PUBLIC SERVICE PENSION PLAN FINANCIAL STATEMENTS DECEMBER 31, 2002

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Public Service Pension Board

I have audited the Statement of Net Assets Available for Benefits and Liability for Accrued Benefits of the Public Service Pension Plan (the Plan) as at December 31, 2002 and the Statements of Changes in Net Assets Available for Benefits, Changes in Liability for Accrued Benefits and Changes in Actuarial 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 Liability for Accrued Benefits of the Plan as at December 31, 2002 and the Changes in Net Assets Available for Benefits, Changes in Liability for Accrued Benefits and Changes in Actuarial 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 13, 2003

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND LIABILITY FOR ACCRUED BENEITS AS AT DECEMBER 31, 2002
($ thousands)

	2002	2001
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 3,553,712	$ 3,826,112
Accounts receivable (Note 6)	9,784	12,777
Accrued investment income	640	693
	3,564,136	3,839,582
Liabilities		
Accounts payable	2,664	3,095
Net assets available for benefits	3,561,472	3,836,487
Actuarial adjustment for fluctuation in fair value of net assets (Notes 2 (c) and 10)	356,000	329,000
Actuarial value of net assets available for benefits	3,917,472	4,165,487
Liability for Accrued Benefits		
Actuarial value of accrued benefits (Note 7)	4,093,000	3,845,000
Actuarial (deficiency) surplus (Note 10)	$ (175,528)	$ 320,487

See accompanying notes and schedules.

PUBLIC SERVICE 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		
Current and optional service		
Employers	$ 68,956	$ 64,433
Employees	70,777	66,026
Transfers from other plans	1,140	5,553
	140,873	136,012
Decrease in assets		
Net investment loss (Note 8)	236,270	177,681
Pension benefits	155,407	151,031
Refunds to members	16,870	17,608
Transfers to other plans	1,131	1,414
Plan expenses (Note 9)	6,210	4,475
	415,888	352,209
Decrease in net assets	(275,015)	(216,197)
Net assets available for benefits at beginning of year	3,836,487	4,052,684
Net assets available for benefits at end of year	$ 3,561,472	$ 3,836,487

See accompanying notes and schedules.

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

	2002	2001
Increase in liability for accrued benefits		
Interest accrued on benefits	$ 278,000	$ 261,000
Benefits earned	139,000	134,000
Changes in actuarial assumptions	-	137,000
Net experience losses	4,000	136,000
	421,000	668,000
Decrease in liability for accrued benefits		
Benefits paid	173,000	170,000
Net increase in liability for accrued benefits	248,000	498,000
Liability for accrued benefits at beginning of year	3,845,000	3,347,000
Liability for accrued benefits at end of year (Note 7)	$ 4,093,000	$ 3,845,000

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2002
($ thousands)

	2002	2001
Actuarial surplus at beginning of year	$ 320,487	$ 635,084
Decrease in net assets available for benefits	(275,015)	(216,197)
Net change in actuarial adjustment for fluctuation in fair value of net assets	27,000	399,600
Net increase in liability for accrued benefits	(248,000)	(498,000)
Actuarial (deficiency) surplus at end of year	$ (175,528)	$ 320,487

See accompanying notes and schedules

PUBLIC SERVICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service 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 368/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies.

(b) Funding Policy

Current service costs are funded equally by employers and employees at rates, which are expected to provide for all benefits payable under the Plan. There were no changes in rates for 2002. The rates in effect at December 31, 2002 were 4.675% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 6.55% of the excess. The rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the Plan is 35 years. Pensions are payable to members who retire with at least two years of service and either have attained age 65, or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of service.

(d) Termination Benefits

Members who terminate with at least two years of service and are not immediately entitled to a pension may receive the commuted value for all service plus excess contributions if applicable, which is subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than two years of service receive a refund of their contributions and interest.

(e) Disability Benefits

Unreduced pensions are payable to members who become totally disabled and have at least two years of service. Reduced pensions are payable to members who become partially disabled and have at least two years of service.

(f) Death Benefits

Death benefits are payable on the death of a member. If the member has at least two 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 two years, a lump sum payment must be chosen.

(g) 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.

(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 (CPI). An additional increase of 10% of CPI was approved for 2002 only.

(i) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act and the Plan is not subject to income taxes. The Plan's registration number is 0208769.

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	10.2	11.0
Canadian Pooled Equities Fund	15.2	11.6
Domestic Passive Equity Pooled Fund	8.0	10.4
EAFE Structured Equity Pooled Fund	28.0	38.9
Private Equity Pool 2002	12.5	-
Private Mortgage Pool	12.0	12.9
Private Real Estate Pool	11.5	13.0
US Passive Equity Pooled Fund	29.0	28.9
United States Pooled Equities Fund	15.9	15.9
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	9.9	8.1
Canadian Small Cap Equity Pool	13.3	15.1
EAFE Core Equity Pool	14.5	15.5
EAFE Passive Equity Pool	0.6	1.7
EAFE Plus Equity Pool	14.8	15.4
US Large Cap Equity Pool	13.0	17.3
US Mid/Small Cap Equity Pool	10.5	15.3
US Passive Equity Pooled Fund	0.1	0.3

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held 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 investment managers of Alberta Revenue.

