

DALHOUSIE RETIREES' TRUST FUND
ANNUAL REPORT to RETIREES
for the year ended June 30, 2015

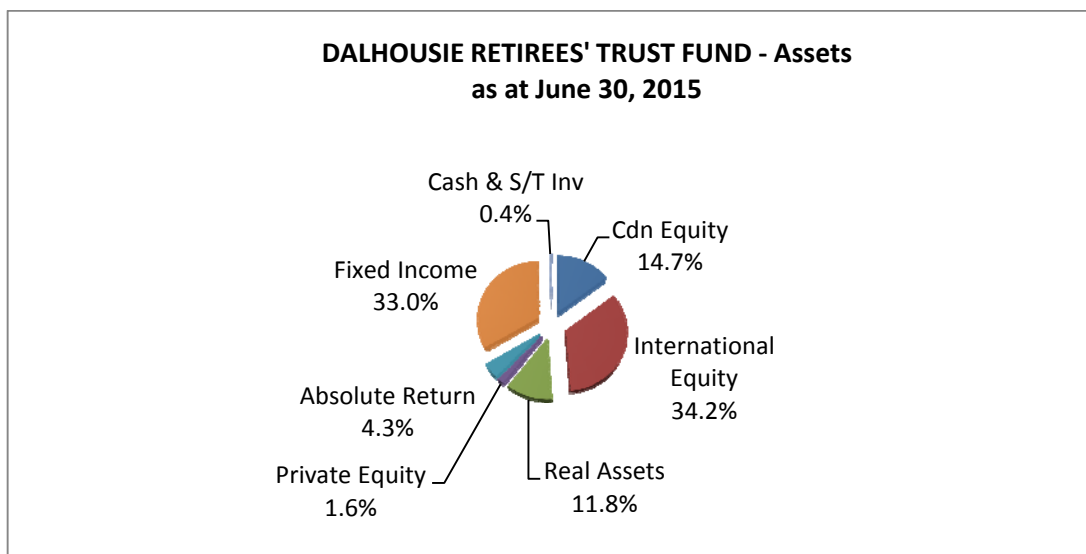
Introduction:

The Dalhousie Retirees' Trust Fund (RTF) is one of two funds that support the benefits of the Dalhousie University Staff Pension Plan. The assets of the RTF fund the monthly pension payments to the retired members of the Plan. For the year ended June 30, 2015, the RTF held assets valued at \$457.6 million to provide for future pension benefits. The RTF made \$38.1 million in member benefit payments during the year.

A group of appointed Trustees provide oversight of the RTF. The RTF Trustees hold regular meetings to provide strategic guidance and policy directives for RTF investments, and to review the performance and operations of the investments. The primary objective of the Trustees is to secure the promised pension benefit and with the benefit secured, provide indexation to the extent that investment performance permits. As a group, the Trustees take a long-term view when establishing policy and strategy to enable the RTF to achieve its' financial and Plan benefit objectives.

Fund Structure:

The RTF's investment returns are generated by a diversified portfolio of various asset classes including Canadian and international stocks, Canadian bonds and mortgages, and alternative asset classes. Included in the alternative asset class are domestic and non-domestic real estate, infrastructure and absolute return strategies. In May 2014, the Trustees revised the RTF's asset mix policy. The policy targets were set at 40% equities, 30% alternatives, and 30% fixed income, although the actual mix will vary within prescribed ranges. The targeted allocation for public equities is stated as 40%, but will be allowed to hover higher until private placement subscriptions in the real assets and private equity areas can be closed and capital called for those commitments. The RTF's asset allocation as at the most recent fiscal year end, June 30, 2015, is illustrated in the following chart.



The RTF Trustees engage multiple external investment management firms to invest the Fund's assets, which provide the RTF with another level of diversification. Specific investment mandates within certain asset classes are assigned to each firm to provide different but yet complementary investment philosophies and styles. Collectively these manager assignments are administered to conform to the Fund's investment asset mix policy.

The RTF's assets were valued at \$457.6 million as at June 30, 2015, an increase of \$38.1 million from June 30, 2014. This increase, as depicted in the following table, was the result of fund inflows for new retirees and investment gains, less pension payments and fund expenses incurred during the year.

**Changes in Net Assets Available for Benefits
For the year ended June 30, 2015
(millions)**

Funding for new pensioners	\$ 38.2
Investment Returns	35.3
Benefits Paid	(33.2)
Fund Expenses	(2.2)
Net Change	\$ 38.1

Investment Returns:

Global equity markets were strong over the twelve-month period that ended June 30, 2014. The Canadian equity market declined 1.2%, while U.S. and international markets generated 7.4% and 11.8% returns respectively. A weakening Canadian dollar boosted the U.S. and international returns to 25.9% and 12.2% when converted to Canadian dollars. The Canadian broad bond market yielded a 6.2% return, although it declined 1.7% in the last quarter.

