Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plans: Annual Report

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Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plans

Annual Report
for the year ended March 31, 2011

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Introduction

The Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plans (referred to collectively as "the Plan") are contributory defined benefit plans for provincial court judges appointed under the *Provincial Court Act* and masters in chambers appointed under the *Court of Queen's Bench Act*. The Plan was established in 2001 with provisions retroactive to April 1, 1998 and replaced the previous Provincial Judges and Masters in Chambers Pension Plan, which was established September 1, 1988. Prior to that date, judges and masters in chambers were contributing members of the Public Service Management Pension Plan.

The Plan rules are found in the *Provincial Judges and Masters In Chambers Registered and Unregistered Pension Plans Regulation* which is established pursuant to the *Provincial Court Act*, the *Court of Queen's Bench Act* and the *Interpretation Act*. The Minister of Finance and Enterprise is the administrator of the plan and investment manager of the funds. Administrative duties have been delegated to Alberta Pensions Services Corporation (APS). Investment of the funds is managed by Alberta Investment Management Corporation (AIMCo). The Plan is audited annually by the Auditor General of Alberta.

Plan Profile

The Plan is a defined benefit plan, which means upon retirement members will receive a pension based on their salary and years of pensionable service. The Plan is financed by contributions from participants and the Government of Alberta ("the Province") as well as investment earnings.

The Plan is made up of two parts. The Registered Plan provides benefits up to the maximum allowed for registered pension plans under federal tax rules. The Unregistered Plan provides benefits in excess of those limits.

The Registered Plan Fund has been established to fund the Registered Plan. It is financed by contributions from participants and the Province. From April 1, 2000 onward, the contribution rate to the Registered Plan for participants is 7 per cent of salary below the maximum pensionable salary limit allowed for registered plans under the *Income Tax Act* ("capped salary"). The Province pays the remaining costs, and the contribution rate in effect at March 31, 2011 is 14.65 per cent of capped salary. On August 16, 2010, the government contribution rate to the Registered Plan decreased from 16.16 per cent to 14.65 per cent of capped salary, retroactive to April 1, 2009. In addition, annual payments by government of $1,004,800 are made in order to amortize the unfunded liability in the Registered Plan over 15 years. This contribution rate change was approved by the Minister of Finance and Enterprise as per the recommendations of the December 31, 2008 Actuarial Valuation.

A Retirement Compensation Arrangement (RCA) Fund has been established to fund the Unregistered Plan. An RCA is, under federal tax rules, an approved means of providing a supplementary pension above the registered plan limits. It is administered separately from the Registered Plan Fund. The RCA Fund is also funded by contributions from participants and the Province. The contribution rate in effect at March 31, 2011 is 7 per cent of pensionable salary in excess of the capped salary allowed under the federal *Income Tax Act* for both participants and the Province. The contribution rate for the Province must equal or exceed the rate payable by participants.

Due to the tax treatment of the RCA Fund, contributions to and investment income from the RCA Fund are not large enough to provide for all the expected future benefit payments from the Unregistered Plan. As a result, the Province has established a Reserve Fund. The Reserve Fund is a separate, regulated fund administered by the Province, and it is reported in the Ministry of Finance and Enterprise consolidated financial statements and annual report. Only the Province makes contributions to the Reserve Fund, which are then invested and reserved to meet future benefit payments. Effective October 5, 2010, and retroactive to April 1, 2009, the contribution rate to the Reserve Fund portion of the Unregistered Plan decreased from 34.61 per cent of excess payroll (i.e. the salary above the maximum salary upon which a defined benefit can be based, as set by the federal *Income Tax Act* - $122,222 for

2009; $124,722 for 2010) to 31.76 per cent. In addition, annual payments by government of $1,089,500 are made in order to amortize the unfunded liability in the Unregistered Plan over 15 years. This contribution rate change was approved by the Minister of Finance and Enterprise as per the recommendations of the December 31, 2008 Actuarial Valuation.

Together, the Registered Plan and Unregistered Plan provide a pension based on 2 per cent of a member's highest average salary for years of pensionable service before April 1, 1998; 2.67 per cent of a member's highest average salary for years of pensionable service between April 1, 1998 to March 31, 2000; and 3 per cent of a member's highest average salary for years of pensionable service after March 31, 2000. Members attain their maximum benefit accrual date when their benefit accrual percentage reaches 70 per cent. Members are able to retire with an unreduced pension as early as age 60 if their age and years of pensionable service total at least 80. Members can retire with a reduced pension at age 55 if they have at least five years of pensionable service.

As of March 31, 2011, the Registered Plan had 138 active participants, three inactive participants and 125 pensioners and beneficiaries. As of March 31, 2011, the Unregistered Plan comprised 138 active participants, one inactive participant and 109 pensioners and beneficiaries.

Judges' Pension Plan Committees

Established in 2002, the Judges' Pension Plan Advisory Committee consists of five representatives—one member from the Ministry of Finance and Enterprise, two members from the Ministry of Justice and two non-voting members of the judiciary.

The Advisory Committee provides advice to the Minister of Finance and Enterprise on administration of the Plan.

The Judges' Pension Plan Investment Committee was established in 2007. The Committee consists of three representatives: two members from the Ministry of Finance and Enterprise and one member from the Ministry of Justice. The Committee's mandate is to approve the investment policies and oversee investment of the Plan's funds.

