MANAGEMENT EMPLOYEES PENSION PLAN FINANCIAL STATEMENTS DECEMBER 31, 2002

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Management Employees Pension Plan (the Plan) as at December 31, 2002 and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2002 and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
March 11, 2003

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT DECEMBER 31, 2002
($ thousands)

	2002	2001
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	$ 1,386,573	$ 1,475,297
Accrued investment income and accounts receivable	375	285
Contributions receivable (Note 6)	4,341	4,484
	1,391,289	1,480,066
Liabilities		
Accounts payable	708	25
Net assets available for benefits	1,390,581	1,480,041
Accrued Benefits (Note 9)		
Actuarial value of accrued benefits	1,692,549	1,474,703
(Deficiency) surplus	$ (301,968)	$ 5,338

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2002
($ thousands)

	2002	2001
Increase in assets		
Contributions (Note 1(b))		
Current and optional service		
Employees	$ 20,241	$ 17,946
Employers	25,989	24,415
Transfers from other plans	243	781
	46,473	43,142
Decrease in assets		
Net investment loss (Note 7)	77,732	66,405
Pension benefits	54,714	48,476
Refunds to members	1,603	1,247
Transfers to other plans	536	1,464
Plan expenses (Note 8)	1,348	912
	135,933	118,504
Decrease in net assets	(89,460)	(75,362)
Net assets available for benefits at beginning of year	1,480,041	1,555,403
Net assets available for benefits at end of year	$ 1,390,581	$ 1,480,041

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2002
($ thousands)

	2002	2001
Increase in accrued benefits		
Interest accrued on benefits	$ 112,587	$ 100,023
Changes in actuarial assumptions (Note 9)	71,896	-
Benefits earned	47,500	40,541
Net experience losses (Note 9)	42,716	-
	274,699	140,564
Decrease in accrued benefits		
Benefits paid and transfers	56,853	50,406
Net increase in accrued benefits	217,846	90,158
Accrued benefits at beginning of year	1,474,703	1,384,545
Accrued benefits at end of year (Note 9)	$ 1,692,549	$ 1,474,703

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2002
($ thousands)

	2002	2001
Surplus at beginning of year	$ 5,338	$ 170,858
Decrease in net assets available for benefits	(89,460)	(75,362)
Net increase in accrued benefits	(217,846)	(90,158)
(Deficiency) surplus at end of year	$ (301,968)	$ 5,338

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 367/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan.

(b) Funding Policy

Current service costs are funded by employee and employer contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. There were no changes in contribution rates in 2002. The rates in effect in 2002 were 7.75% of pensionable salary for employees and 10.75% for employers. The rates were reviewed in 2002 by the Minister of Finance and are to be reviewed again at least once every three years based on recommendations of the Plan's actuary. As a result of this review, effective April 1, 2003, the rates will be increased to 9.5% of pensionable salary for employees and 13.1% for employers.

(c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at $86,111 per year by the federal Income Tax Act. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and years of service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving pension partner may choose to receive a survivor pension, or a lump sum payment. For a beneficiary other than a pension partner, or where service is less than five years, the benefits take the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a refund or a deferred pension. A refund is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. Refunds are subject to the Plan's lock-in provisions.

(g) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

(h) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(j) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act. The Plan's registration number is 0570887.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The Plan's percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	2002	2001
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	4.8	5.0
Canadian Pooled Equities Fund	6.9	8.4
Domestic Passive Equity Pooled Fund	4.7	7.2
EAFE Structured Equity Pooled Fund	4.8	2.3
Private Equity Pool	7.6	7.6
Private Equity Pool 2002	17.5	-
Private Mortgage Pool	5.7	6.0
Private Real Estate Pool	3.6	-
US Passive Equity Pooled Fund	3.6	4.5
United States Pooled Equities Fund	6.3	6.3
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	5.4	3.4
Canadian Small Cap Equity Pool	4.5	3.8
EAFE Core Equity Pool	3.9	4.3
EAFE Passive Equity Pool	5.4	4.9
EAFE Plus Equity Pool	3.8	4.2
US Large Cap Equity Pool	4.9	4.3
US Mid/Small Cap Equity Pool	3.2	4.7
US Passive Equity Pool	4.4	4.6

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

(i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Revenue.

(iii) The fair value of private equities is estimated by Alberta Revenue.