The fair value of private equities is estimated by 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) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair value. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of net assets available for benefits is determined by averaging three years' values, consisting of current market value and asset values projected from the year-end market values for the two previous years. The Plan's actuary ensures that the Plan's actuarial value of net assets available for benefits does not exceed 110%, or fall below 90%, of net assets available for benefits.

(d) 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.

(e) 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.

(f) 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 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 future 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 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]	$ 25,485	0.7	$ 61,481	1.6
Canadian Dollar Public Bond Pool [b]	855,770	24.1	926,422	24.2
Real rate of return bonds [c]	213,799	6.0	214,264	5.6
Private Mortgage Pool [d]	115,169	3.3	118,586	3.1
Total fixed income securities	1,210,223	34.1	1,320,753	34.5
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool [e]	242,510	6.8	141,334	3.7
Canadian Small Cap Equity Pool [e]	60,286	1.7	63,970	1.7
Canadian Pooled Equities Fund [f]	203,248	5.7	253,798	6.6
Domestic Passive Equity Pooled Fund [g]	181,641	5.1	280,743	7.3
Private Equity Pool 2002	373	-	-	-
	688,058	19.3	739,845	19.3
United States Equities (Schedule C)				
US Passive Equity Pooled Fund [h]	422,478	11.9	347,882	9.1
External Managers				
US Large Cap Equity Pool [i]	248,526	7.0	386,603	10.1
US Mid/Small Cap Equity Pool [i]	45,304	1.3	49,337	1.3
US Passive Equity Pool [h]	797	-	4,258	0.1
United States Pooled Equities Fund	118	-	531	-
	717,223	20.2	788,611	20.6
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool [j]	376,516	10.6	395,995	10.4
EAFE Plus Equity Pool [j]	198,535	5.6	200,728	5.2
EAFE Passive Equity Pool [k]	3,830	0.1	14,921	0.4
Emerging Markets Equity Pool	-	-	2	-
EAFE Structured Equity Pooled Fund [k]	134,466	3.8	152,742	4.0
	713,347	20.1	764,388	20.0
Equities in Real Estate				
Private Real Estate Pool [l]	224,861	6.3	212,515	5.6
Total equities	2,343,489	65.9	2,505,359	65.5
Total investments	$ 3,553,712	100.0	$ 3,826,112	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 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 invest 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 Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index over a four-year period 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.

(g) 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.

(h) The External Managers US Passive Equity Pool and the US Passive Equity Pooled Fund consist a single portfolio of publicly traded United States equities similar in weights to the Standard & Poor's 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.

(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 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 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 higher than the Russell Canadian Property Index over the long term. Real estate is held through intermediary 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 target policy asset mix of 35% fixed income instruments and 65% 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 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 net fair value of derivative contracts held by pooled funds at December 31:

	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	67	33	-	$ 645,937	$ 2,670	$ 592,618	$ 21,096
Bond index swap contracts	100	-	-	15,568	134	25,778	12
Interest rate swap contracts	40	48	12	221,264	(13,431)	155,007	(6,586)
Forward foreign exchange contracts	100	-	-	486,087	(1,326)	528,358	(1,609)
Equity index futures contracts	-	-	-	-	-	20,208	724
				1,368,856	$ (11,953)	1,321,969	$ 13,637
Cross-currency interest rate swap contracts (b)	41	31	28	300,474		377,329	
				$ 1,669,330		$ 1,699,298	

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

(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 $301,760,000 (2001 $379,211,000).

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 ACCOUNTS RECEIVABLE

	2002	2001
	($ thousands)	
Contributions receivable		
Employers	$ 4,900	$ 6,454
Employees	4,884	6,038
Other receivables	-	285
	$ 9,784	$ 12,777

NOTE 7 ACTUARIAL VALUE OF ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by Buck Consultants Limited and was then extrapolated to December 31, 2002. The 2000 valuation was determined using the projected benefit method, based 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. This estimate was, after consultation with the Plan's actuary, adopted by the Public Service Pension Board.

The major assumptions used were:

	December 31	
	2002 and 2001 Extrapolations	2000 Valuation
	%	%
Investment return	7.25	7.25
Inflation rate	3.25	3.25
Salary escalation rate*	3.75	3.75
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

* In addition to merit and promotion.

The Board has authorized a policy to have an actuarial valuation of the Plan to be carried out every second year. As a result, an actuarial valuation of the Plan as at December 31, 2002 will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2003.

(b) Sensitivity of Changes in Major Assumptions

The 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 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%	$ 281	0.71%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	192	0.96%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	628	2.30%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation was 10.12%.

