PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN FINANCIAL STATEMENTS MARCH 31, 2003

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 Provincial Judges and Masters in Chambers (Registered) Pension Plan (the Plan) as at March 31, 2003 and the Statement of Changes in Net Assets Available for Benefits 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 March 31, 2003 and the Changes in its Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
August 1, 2003

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT MARCH 31, 2003

($ thousands)

	2003	2002
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 64,496	$ 72,133
Receivable from investments	48	72
Receivable from the Unregistered Plan	-	384
Contributions receivable	121	107
	64,665	72,696
Liabilities		
Accounts payable	29	108
Net assets available for benefits	64,636	72,588
Accrued Benefits		
Accrued benefits (Note 7)	75,652	69,079
Actuarial (Deficiency) Surplus (Note 8)	$ (11,016)	$ 3,509

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED MARCH 31, 2003

($ thousands)

	2003	2002
Increase in assets		
Net investment income (Note 9)	$ -	$ 2,250
Contributions		
Provincial Judges and Masters in Chambers	603	637
Province of Alberta	791	841
	1,394	1,478
	1,394	3,728
Decrease in assets		
Pension benefits		
Administration costs (Note 10)	3,140	3,027
Net investment loss (Note 9)	103	154
	6,103	-
	9,346	3,181
(Decrease) Increase in net assets	(7,952)	547
Net assets available for benefits at beginning of year	72,588	72,041
Net assets available for benefits at end of year	$ 64,636	$ 72,588

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Provincial Judges and Masters in Chambers (Registered) Pension Plan (Registered Plan) is a summary only. For a complete description of the Registered Plan, reference should be made to the *Provincial Court Act,* Chapter P-31, Revised Statutes of Alberta 2000, *Court of Queen's Bench Act,* Chapter C-31, Revised Statutes of Alberta 2000, *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and *Alberta Regulation* 196/2001.

(a) General

Effective April 1, 1998, the Registered Plan is a contributory defined benefit pension plan for Provincial Judges and Masters in Chambers of the Province of Alberta. The *yearly maximum pensionable earnings limit* allowed by the *Income Tax Act* after December 31, 1991 are capped at $86,111 for 2002 and 2003.

(b) Funding Policy

Current service costs are funded by the Province of Alberta and plan members at rates which are expected to provide for all benefits payable under the Registered Plan. The rates in effect at March 31, 2003 were unchanged at 7.0% of capped earnings for plan members and 9.22% of capped earnings for the Province. The rates are to be reviewed at least once every three years by the Province based on recommendations of the Registered Plan's actuary. Based on an actuarial valuation of the Registered Plan as at March 31, 2003, the Registered Plan's actuary has recommended that the Province's contribution rate increase to 14.03% of capped earnings.

The unfunded liability, if any, as of any particular valuation date is funded by additional contributions from the Province over a period not exceeding 15 years.

(c) Retirement Benefits

The Registered Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum pensionable service allowable under the Registered Plan is 35 years. The normal pensionable age is 70 years of age.

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 and before April 1, 1998 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 service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained at age 55.

Members are entitled to an unreduced pension on service after March 31, 1998 if they retire with at least five years of service and have attained age 60 and the sum of their age and service equals 80. Pensions are reduced if the member is under age 60 or if the 80 factor is not attained at age 60. The 80-factor requirement does not apply to members who have attained age 70.

(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. For a beneficiary other than a pension partner or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own 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 deferred pension.

(g) Province's Liability for Benefits

Benefits are payable by the Province of Alberta if assets are insufficient to pay for all benefits under the Registered Plan.

(h) 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.

(i) Income Taxes

The Registered Plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes. The Registered Plan's registration number is 0927764.

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 Registered Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Registered Plan for the year.