(iv) Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

(v) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment loss.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in net investment loss. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

	2002		2001	
	($ thousands)	%	($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash				
Investment Trust Fund (a)	$ 9,889	0.7	$ 27,737	1.9
Canadian Dollar Public Bond Pool (b)	405,698	29.3	421,228	28.6
Real rate of return bonds (c)	69,627	5.0	68,160	4.6
Private Mortgage Pool (d)	54,599	3.9	55,129	3.7
Total fixed income securities	539,813	38.9	572,254	38.8
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool (e)	132,203	9.6	59,806	4.0
Canadian Small Cap Equity Pool (e)	20,503	1.5	16,061	1.1
Domestic Passive Equity Pooled Fund (f)	106,634	7.7	194,028	13.2
Canadian Pooled Equities Fund (g)	91,714	6.6	182,588	12.4
Private Equity Pool (h)	2,632	0.2	4,630	0.3
Private Equity Pool 2002	522	-	-	-
	354,208	25.6	457,113	31.0
United States Equities (Schedule C)				
External Managers				
US Large Cap Equity Pool (i)	93,373	6.7	95,511	6.5
US Passive Equity Pool (j)	52,573	3.8	65,141	4.4
US Mid/Small Cap Equity Pool (i)	13,839	1.0	15,071	1.0
US Passive Equity Pooled Fund (j)	52,361	3.8	53,734	3.6
United States Pooled Equities Fund	47	-	210	-
	212,193	15.3	229,667	15.5
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (k)	101,308	7.3	110,027	7.5
EAFE Plus Equity Pool (k)	50,460	3.6	54,254	3.7
EAFE Passive Equity Pool (l)	35,825	2.6	42,876	2.9
EAFE Structured Equity Pooled Fund (l)	22,986	1.7	9,106	0.6
	210,579	15.2	216,263	14.7
Equities in Real Estate				
Private Real Estate Pool (m)	69,780	5.0	-	-
Total equities	846,760	61.1	903,043	61.2
Total investments	$ 1,386,573	100.0	$ 1,475,297	100.0

(a) The Consolidated Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(f) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(g) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The External Managers US Large Cap Equity Pool consists of multiple portfolios and the External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the Standard & Poor's S&P 500 Index for the US Large Cap Pool and the Russell 2500 Index for the US Mid/Small Cap Pool over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(j) The External Managers US Passive Equity Pool and the US Passive Equity Pooled Fund consist of single portfolios of publicly traded United States equities similar in weights to the S&P 500 Index. The External Managers US Passive Equity Pool is managed passively by an external manager with expertise in the US equity market and the US Passive Equity Pooled Fund is managed internally. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index over a four-year period. To enhance investment returns with no substantial increase in risks, the US Passive Equity Pooled Fund also invests in futures, swaps and other structured investments.

(k) The External Managers EAFE (Europe, Australia and Far East) Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) EAFE Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(l) The External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(m) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a benchmark policy asset mix of 40% fixed income instruments and 60% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2002:

	2002					2001	
	Maturity				Net		Net
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value [a]	Notional Amount	Fair Value [a]
	%			($ thousands)			
Equity index swap contracts	74	26	-	$ 127,642	$ 2,330	$ 144,256	$ 5,553
Bond index swap contracts	100	-	-	7,380	64	11,721	6
Interest rate swap contracts	42	51	7	53,492	(2,845)	41,647	(1,834)
Forward foreign exchange contracts	100	-	-	39,817	184	38,597	81
Equity index futures contracts	-	-	-	-	-	3,764	123
				228,331	$ (267)	239,985	$ 3,929
Cross-currency interest rate swap contracts [b]	32	24	44	62,568		100,544	
				$ 290,899		$ 340,529	

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

(b) Cross-currency interest rate swap contracts are valued as a package, which includes underlying securities. As at December 31, 2002, the combined value of cross-currency interest rate swap contracts and underlying securities amounted to $63,333,000 (2001 $101,151,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6 CONTRIBUTIONS RECEIVABLE

	2002	2001
	($ thousands)	
Employees	$ 1,818	$ 1,856
Employers	2,523	2,628
	$ 4,341	$ 4,484

NOTE 7 NET INVESTMENT LOSS

Net investment loss is comprised of the following:

	2002	2001
	($ thousands)	
Interest income	$ 38,275	$ 39,431
Dividend income	12,019	17,739
Real Estate income	2,836	-
Net realized and unrealized losses on investments, including those arising from derivative transactions	(129,533)	(122,340)
Securities lending income	296	287
Pooled funds management and associated custodial fees	(1,625)	(1,522)
	$ (77,732)	$ (66,405)

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

	2002	2001
	($ thousands)	
Deposits and Fixed Income Securities	$ 53,479	$ 38,722
Canadian Equities	(50,173)	(48,029)
Foreign Equities		
United States	(51,085)	(15,171)
Non-North American	(32,841)	(41,927)
Real Estate	2,888	-
	$ (77,732)	$ (66,405)

The following is a summary of the investment performance results attained by the Plan:

	One-Year Return		Four-Year Compound Annualised Return
	2002	2001	
Timed-weighted rates of return			
Overall Plan	-5.3%	-4.4%	3.3%
Policy Benchmark	-5.6%	-4.1%	2.4%

NOTE 8 PLAN EXPENSES

	2002	2001
	($ thousands)	
General administration costs	$ 1,105	$ 686
Investment management costs	243	226
	$ 1,348	$ 912

General administration costs increased in 2002 as a result of increases in operating, Plan specific, business process re-engineering, and Board costs. General administration costs include operating cost $593,000 (2001 $437,000), Plan specific cost $213,000 (2001 $135,000), business process re-engineering cost (APEX) $248,000 (2001 $103,000), and Board cost $51,000 (2001 $11,000).