Contributions

Registered Plan

The schedule below summarizes contributions to the Registered Plan for the year ended March 31, 2011:

Active Participants at March 31, 2011	**Contributions Received In the Year Ended March 31, 2011**			**Year Ended March 31, 2010**
	Province ($ thousands)	Participants ($ thousands)	Total ($ thousands)	Total ($ thousands)
138	4,328	1,088	5,416	3,492

Unregistered Plan

The schedule below summarizes contributions to the RCA Fund as well as the Reserve Fund for the year ended March 31, 2011:

	Contributions Received In the Year Ended March 31, 2011			**Year Ended March 31, 2010**
	Province ($ thousands)	Participants ($ thousands)	Total ($ thousands)	Total ($ thousands)
RCA Fund	840	840	1,680	1,740
Reserve Fund	5,824	N/A	5,824	4,352

Pension Benefits

During the year ended March 31, 2011, pension benefits paid from the Registered Plan totaled $6,454,000 to 125 pensioners and beneficiaries (2010: $6,170,000 to 117 pensioners and beneficiaries). Pension benefits paid from the Unregistered Plan totaled $3,121,000 to 109 pensioners and beneficiaries (2010: $2,658,000 to 101 pensioners and beneficiaries).

Two new pensions (including spousal pensions) were granted in each Plan, and one pensioner and/or beneficiary passed away during the year.

The schedule below categorizes the pensions in effect at March 31, 2011:

Dollar Value Per Month $	Number of Pensions	
	Registered Plan	Unregistered Plan
Advances*	3	3
1 to 999	2	37
1,000 to 1,999	16	15
2,000 to 2,999	18	8
3,000 to 3,999	24	12
4,000 and over	62	34
	125	109

*Pension advances are granted while a pension is being finalized.

On January 1, 2011, a Cost-of-Living Adjustment (COLA) of 0.60 per cent was granted to those pensioners and beneficiaries in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the 2010 calendar year. COLA is calculated at 60 per cent of the increase in the Alberta Consumer Price Index (ACPI).

Actuarial Valuation

An extrapolation of both the Registered and Unregistered Plans as at March 31, 2011, based on the actuarial valuation as at December 31, 2008, was carried out by Johnson Inc. The estimated accrued liability of the Registered Plan at March 31, 2011 is $94.0 million compared to $93.3 million a year earlier. The net assets available for benefits at March 31, 2011 are $99.2 million (2010: $91.6 million), producing an estimated surplus of $5.2 million (2010: $1.7 million deficiency).

The Unregistered Plan showed net assets available for benefits (including the reserve fund) of $91.4 million at March 31, 2011 (2010: $80.4 million) and an actuarial surplus of approximately $8.2 million (2010: deficiency of $1.5 million).

The *Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plan Regulation* requires that an actuarial valuation be completed at least every three years.

Summary Information

The following table is provided for illustrative purposes only. Each of the Plan Funds is an independent entity and, as such, there is no right of offset of these individual liabilities and assets. Data is provided using fair value of assets (not actuarial or "smoothed" values), as presented in the respective financial statements.

	March 31, 2011	March 31, 2010
	($ thousands)	
Net assets available for benefits – Registered Plan	$ 99,210	$ 91,578
Net assets available for benefits – Unregistered Plan	8,577	10,123
Reserve fund assets	82,848	70,235
	190,635	171,936
Accrued benefits – Registered Plan	94,047	93,298
Accrued benefits – Unregistered Plan	83,218	81,826
	177,265	175,124
Excess (deficiency) of aggregate assets over aggregate accrued benefits	$ 13,370	($ 3,188)

Administration

Administration of the Registered and Unregistered Plans is performed by APS. Administration expenses, for the year ended March 31, 2011 were $99,000 (2010: $114,000) for the Registered Plan and $80,000 (2010: $72,000) for the Unregistered Plan.

Investments – Registered Plan

Investment Performance

Equity and bond markets were up for the year ending March 31, 2011 despite fears of a double dip recession and concerns about the sovereign debt crisis in Europe. The U.S. Federal Reserve funds rate remained unchanged throughout 2010-11 at an historic low of 0.25 per cent. In Canada, the target overnight rate increased to 1.0 per cent from a record low of 0.25 per cent at the beginning of the year. Oil prices continued to increase throughout the year, increasing from approximately $84 U.S. per barrel to $107 U.S. per barrel at the end of the year.