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 Registered Plan's respective percentage ownership in pooled investment funds at March 31 was as follows:

	% Ownership	
	2003	2002
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	0.30	0.29
Canadian Pooled Equities Fund	0.32	0.28
Domestic Passive Equity Pooled Fund	0.24	0.24
EAFE Structured Equity Pooled Fund	0.22	0.18
Private Equity Pool	0.56	0.56
Private Mortgage Pool	0.36	0.34
Private Real Estate Pool	0.21	0.25
US Passive Equity Pooled Fund	0.20	0.20
United States Pooled Equities Fund	0.40	0.40
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	0.14	0.08
Canadian Small Cap Equity Pool	0.14	0.14
EAFE Core Equity Pool	0.20	0.20
EAFE Passive Equity Pool	0.24	0.21
EAFE Plus Equity Pool	0.19	0.19
US Large Cap Equity Pool	0.20	0.19
US Passive Equity Pool	0.40	0.20
US Mid/Small Cap Equity Pool	0.14	0.18

(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 Registered Plan or by pooled investment funds are explained in the following paragraphs:

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.

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 management of Alberta Revenue.

The fair value of private equities is estimated by management of Alberta Revenue.

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.

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 the 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 investment income or 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:

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

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

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

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 investment income or losses. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES B TO E)

	2003		2002	
	($ thousands)	%	($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 1,058	1.6	$ 3,516	4.9
Canadian Dollar Public Bond Pool (b)	23,446	36.4	25,543	35.4
Private Mortgage Pool (c)	3,638	5.6	3,023	4.2
Total fixed income securities	28,142	43.6	32,082	44.5
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (d)	5,271	8.2	6,360	8.8
Canadian Pooled Equities Fund (e)	3,438	5.3	5,534	7.7
External Managers				
Canadian Large Cap Equity Pool (f)	3,457	5.4	1,746	2.4
Canadian Small Cap Equity Pool (f)	601	0.9	654	0.9
Private Equity Pool (g)	188	0.3	295	0.4
	12,955	20.1	14,589	20.2
United States Equities (Schedule D)				
External Managers				
US Large Cap Equity Pool (h)	3,686	5.7	4,541	6.3
US Passive Equity Pool (i)	2,511	3.9	2,963	4.1
US Mid/Small Cap Equity Pool (h)	563	0.9	737	1.0
US Passive Equity Pooled Fund (i)	2,800	4.3	2,378	3.3
United States Pooled Equities Fund	2	0.0	14	0.0
	9,562	14.8	10,633	14.7
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (j)	4,820	7.5	5,439	7.5
EAFE Plus Equity Pool (j)	2,268	3.5	2,665	3.7
EAFE Passive Equity Pool (k)	1,365	2.1	1,855	2.6
EAFE Structured Equity Pooled Fund (k)	1,081	1.7	706	1.0
	9,534	14.8	10,665	14.8
Real Estate				
Private Real Estate Pool (l)	4,303	6.7	4,164	5.8
Total equities and real estate	36,354	56.4	40,051	55.5
Total investments	$ 64,496	100.0	$ 72,133	100.0

(a) The Consolidated Cash 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 three 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) 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.

(d) 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 Toronto Stock Exchange 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.

(e) 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.

(f) 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 Canadian Small Cap Pool is restricted to invest in publicly traded Canadian equities with a market capitalization of up to 0.15% of the 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.

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

(h) 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.

(i) 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.

(j) 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 EAFE 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.

(k) 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.

(l) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to 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 Registered 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, management has established a policy asset mix of 45% fixed income instruments and 55% equities. Investment 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 Registered 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 Registered Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2003:

	2003					2002	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	%			($ thousands)			
Equity index swap contracts	79	21	-	$ 6,706	$ (159)	$ 5,873	$ 102
Bond index swap contracts	100	-	-	408	(1)	431	(4)
Interest rate swap contracts	31	62	7	3,664	(142)	2,131	(78)
Forward foreign exchange contracts	100	-	-	2,128	88	1,617	1
Equity index futures contracts	100	-	-	38	1	100	-
Cross-currency interest rate swap contracts (b)	31	25	44	3,402	(525)	4,136	(b)
				$ 16,346	$ (738)	$ 14,288	$ 21

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

(b) Information is not available.