General administration and investment management costs were charged to the Plan on a cost-recovery basis.

Pooled funds management and associated custodial fees totalling $1,625,000 (2001 $1,522,000) (see Note 7), which have been included in the calculation of net investment loss of the pooled funds, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $494 per member (2001 $429 per member) and 0.214% (2001: 0.164%) of assets under administration.

NOTE 9 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2001 by Aon Consulting Inc. and was extrapolated to December 31, 2002. The 2001 valuation was completed after the financial statements of the Plan for 2001 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2001 are accounted for as changes in actuarial assumptions and net experience losses in 2002.

The 2001 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used were:

	2002 Extrapolation %	2001 Valuation %
Asset real rate of return	4.25	4.25
Inflation rate	2.75	2.75
Investment rate of return	7.0	7.0
Salary escalation rate*	3.25	3.25

* In addition to merit and promotion.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2002:

	Sensitivities		
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 126	1.5%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	31	1.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	251	4.1%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2001 valuation was 20.5%.

NOTE 10 BUDGET INFORMATION

The accrued benefits are based on the Management Employees Pension Board's best estimates of future events. Differences between actual results and the Board's expectations are disclosed as net experience losses in the Statement of Changes in Accrued Benefits. Accordingly, a budget is not included in these financial statements.

NOTE 11 COMPARATIVE FIGURES

Comparative figures have been restated to be consistent with the 2002 presentation.

NOTE 12 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A

MANAGEMENT EMPLOYEES PENSION PLAN

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

DECEMBER 31, 2002

($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 11,992	$ 31,645
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	168,486	176,892
Provincial		
Alberta, direct and guaranteed	956	1,473
Other, direct and guaranteed	80,988	97,768
Municipal	7,912	7,267
Corporate	171,147	145,583
Private		
Corporate	93,767	106,958
	523,256	535,941
Receivable from sale of investments and accrued investment income	4,726	5,088
Liabilities for investment purchases	(161)	(420)
	4,565	4,668
	$ 539,813	$ 572,254

(a) Fixed income securities held as at December 31, 2002 had an average effective market yield of 4.86% per annum (2001: 5.26% per annum). The following term structure of these securities as at December 31, 2002 was based on principal amount:

	2002	2001
	%	
under 1 year	2	5
1 to 5 years	30	29
6 to 10 years	28	26
11 to 20 years	16	16
over 20 years	24	24
	100	100

Schedule B

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES
DECEMBER 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 3,864	$ 7,393
Public Equities (a) (b)		
Consumer discretionary	28,416	37,249
Consumer staples	14,457	14,751
Energy	52,365	51,564
Financials	104,344	125,487
Health care	10,687	19,292
Industrials	29,745	44,838
Information technology	17,182	49,572
Materials	56,451	58,443
Telecommunication services	17,539	21,939
Utilities	11,099	13,711
	342,285	436,846
Passive index	2,308	6,320
	344,593	443,166
Private Equities	2,785	3,238
Receivable from sale of investments and accrued investment income	4,026	6,034
Liabilities for investment purchases	(1,060)	(2,718)
	2,966	3,316
	$ 354,208	$ 457,113

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $52,423,000 (2001 $85,743,000), which were used as underlying securities to support Canadian equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule C

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
DECEMBER 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 1,380	$ 1,005
Public Equities (a) (b)		
Consumer discretionary	27,883	29,298
Consumer staples	19,091	17,572
Energy	12,881	14,532
Financials	43,951	41,346
Health care	32,300	33,592
Industrials	26,194	27,710
Information technology	29,712	39,448
Materials	6,238	6,253
Telecommunication services	7,642	11,172
Utilities	5,505	6,374
	211,397	227,297
Receivable from sale of investments and accrued investment income	913	1,830
Liabilities for investment purchases	(1,497)	(465)
	(584)	1,365
	$ 212,193	$ 229,667

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $52,563,000 (2001 $52,065,000), which were used as underlying securities to support US equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

Schedule D

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
DECEMBER 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 5,019	$ 5,574
Public Equities (a)		
Country		
United Kingdom	56,042	52,965
Japan	32,551	35,019
Switzerland	18,719	15,200
France	17,976	23,914
Netherlands	13,324	15,631
Germany	11,927	14,572
Australia	9,743	8,049
Italy	8,336	7,449
Hong Kong	5,741	7,911
Spain	4,475	6,449
Finland	4,071	3,849
Sweden	3,809	4,032
Other	19,674	14,989
	206,388	210,029
Receivable from sale of investments and accrued investment income	1,080	2,508
Liabilities for investment purchases	(1,908)	(1,848)
	(828)	660
	$ 210,579	$ 216,263

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $22,656,000 (2001 $8,711,000), which were used as underlying securities to support Non-North American equity index swaps contracts.