants at 1.866.709.2092, the Human Resources Department at your institution, or the UAPP Trustees' Office at 780.415.8868.

Purchasing Prior Service or Periods of Leaves of Absence

Call the Human Resources Department at your institution, or the UAPP Trustees' Office at 780.415.8868.

We've Moved!

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