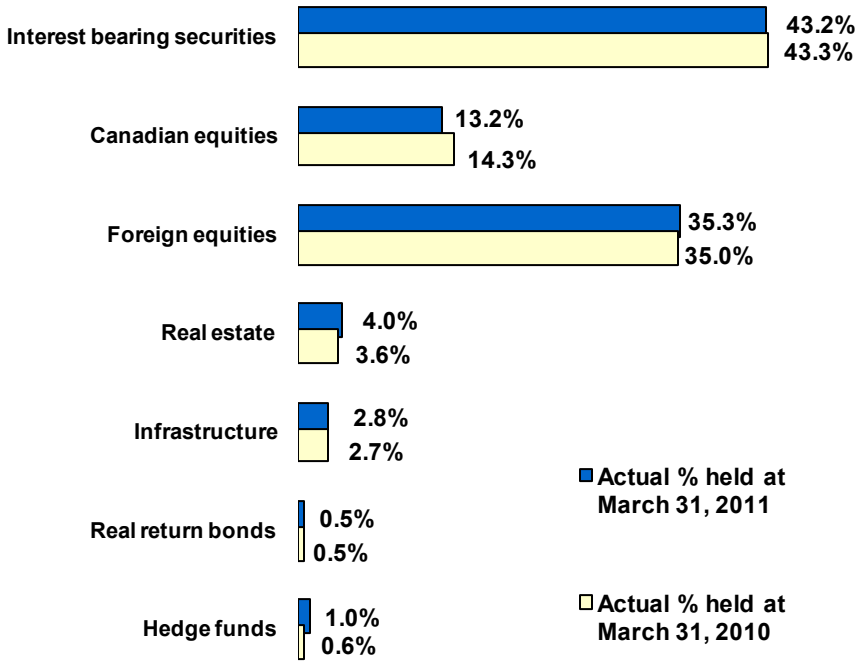
Over the long term, Alberta Finance estimates a long-term annualized investment rate of return of 6.10 per cent per annum which includes a real rate of return of 3.85 per cent plus inflation of 2.25 per cent. Over 17 years the Registered Plan's annualized return is 7.2 per cent.

Investment Returns
For the Years Ending March 31 (in percent)

					Average Annualized Returns		
	2010-11	2009-10	2008-09	2007-08	4 Years	8 Years	17 Years
Overall Actual Return	9.7	20.2	(17.7)	(1.6)	1.7	7.4	7.2
Policy Benchmark	9.3	16.5	(12.9)	(0.2)	2.5	7.4	7.1
Value Added (lost)	0.4	3.7	(4.8)	(1.4)	(0.8)	0.0	0.1

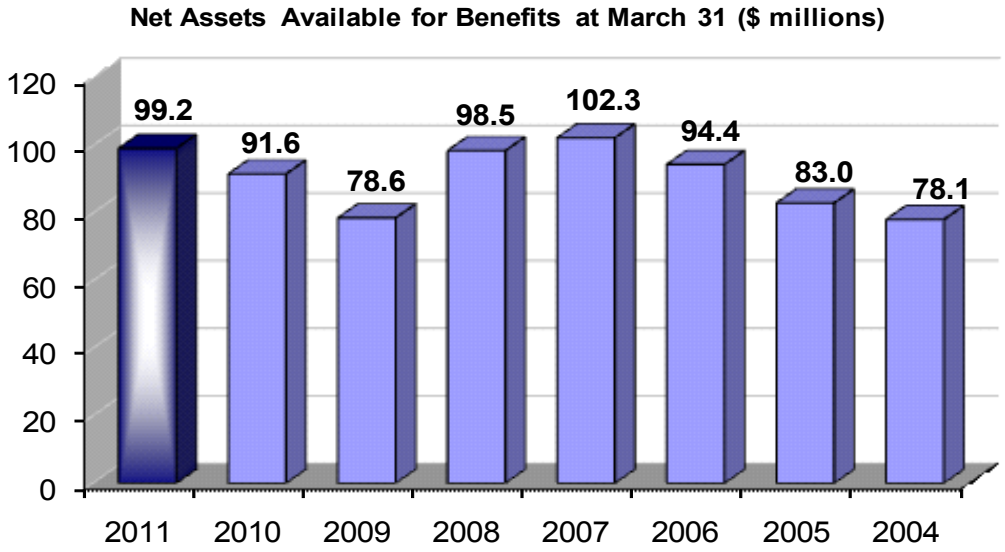
Asset Allocation

The Registered Plan's assets are allocated to capture the historically higher rates of return from equities. The chart below compares the Registered Plan's actual asset mix at March 31, 2011 to the actual asset mix held at March 31, 2010. Compared to last year, the Plan's holdings in interest bearing securities remained substantially the same at 43.2 per cent compared to 43.3 per cent last year. A decrease in Canadian equities of 1.1 per cent was offset by increases in foreign equities of 0.3 per cent, real estate of 0.4 per cent and hedge funds of 0.4 per cent. Infrastructure was up slightly by 0.1 per cent.



Change in Net Assets

At March 31, 2011 net assets available to pay benefits in the Registered Plan totalled $99.2 million, up $7.6 million or 8.3 per cent from $91.6 million at March 31, 2010. The increase of $7.6 million includes investment income of $8.8 million offset by an excess of benefits paid over contributions received of $1.2 million.



Investments – Unregistered Plan

The Unregistered Plan, which is an RCA under the federal *Income Tax Act*, consists of two accounts: the RCA Fund and a refundable tax account. Half of the contributions from judges and masters in chambers and the Province are deposited in the RCA Plan. The other half of contributions and 50 per cent of the RCA Plan's realized income are forwarded to the Canada Revenue Agency and held in a refundable tax account. The refundable tax account does not earn interest. Refundable income tax is returned to the Unregistered Plan at the same rate when pension benefits are paid to participants and beneficiaries.