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 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN (UNREGISTERED PLAN)

The Unregistered Plan is established with effect from April 1, 1998 to collect contributions and to provide pension benefits to plan members in excess of the maximum benefits allowed by the *Income Tax Act*. The Unregistered Plan is a Retirement Compensation Arrangement (RCA) under the *Income Tax Act* and is administered by the Province as a separate trust. Accordingly, the Unregistered Plan's net assets available for benefits, liabilities for accrued benefits and actuarial surplus referred to below have not been included in these financial statements.

The Unregistered Plan is funded by contributions from plan members and the Province. The contribution rates in effect at March 31, 2003 were unchanged at 7.0% of pensionable salary in excess of $86,111 for plan members and 7.0% of the excess for the Province. The contribution rate for the Province must equal or exceed the rate payable by plan members and is set by the Minister of Finance, taking into account recommendations of the Unregistered Plan's actuary. If assets held in the Unregistered Plan are insufficient to pay for benefits as they become due, the amount due is payable by the Province.

A summary of the net assets available for benefits and accrued benefits for the Unregistered Plan as at March 31, 2003 and changes in net assets available for benefits for the year then ended is as follows:

	2003	2002
	($ thousands)	
Net Assets Available For Benefits		
Cash and cash equivalents	$ 2,572	$ 2,560
Income tax refundable	2,974	2,360
Accounts receivable (payable), net	6	66
	5,552	4,986
Payable to the Provincial Judges and Masters in Chambers (Registered) Pension Plan	-	384
	5,552	4,602
Amounts owing from the Reserve Fund (a)	26,485	22,211
Net assets available for benefits	32,037	26,813
Accrued Benefits		
Actuarial value of accrued benefits	31,458	23,690
Actuarial surplus	$ 579	$ 3,123

(a) Contributions from the Province of Alberta as determined by the Unregistered Plan's actuary and approved by the Minister of Finance are collected and held in the Provincial Judges and Masters in Chambers Reserve Fund. These contributions are invested by the Province to meet future benefit payments of the Unregistered Plan over the long term.

	2003	2002
	($ thousands)	
Increase in assets		
Current and previous year's contributions		
Provincial Judges and Masters in Chambers	$ 672	$ 625
Province of Alberta	672	625
Investment income	57	82
	1,401	1,332
Decrease in assets		
Pension benefits	389	407
Administration costs	62	52
	451	459
	950	873
Increase in amounts recoverable from the Reserve Fund	4,274	22,211
Increase in net assets	5,224	23,084
Net assets available for benefits at beginning of year	26,813	3,729
Net assets available for benefits at end of year	$ 32,037	$ 26,813

An actuarial valuation for the Unregistered Plan was carried out as at March 31, 2003 by Johnson Incorporated. The 2003 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events, taking into account the increase in the yearly maximum pension accruals limit for defined benefit pension plans announced in the February 18, 2003 Federal Budget. This best estimate was, after consultation with the Unregistered Plan's actuary, approved by management.

The major assumptions used in the actuarial valuation were the same as those used in the valuation of the Registered Plan (see Note 7).

The Unregistered Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. 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 Unregistered Plan.

NOTE 7 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Registered Plan was carried out as at March 31, 2003 by Johnson Incorporated. The 2003 valuation was determined using the projected benefit method based on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events, taking into account the increase in the yearly maximum pension accruals limit for defined benefit pension plans announced in the February 18, 2003 Federal Budget. This best estimate was, after consultation with the Registered Plan's actuary, approved by management.

The major assumptions used were:

	March 31	
	2003 Valuation %	2002 Extrapolation %
Asset real rate of return	3.5	3.5
Inflation rate	3.0	3.5
Investment return	6.5	7.0
Salary escalation rate	4.0	4.0
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

The following statement shows the principal components of the change in the value of accrued pension benefits.