NOTE 8 NET INVESTMENT LOSS

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	$ 124,598	$ 92,507
Canadian Equities	(85,690)	(88,562)
Foreign Equities		
United States	(172,765)	(64,582)
Non-North American	(115,751)	(131,311)
Equities in Real Estate	13,338	14,267
	$ (236,270)	$ (177,681)

Net investment loss is comprised of the following:

	2002	2001
	($ thousands)	
Net realized and unrealized losses on investments, including those arising from derivative transactions	$ (367,779)	$ (331,894)
Interest income	94,215	110,708
Dividend income	29,764	36,602
Real estate income	11,664	10,578
Securities lending income	753	820
Pooled funds management and associated custodial fees	(4,887)	(4,495)
	$ (236,270)	$ (177,681)

NOTE 9 PLAN EXPENSES

	2002	2001
	($ thousands)	
General administration costs	$ 5,340	$ 3,696
Investment management costs	534	430
Actuarial fees	150	147
Board costs	140	173
Other professional fees	46	29
	$ 6,210	$ 4,475

General administration and Board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Revenue and do not include pooled funds management and associated custodial fees, which have been included in the calculation of net investment loss (see Note 8).

In 2002, total Plan expenses of $6,210,000 amounted to $102 per member (2001 $75 per member).

NOTE 10 CHANGE IN ACCOUNTING POLICY

Prior to 2002, in order to moderate the effect of market volatility on investment values, the Plan's actuarial value of net assets available for benefits and actuarial deficiency were determined by providing for an actuarial adjustment for fluctuation in fair value of net assets available for benefits. There was no upper or lower limit to the actuarial adjustment.

For 2002, on the recommendation of the Board in consultation with the Plan's actuary, the actuarial adjustment for fluctuation in fair value of net assets was capped at 10% of the market value of net assets available for benefits.

The effect of this change at December 31, 2002 is that the actuarial deficiency is increased and the actuarial adjustment for fluctuation in fair value of net assets is decreased by $154 million. If the change had not been made, the actuarial deficiency of the Plan would have been $21.5 million

This change has no effect at December 31, 2001 on the actuarial surplus or the actuarial adjustment for fluctuation in fair value of net assets.

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 approved by the Public Service Pension Board.

Schedule A

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES
DECEMBER 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 29,922	$ 70,073
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	422,330	453,404
Provincial		
Alberta, direct and guaranteed	2,017	3,240
Other, direct and guaranteed	170,835	214,888
Municipal	16,690	15,982
Corporate	361,013	320,185
Private		
Corporate	197,785	232,729
	1,170,670	1,240,428
Receivable from sale of investments and accrued investment income	9,970	11,175
Liabilities for investment purchases	(339)	(923)
	9,631	10,252
	$ 1,210,223	$ 1,320,753

(a) Fixed income securities held as at December 31, 2002 had an average effective market yield of 4.77% per annum (2001: 5.18% 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	4
1 to 5 years	28	28
6 to 10 years	27	25
11 to 20 years	16	17
over 20 years	27	26
	100	100

Schedule B

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

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 7,575	$ 12,648
Public Equities (a) (b)		
Consumer discretionary	57,549	62,910
Consumer staples	29,452	25,333
Energy	102,224	83,967
Financials	200,008	200,516
Health care	20,506	31,074
Industrials	60,069	75,217
Information technology	34,350	81,729
Materials	109,630	94,574
Telecommunication services	33,528	34,989
Utilities	22,264	22,975
	669,580	713,284
Passive Index	5,466	9,013
	675,046	722,297
Private Equities	338	-
Receivable from sale of investments and accrued investment income	7,229	8,989
Liabilities for investment purchases	(2,130)	(4,089)
	5,099	4,900
	$ 688,058	$ 739,845

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $89,298,000 (2001 $124,064,000) 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 C

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

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 5,628	$ 4,007
Public Equities (a) (b)		
Consumer discretionary	95,505	101,026
Consumer staples	64,537	59,762
Energy	43,431	49,325
Financials	148,540	140,590
Health care	108,359	113,386
Industrials	87,692	93,346
Information technology	101,133	135,022
Materials	21,007	21,183
Telecommunication services	26,541	38,798
Utilities	19,549	22,705
	716,294	775,143
Receivable from sale of investments and accrued investment income	4,691	11,329
Liabilities for investment purchases	(9,390)	(1,868)
	(4,699)	9,461
	$ 717,223	$ 788,611

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $424,105,000 (2001 $337,081,000), which were used as underlying securities to support the notional amount of US equity index swaps contracts and futures contracts.

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

Schedule D

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

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 18,427	$ 20,002
Public Equities (a)		
Country		
United Kingdom	189,072	185,898
Japan	105,645	121,918
Switzerland	63,828	53,218
France	60,852	84,209
Netherlands	45,489	55,224
Germany	40,096	50,890
Australia	32,890	28,265
Italy	28,215	25,958
Hong Kong	20,320	28,164
Spain	14,268	22,632
Finland	13,775	13,406
Sweden	12,526	13,945
Other	70,498	53,261
	697,474	736,988
Receivable from sale of investments and accrued investment income	4,731	13,160
Liabilities for investment purchases	(7,285)	(5,762)
	(2,554)	7,398
	$ 713,347	$ 764,388

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $132,534,000 (2001 $146,127,000), which were used as underlying securities to support the notional amount of Non-North American equity index swaps contracts.