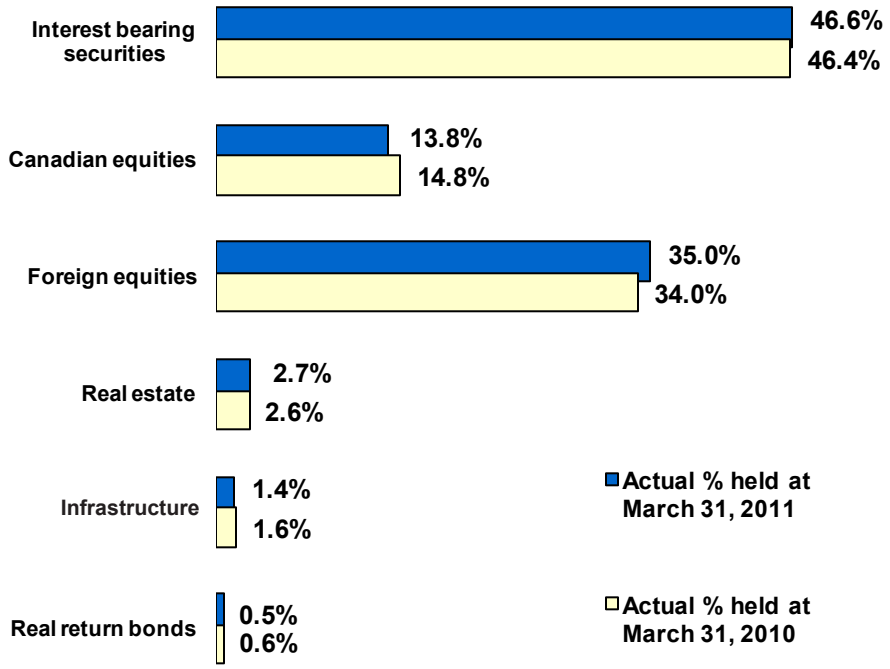
Additionally, due to the tax treatment of the Unregistered Plan, contributions to and investment income from the RCA Plan are not large enough to provide for all expected future benefit payments. As a result, the Government of Alberta established a regulated Reserve Fund, which is administered by the Minister of Finance and Enterprise. Contributions are collected from the Government only; the funds are invested and then reserved to meet future benefits of the Unregistered Plan.

Investment Performance

The Unregistered Plan posted an overall gain of 8.8 per cent compared to the policy benchmark gain of 8.7 per cent, resulting in a gain from investment management of 0.1 per cent. Over the long term, Alberta Finance estimates a long-term annualized investment rate of return of 5.50 per cent per annum until 2016 and 6.10 per cent per annum thereafter.

Asset Allocation

The chart below compares the actual asset mix of the Unregistered Plan including the Reserve Fund at March 31, 2011 against the actual asset mix at March 31, 2010. Interest bearing securities comprise the largest portion of the Unregistered Plan's investments at 46.6 per cent up by 0.2 per cent from 46.4 per cent last year. A decrease in Canadian equities by 1.0 per cent was offset by an equal increase in foreign equities of 1.0 per cent. The Unregistered Plan's overall investment in inflation sensitive investments, which includes real estate, infrastructure and real return bonds, decreased by 0.2 per cent.



Net Assets Available for Benefits

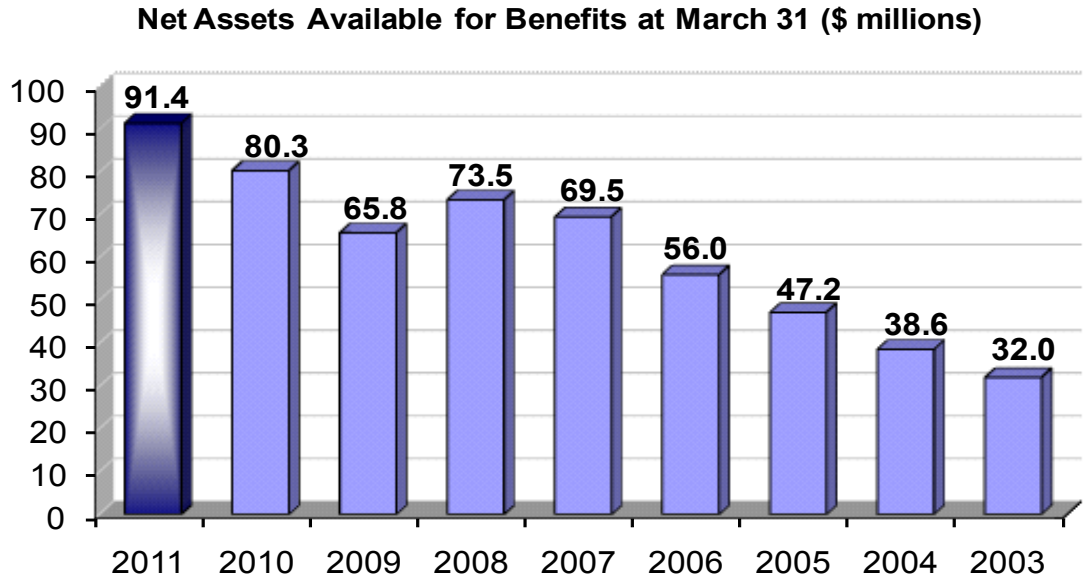
The table below summarizes the composition of the Unregistered Plan at March 31, 2011.