	2003	2002
	($ thousands)	
Accrued pension benefits at beginning of year	$ 69,079	$ 67,602
Interest accrued on benefits	4,835	4,732
Change in actuarial assumptions	36	-
Net experience losses (gains)	1,234	(2,078)
Change to the yearly maximum pension accruals limit	1,580	-
Benefits earned	2,028	1,850
Net benefits paid	(3,140)	(3,027)
Accrued pension benefits at end of year	$ 75,652	$ 69,079

(b) Sensitivity of Changes in Major Assumptions

The Registered Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. 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 Registered Plan. The following is a summary of the sensitivities of the Registered Plan's deficiency and current service cost to changes in assumptions used in the actuarial valuation at March 31, 2003:

	Sensitivities		
	Changes in Assumptions %	Decrease in Plan Deficiency ($ millions)	Increase in Current Service Cost as % of Capped Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 4.0	1.2%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	0.5	0.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	8.8	3.7%

* The current service cost as % of capped pensionable earnings as determined by the 2003 valuation is 21.03%.

NOTE 8 ACTUARIAL DEFICIENCY

The actuarial deficiency of the Registered Plan as of any particular valuation date is funded by additional contributions from the Province over a period not exceeding 15 years.

Based on actuarial valuation of the Registered Plan as at March 31, 2003, the Registered Plan's actuary has recommended the actuarial deficiency be funded by additional annual contribution of $1,172,000 from the Province over 15 years.

Any assets remaining in the Registered Plan after all benefits are paid on complete wind-up must be returned to the Province of Alberta.

NOTE 9 NET INVESTMENT INCOME (LOSS)

Net investment income (loss) is comprised of the following:

	2003	2002
	($ thousands)	
Interest income	$ 1,994	$ 2,174
Dividend income	539	753
Real estate income	219	222
Securities lending income	14	13
Net realized and unrealized losses on investments including those arising from derivative transactions	(8,797)	(845)
Pooled funds management and associated custodial fees	(72)	(67)
	$ (6,103)	$ 2,250

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

	2003	2002
	($ thousands)	
Deposits and Fixed Income Securities	$ 2,689	$ 1,791
Canadian Equities	(2,503)	525
Foreign Equities		
United States	(3,433)	188
Non-North American	(3,247)	(542)
Real Estate	391	288
	$ (6,103)	$ 2,250

NOTE 10 ADMINISTRATION EXPENSES

Administration expenses comprise $20,000 (2002 $88,000) investment management and $83,000 (2002 $66,000) in general administration costs. These expenses were paid to Alberta Revenue and Alberta Pensions Administration Corporation respectively on a cost-recovery basis. Pooled funds management and associated custodial fees totalling $72,000 (2002 $67,000), which have been deducted from investment income of the pools, are excluded from administration expenses (see Note 9).

NOTE 11 BUDGET INFORMATION

The accrued benefits are based on management's best estimates of future events after consultation with the Registered Plan's actuary. Differences between actual results and management's expectations are disclosed as experience gains or losses in Note 7. Accordingly, a budget is not included in these financial statements.

NOTE 12 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2003 presentation.

NOTE 13 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Finance.

Schedule A

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
MARCH 31, 2003

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one-year and four-year periods ended March 31, 2003 are as follows:

	One Year Return				4 Year Compound Annualized Return
	2003	2002	2001	2000	
Time-weighted rates of return					
Short-term fixed income	2.9	3.9	5.7	5.1	4.4
Scotia Capital 91-Day T-Bill Index	*2.7*	*3.7*	*5.7*	*4.7*	*4.2*
Long-term fixed income	9.6	5.9	9.5	1.5	6.6
Scotia Capital Universe Bond Index	*9.2*	*5.1*	*8.7*	*1.3*	*6.0*
Canadian equities	(17.2)	3.7	(17.1)	43.5	0.5
S&P/TSX Composite Index	*(17.6)*	*4.9*	*(18.6)*	*45.5*	*0.6*
United States equities	(30.4)	2.1	(15.2)	12.6	(9.2)
Standard & Poor's 500 Index	*(30.7)*	*1.6*	*(15.1)*	*13.2*	*(9.3)*
Non-North American equities	(29.0)	(5.7)	(23.1)	39.5	(8.0)
MSCI EAFE Index	*(29.3)*	*(7.3)*	*(19.6)*	*20.1*	*(10.8)*
Real estate	9.8	7.2	9.7	5.8	8.1
Russell Canadian Property Index (modified)	*11.5*	*9.1*	*11.9*	*9.9*	*10.8*
Overall	(8.6)	3.3	(5.4)	19.4	1.6
Policy Benchmark	*(9.3)*	3.1	*(4.9)*	*17.1*	*1.0*