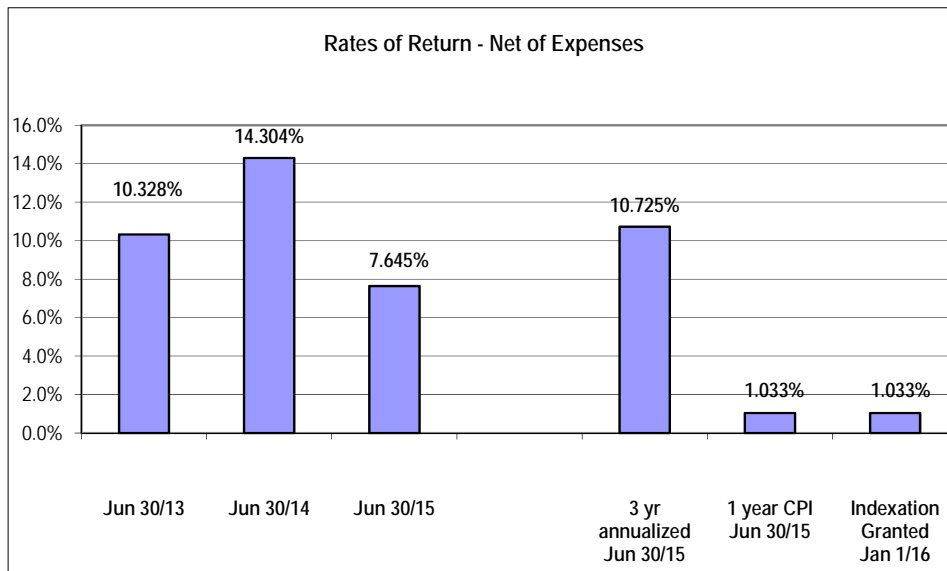
The RTF's returns (before expenses) and policy benchmark objectives (financial market index returns weighted per the RTF's policy allocation) for periods that ended June 30, 2015 were:

	<u>Annualized Returns (before fees) as at June 30, 2015</u>				
	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>10 Years</u>
RTF	8.2%	11.5%	11.3%	9.2%	6.6%
Passive Benchmark	8.9%	11.4%	10.3%	8.6%	6.4%

The foregoing table compares the RTF's actual returns to its policy benchmarks. As mentioned earlier, the RTF's asset mix policy was recently revised to accommodate a larger allocation to private investments, which the one-year policy benchmark reflects. However, as previously noted, private investments require time to both subscribe and to deploy capital funding. As a consequence, the actual returns will most likely be below the benchmark until capital funding of the private investments is closer to target.

Indexation:

The Dalhousie Pension Plan has an indexation provision. Indexation can be provided each January 1st to eligible retirees (those who retired prior to January 1 of the previous year) by an "excess interest" provision should the RTF's 3-year annualized return net of expenses for the 3-year period ended the previous June 30 exceed a threshold of 5.05%. The maximum allowable indexation is the 1-year Canadian Consumer Price (CPI) Index change as of each June 30th. Should the RTF's 3-year annualized return fall short of the 5.05% threshold in any given year, this shortfall must be recovered in subsequent years before any future indexation may be granted by this "excess interest" provision. A shortfall occurred as a result of the 2008-09 market downturns, and had reached a peak of 13.1%. Excess returns over subsequent years have reduced the shortfall, and the past year's return eliminated the balance of the shortfall.



Thus, with the shortfall removed, the “excess interest” provision for indexation has been restored, and indexation matching the 1.0335 CPI will be provided to those pensioners who are eligible for indexation at January 1, 2016. In addition, the Plan gives the Trustees the discretion to use up to one-half of any surplus that an actuarial valuation may have identified in the Fund. The actuarial valuation at March 31, 2014 identified a surplus that was generated by the Fund’s strong investment returns over the past year. Last year, the Trustees allocated over \$12 million of the \$16.2 million eligible surplus to catch up indexation that had been missed over the 2003 to 2011 period. At their October 2015 meeting, the Trustees decided to use the remaining \$4.2 million of eligible surplus to provide catch up of 1.6017% of the 3.0981% that was missed on January 1, 2012.

The RTF’s final audited financial statements for June 30, 2015 can be accessed at the University’s Pension website <http://www.dal.ca/content/dam/dalhousie/pdf/dept/pension/2015-06-30%20Dalhousie%20Retirees%27%20Trust%20Fund%20Final%20KPMG.pdf> Questions relating to the Fund’s investments may be directed to Colin Spinney at (902) 494-8821, while benefit-related queries can be directed to Lee Crowell, Director, Pensions & Employee Benefits at (902) 494-1121.

The current Trustees serving on the RTF are as follows:

Rob Sobey (*Chair*)
 Ron Pink
 Greg Hebb

David Cameron
 Paul Conrod
 Richard Florizone

Jody Forsyth
 Aubrey Palmeter
 Ian Nason

Yours truly,

Rob Sobey, Chair