Summary of Net Assets at March 31, 2011
(in millions)

	Reserve Fund	RCA Fund	Total
Interest bearing securities	**$ 37.4**	**$ 2.1**	**$ 39.5**
Deposits and short-term securities	8.8	2.1	10.9
Bonds and mortgages	28.6	0.0	28.6
Equities	**41.4**	**0.0**	**41.4**
Canadian equities	11.7	0.0	11.7
Foreign equities	29.7	0.0	29.7
Inflation sensitive	**3.9**	**0.0**	**3.9**
Real estate	2.3	0.0	2.3
Infrastructure	1.2	0.0	1.2
Real return bonds	0.4	0.0	0.4
Total investments	**82.7**	**2.1**	**84.8**
Accounts receivable	0.1	0.0	0.1
Accounts payable, net	0.0	(4.7)	(4.7)
Income tax refundable	0.0	11.2	11.2
Net assets	**$ 82.8**	**$ 8.6**	**$ 91.4**

Change in Net Assets

At March 31, 2011, net assets available to pay benefits in the Unregistered Plan totalled $91.4 million, up $11.1 million or 13.8 per cent from $80.3 million at March 31, 2010. The increase includes net investment income of $6.8 million and contributions in excess of benefits paid of $4.3 million.



PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Financial Statements

Year Ended March 31, 2011

Independent Auditor's Report

To the Minister of Finance and Enterprise

Report on the Financial Statements

I have audited the accompanying financial statement of the Provincial Judges and Masters in Chambers (Registered) Pension Plan, which comprise the net assets available for benefits and liability for accrued benefits as at March 31, 2011, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the net assets available for benefits and liability for accrued benefits of the Provincial Judges and Masters in Chambers (Registered) Pension Plan as at March 31, 2011, and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by

Merwan N. Saher CA

Auditor General

June 13, 2011

Edmonton, Alberta

Statement of Net Assets Available for Benefits and Liability for Accrued Benefits

As at March 31, 2011

	($ thousands)	
	2011	**2010**
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 99,244	$ 91,154
Receivable from sale of investment	-	450
GST receivable	14	-
	99,258	91,604
Liabilities		
Accounts payable	48	26
Net assets available for benefits	99,210	91,578
Liability for Accrued Benefits		
Actuarial value of accrued benefits (Note 5)	94,047	93,298
Surplus (Deficiency)	**$ 5,163**	**$ (1,720)**

See accompanying notes.

Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2011

	($ thousands)	
	2011	**2010**
Increase in assets		
Net investment income (Note 6)		
Investment income	$ 9,029	$ 16,065
Investment expenses	(260)	(255)
	8,769	15,810
Contributions		
Current and optional service		
Provincial Judges and Masters in Chambers	1,088	1,055
Province of Alberta	4,328	2,437
	5,416	3,492
	14,185	19,302
Decrease in assets		
Pension benefits and refunds	6,454	6,170
Administration expenses (Note 9)	99	114
	6,553	6,284
Increase in net assets	7,632	13,018
Net assets available for benefits at beginning of year	91,578	78,560
Net assets available for benefits at end of year	**$ 99,210**	**$ 91,578**

See accompanying notes.

Notes to the Financial Statements

March 31, 2011
(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

For a complete description of the Provincial Judges and Masters in Chambers (Registered) Pension Plan (the Plan) and the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Unregistered Plan), reference should be made to the *Provincial Court Act*, Revised Statutes of Alberta 2000, Chapter P-31, *Court of Queen's Bench Act*, Revised Statutes of Alberta 2000, Chapter C-31, *Financial Administration Act*, Revised Statutes of Alberta 2000, Chapter F-12, and *Alberta Regulation 196/2001*, as amended. The Plan and Unregistered Plan are administered and accounted for by the Province of Alberta separately; however, the regulation allows for the financial report of both the Plan and the Unregistered Plan to be combined within the same report. Note 11 provides the financial report of the Unregistered Plan. The financial statements and notes of the Plan do not include the Unregistered Plan disclosed in Note 11.

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

a) GENERAL

Effective April 1, 1998, the Plan is a contributory defined benefit pension plan for Provincial Judges and Masters in Chambers of the Province of Alberta. The Plan is a registered pension plan as defined in the *Income Tax Act*. The registered number is 0927764. The Minister of Alberta Finance and Enterprise is the legal trustee for the Plan and Alberta Finance and Enterprise is management of the Plan.

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 Plan. The rates in effect at March 31, 2011 are 7.00% of *capped salary* for plan members and 14.65% of *capped salary for* the Province of Alberta. The rates are reviewed at least once every three years by the Province of Alberta based on recommendations of the Plan's actuary.

c) RETIREMENT BENEFITS

The 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 for retirements prior to April 1, 2006 and three consecutive years for retirements subsequent to March 31, 2006. Pensionable earnings after December 31, 1991 are capped at the maximum pensionable *salary limit* under the *Income Tax Act*. The maximum benefit accrual percentage allowable under the Registered Plan is 70%. 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 three 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 and a surviving pension partner, the 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 OF ALBERTA'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 on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

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.

The Canadian Accounting Standards Board has announced new accounting standards for pension plans effective January 1, 2011 and onwards. The Plan will be adopting the new standards under CICA Section 4600 for the March 31, 2012 year and has determined that the transition will not have a significant impact on its financial statements.

Plan investments are held in pooled investment funds established and administered by Alberta Investment Management Corporation (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

b) VALUATION OF ASSETS AND LIABILITIES

Investments are recorded in the financial statements at fair value.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

For private investments, absolute return strategies and timberland investments, the fair value is based on estimates where quoted market prices are not readily available. Estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. A change in the estimated fair value of an investment is recorded in the period in which the new information is received.