* Russell Canadian Property Index to December 31,2002 and ICREIM/IPD All Property Benchmark Index thereafter.

Schedule B

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

MARCH 31, 2003

($ thousands)

	Plan's Share	
	2003	2002
Deposits and short-term securities	$ 1,124	$ 3,815
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	4,813	7,197
Provincial		
Alberta, direct and guaranteed	58	80
Other, direct and guaranteed	4,566	4,587
Municipal	494	379
Corporate, public and private	16,815	15,760
	26,746	28,003
Receivable from sale of investments and accrued investment income	324	612
Liabilities for investment purchases	(52)	(348)
	272	264
	$ 28,142	$ 32,082

(a) Fixed income securities held as at March 31, 2003 had an average effective market yield of 5.55% (2002: 5.93%) per annum. The following term structure of these securities as at March 31, 2003 is based on principal amount:

	2003	2002
	%	
under 1 year	2	7
1 to 5 years	36	32
6 to 10 years	29	30
11 to 20 years	13	12
over 20 years	20	19
	100	100

Schedule C

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

MARCH 31, 2003

($ thousands)

	Plan's Share	
	2003	2002
Deposits and short-term securities	$ 125	$ 180
Public Equities (a) (b)		
Consumer discretionary	944	1,194
Consumer staples	554	566
Energy	1,984	1,850
Financials	4,057	4,170
Health care	464	598
Industrials	951	1,396
Information technology	664	1,189
Materials	1,932	2,076
Telecommunication services	642	513
Utilities	441	382
	12,633	13,934
Passive index	96	187
	12,729	14,121
Private Equities	161	209
Receivable from sale of investments and accrued investment income	36	119
Liabilities for investment purchases	(96)	(40)
	(60)	79
	$ 12,955	$ 14,589

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $2,765,000 (2002 $2,955,000), which were used as underlying securities to support the notional amount of Canadian equity index swap contracts.

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

Schedule D

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES

MARCH 31, 2003

($ thousands)

	Plan's Share	
	2003	2002
Deposits and short-term securities	$ 147	$ 71
Public Equities (a) (b)		
Consumer discretionary	1,572	1,458
Consumer staples	884	1,019
Energy	610	737
Financial	1,868	1,896
Health care	1,421	1,323
Industrials	1,056	1,189
Information technology	1,306	1,704
Materials	265	369
Telecommunication services	279	381
Utilities	243	403
	9,504	10,479
Passive index	-	2
	9,504	10,481
Receivable from sale of investments and accrued investment income	30	134
Liabilities for investment purchases	(119)	(53)
	(89)	81
	$ 9,562	$ 10,633

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $2,856,000 (2002 $2,347,000), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts

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

Schedule E

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
MARCH 31, 2003
($ thousands)

	Plan's Share	
	2003	2002
Deposits and short-term securities	$ 389	$ 168
Public Equities (a)		
Country		
United Kingdom	2,544	2,620
Japan	1,514	1,805
France	850	1,177
Switzerland	729	849
Netherlands	580	846
Australia	500	427
Germany	454	695
Italy	422	351
Hong Kong	274	301
Spain	258	275
Finland	163	200
Sweden	160	178
Other	852	754
	9,300	10,478
Receivable from sale of investments and accrued investment income	66	205
Liabilities for investment purchases	(221)	(186)
	(155)	19
	$ 9,534	$ 10,665

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $1,123,000 (2002 $671,000), which were used as underlying securities to support the notional amount of Non-North American equity index swaps.