The methods used to determine fair value of investments held 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 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 appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

iii) The fair value of infrastructure investments is estimated by managers or general partners of limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple earnings analyses.

iv) The fair value of real estate investments is 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. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.

c) INCOME RECOGNITION

Investment income and expenses are recognized on the accrual basis. Dividends are accrued on the ex-dividend date. Gains or losses on investments, including those from derivative contracts, are recognized concurrently with changes in fair value.

d) FOREIGN EXCHANGE

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. 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.

e) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 3) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. 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 and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

iii) Credit default swaps are valued based on discount cash flows using current market yields and calculated default probabilities.

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

v) Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

f) VALUATION OF LIABILITY FOR ACCRUED BENEFITS

The value of the liability for accrued benefits and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

g) MEASUREMENT UNCERTAINTY

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments and real estate. Uncertainty arises because:

i) the Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits, and

ii) the estimated fair values of the Plan's private and alternative investments and real estate may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the valuation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments and real estate, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations are disclosed as net experience gains or losses in the statement of changes in accrued benefits in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized are included in net investment income in the year when the ultimate realizable values are known.

	($ thousands)			
	2011		**2010**	
	Fair Value		**Fair Value**	
		%		**%**
Interest bearing securities				
Deposits and short-term securities (a)	$ 1,648	1.7	$ 749	0.8
Bonds and mortgages (b)	41,158	41.5	38,749	42.5
	42,806	43.2	39,498	43.3
Public equities				
Canadian (c)	13,132	13.2	13,002	14.3
Global developed (d)	34,821	35.1	31,689	34.8
Emerging markets (e)	248	0.2	216	0.2
	48,201	48.5	44,907	49.3
Alternative investments and hedge funds				
Absolute return strategy hedge funds (f)	963	1.0	532	0.6
Real estate (g)	3,937	4.0	3,286	3.6
Real return bonds (h)	511	0.5	462	0.5
Infrastructure (i)	2,826	2.8	2,469	2.7
	8,237	8.3	6,749	7.4
Total investments (j)(k)	$ 99,244	100.0	$ 91,154	100.0

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the Plan's advisory committee. The Plan's investments, in each asset class, are held in pooled investment funds established and administered by AIMCo. The fair value of pool units is based on the Plan's share of the net asset value of the pooled investment funds. Pooled investment funds have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and units of the pools within the ranges approved for each asset class (see Note 4).

a) Deposits and short-term securities includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of $1,562 (2010: $536) and short-term securities of $86 (2010: $213). These investments include primarily short-term and mid-term interest-bearing securities which have a maximum term to maturity of less than three years. At March 31, 2011, deposits in CCITF had a time-weighted return of 1.1% per annum (2010: 1.0% per annum).

b) The bond and mortgage portfolio includes policy allocations to universe bonds totalling $37,106 (2010: $34,600) and mortgages totalling $4,052 (2010: $4,149). The portfolio includes investments in government direct and guaranteed bonds, mortgage-backed securities, corporate bonds, asset-backed securities, private debt issues, private mortgages, repurchase agreements, debt related derivatives and loans. At March 31, 2011, interest-bearing bonds and mortgages had an average effective market yield of 4.6% per annum (2010: 5.0% per annum) and the following term structure based on principal amount: under 1 year: 12% (2010: 3%); 1 to 5 years: 30% (2010: 33%); 5 to 10 years: 30% (2010: 36%); 10 to 20 years: 14% (2010: 13%); and over 20 years: 14% (2010: 15%).

c) The Plan's Canadian public equity portfolio includes directly held investments in Canadian public companies and indirect exposure to Canadian public equity markets through structured equity products using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index and S&P/TSX 60 Index.

d) The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's global developed public equity portfolio includes directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), emerging markets and Canada. The Plan's indirect exposure to global developed markets and emerging markets is also attained by investing in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and MSCI Emerging Markets Free Net Index. A component of the Plan's global portfolio includes investments in North American concentrated equities which include larger holdings in mid-size Canadian and American companies ranging from 5% to 20% of outstanding common shares.

e) Emerging markets equities consist of publicly traded equities in countries in the process of rapid growth and industrialization such as Brazil, Russia, India and China. The portfolio is actively managed by external managers with expertise in emerging markets.

f) The absolute return strategies (hedge funds) use external managers who employ various investment strategies which are expected to produce absolute positive investment returns with lower volatility. Investments are made through multi-hedge fund-of-funds and direct investments to increase strategy diversification.

g) The real estate portfolio is primarily held in Canada. Real estate is held through intermediary companies, which issue 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. Real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities which provide diversification from the securities market with opportunities for high return.

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

i) Infrastucture includes investments that are structured to provide high returns plus inflation sensitivity with a long investment horizon. Investments may include transportation and logistic investments (e.g. toll roads, airports, ports and rail), power or energy investments (e.g. contracted power generation, power transmission pipelines) and utilities (e.g. water, waste water, natural gas networks).

j) The following table provides a summary of management's estimate of the relative reliability of data or inputs used by AIMCo to measure the fair value of the Plan's investments. The measure of reliability is determined based on the following three levels:

Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level three primarily includes real estate, hedge funds, private equities, timberland,infrastructureand private debt investments. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

	($ thousands)			
Investment:	**Level One**	**Level Two**	**Level Three ***	**Total**
Interest bearing securities	$ -	$ 38,668	$ 4,138	$ 42,806
Public equities	31,779	13,776	2,646	48,201
Alternative investments and hedge funds	-	511	7726	8,237
2011 - Total Amount	**$ 31,779**	**$ 52,955**	**$ 14,510**	**$ 99,244**
- Percent	**32%**	**53%**	**15%**	**100%**
2010 - Total Amount	$ 28,266	$ 50,541	$ 12,347	$ 91,154
- Percent	31%	55%	14%	100%
Increase during the year	**$ 3,513**	**$ 2,414**	**$ 2,163**	**$ 8,090**

*** Reconciliation of Level 3 Fair Value Measurements**

	($ thousands)
	2011
Balance, beginning of year	$ 12,347
Investment income	1,363
Purchases of Level 3 pooled fund units	2,909
Sale of Level 3 pooled fund units	(2,109)
Balance, end of year	**$ 14,510**

k) Included in the fair value of the Plan's investments in various pooled funds, summarized in Note 3 by asset class, is the fair value of derivative contracts. A derivative is a financial contract with the following three characteristics: (1) its value changes in response to the change in a specified interest rate, equity or bond index price, foreign exchange rate or credit rating; (2) it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market; and (3) it is settled in the future. AIMCo uses various types of derivative contracts through pooled investment funds to gain access to equity markets and enhance returns, manage exposure to interest rate risk, currency risk, and credit risk and for asset mix 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 with a counter-party.
At March 31, 2011, the net fair value of derivative related investments, including deposits in futures contracts margin accounts totalled $929, or 0.9% of total investments (2010: $730 or 0.8% of total investments).

The following is a summary of the Plan's proportionate share of the notional amount and fair value for each class of derivative financial instrument included in the fair value of portfolio investments at March 31, 2011:

	($ thousands)						
	2011					**2010**	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount (a)	Net Fair Value (b)	Notional Amount (a)	Net Fair Value (b)
		%					
Equity replication derivatives (c)	100	-	-	$ 51,211	$ 174	$ 15,791	$ 264
Interest rate derivatives (d)	45	11	44	20,335	231	5,142	28
Foreign currency derivatives (e)	100	-	-	37,528	102	8,379	80
Credit risk derivatives (f)	50	15	35	23,208	(215)	9,254	(72)
Derivative related receivables, net					292		300
Deposits in futures margin accounts					637		430
Net derivative related investments					$ 929		$ 730

(a) 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 (positive fair value).

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

(c) Equity replication derivatives provide for the Plan to receive or pay cash based on the performance of a specified market-based equity index, security or basked of equity securities applied to a notional amount. Equity derivatives primarily include equity index swaps, futures contracts and rights, warrants, and options.

(d) Interest rate derivatives allow the Plan to exchange interest rate cash flows (fixed, floating and bond index) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, bond index swaps, futures contracts and options.

(e) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(f) Credit risk derivatives include credit default swaps, allowing the Plan to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount, in exchange for a contingent payment, should a defined credit event occur with respect to the underlying security.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with its investment activities. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the SIP&G. The SIP&G is approved by the Plan advisory committee. The purpose of the SIP&G is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. AIMCo manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 3).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities. In order to earn the best possible return at an acceptable level of risk, the Ministry established the following asset mix policy ranges:

	%		
	Policy Benchmark	**Minimum**	**Maximum**
Interest bearing securities	**42**	**40**	**50**
Deposits and short-term securities	1	-	5
Bonds and Mortgages	41	35	55
Equities and alternative investments	**58**	**50**	**65**
Public equities			
Canadian	15	10	25
Global developed	32	20	50
Emerging markets	-	-	5
Absolute return strategy hedge funds	2	-	5
Inflation sensitive			
Real estate	5	-	10
Real return bonds	-	-	
Infrastructure	4	-	6

Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Plan. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair values of all investments reported in Note 3 are directly or indirectly impacted by credit risk to some degree. Interest bearing securities primarily include investment grade bonds, notes and short-term securities issued by governments and corporations and privately issued mortgage and debt securities. Investment grade securities are those issued by counterparties that have a credit rating of BBB (moderately safe investment) to AAA (safe investment with almost no counterparty credit risk).

Foreign currency risk

A portion of the Plan's investments are denominated in currencies other than the Canadian dollar and are therefore exposed to foreign currency risk. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. A ten percent increase in the value of the Canadian dollar against all currencies, with all other variables and underlying values held constant, would result in an approximate decrease in the value of the Plan's investments by $4 million (2010: $3 million).

Interest rate risk

Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. The Plan's exposure to interest rate risk is primarily held in its interest bearing securities. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. A one percent increase in interest rates, with all other variables held constant, would result in an approximate decrease in the value of the Plan's interest bearing investments of $2 million (2010: $2 million).

Price risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan's investments are recorded at fair value on the statement of net assets available for benefits. Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits. A ten percent decrease in the equity market indices, with all other variables held constant, would result in an approximate decrease in the value of public equity investments by approximately $4 million (2010: $4 million).

Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in publicly traded liquid assets traded in an active market that are easily sold and converted to cash. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation.

NOTE 5 LIABILITY FOR ACCRUED BENEFITS

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2008 by Johnson Inc. and the results were then extrapolated to March 31, 2011.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $94,047 (2010: $93,298) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the investment rate of return, inflation rate, and the salary escalation rate. The investment rate of return is based on the average from a consistent modeled investment rate of return, net of investment expenses, and an additive of 0.5% for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2011 %	2010 %
Investment rate of return	6.10	6.20
Inflation rate	2.25	2.25
Salary escalation rate	3.50	3.50

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

	($ thousands)	
	2011	**2010**
Accrued pension benefits at beginning of year	$ 93,298	$ 89,419
Interest accrued on benefits	5,784	5,812
Net experience gains*	(2,855)	(1,499)
Benefits earned	3,428	3,207
Net benefits paid	(6,454)	(6,170)
Change in economic assumptions	846	2,529
Accrued pension benefits at end of year	**$ 94,047**	**$ 93,298**

* Net experience gains of $2,855 (2010: $1,499) arose from differences between the actuarial assumptions used in the 2008 valuation and 2011 extrapolation for reporting compared to actual results.

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTION

The Plan's future experience will 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 as at March 31, 2011:

	Sensitivities		
	Changes in Assumptions	Decrease in Plan Surplus	Increase in Current Service Cost*
	%	*($ millions)*	
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	4.9	1.3%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	0.5	Nil
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	1.0%	9.2	3.8%

* As a % of capped pensionable earnings

NOTE 6 NET INVESTMENT INCOME

The following is a summary of the Plan's investment income and expenses by asset class:

($ thousands)

	2011			2010		
	Gross income	Expenses	Net income	Gross income (Loss)	Expenses	Net income (Loss)
Foreign public equities	$ 3,122	$ (81)	$ 3,041	$ 7,323	$ (94)	$ 7,229
Canadian public equities	2,450	(12)	2,438	4,649	(19)	4,630
Interest bearing securities	2,634	(32)	2,602	4,011	(30)	3,981
Absolute return strategies	143	(9)	134	220	(10)	210
Real estate	421	(16)	405	(246)	(14)	(260)
Infrastructure	210	(27)	183	92	(27)	65
Real return bonds	49	-	49	16	-	16
Plan investment expenses	-	(83)	(83)	-	(61)	(61)
	$ 9,029	$ (260)	$ 8,769	$ 16,065	$ (255)	$ 15,810

Income is comprised of income from investments in pooled funds managed by AIMCo.

NOTE 7 INVESTMENT EXPENSES

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income of the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by Plan and its share of expenses through pool investment funds. Investment services provided directly by Alberta Investment Management Corporation are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized.

Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit.

The Department of Finance and Enterprise provides investment accounting and reporting for the Plan and treasury management services. A portion of these costs is charged to the Plan.

Investment expenses as a percentage of average fair value of investments are provided below:

	($ thousands)	
	2011	**2010**
Total Investment Expenses	**$ 260**	**$ 255**
Average fair value of investments	95,199	84,730
Percent of investments at average fair value	0.27%	0.30%

NOTE 8 INVESTMENT PERFORMANCE (NET OF INVESTMENT EXPENSES)

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

	2011	2010	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Seventeen-Year Compound Annualized Return
Time weighted rates of return (a)			*in percent*		
Actual gain (b)	**9.7**	**20.2**	**1.7**	**7.4**	**7.2**
Policy benchmark gain (b)	9.3	16.5	2.5	7.4	7.1
Value gained (lost) by investment manager	0.4	3.7	(0.8)	0.0	0.1

(a) 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 and losses (realized and unrealized).

(b) Investment returns were provided by AIMCo on April 20, 2011. Any subsequent changes to returns will be reflected in the next reporting period. The policy benchmark is a product of the weighted average policy sector weights and sector returns. Some of the sector benchmark returns used in the determination of the overall policy benchmark are based on management's best estimate which may vary significantly from the final benchmark return. Differences between the estimated sector benchmark returns and the final benchmark returns are recorded in the period of the change.

NOTE 9 ADMINISTRATION EXPENSES

Administration expenses of $99 (2010: $114) comprised of general administration costs is paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

NOTE 10 ACTUARIAL SURPLUS OR DEFICIT

If there is an actuarial funding surplus that exceeds the amount that is actuarially determined to be necessary to pay benefits and the costs of administering the Plan, the Lieutenant Governor in Council may, with respect to any portion or all of the excess, transfer it to the Government of Alberta General Revenue Fund, or apply it towards reduction of the contributions for which the Government is liable.

If the Plan is terminated and the Plan's assets are not sufficient to pay all the benefits accrued under the terms of the Plan, up to the termination date, additional contributions are payable by the Government in amounts sufficient to ensure that all accrued benefits are paid. If, after all benefits are provided on the complete wind-up of the Plan, assets remain in the Plan, those assets shall be transferred to the General Revenue Fund of the Government of Alberta.

NOTE 11 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN (UNREGISTERED PLAN)

The Unregistered Plan was 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 separately. Accordingly, the Unregistered Plan's assets, liabilities and net assets available for benefits 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, 2011 were unchanged at 7.0% of pensionable salary in excess of capped salary 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 and Enterprise, 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 for the Unregistered Plan as at March 31, 2011 and changes in net assets available for benefits for the year then ended is as follows:

	($ thousands)	
	2011	**2010**
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents	$ 2,086	$ 3,182
Income tax refundable	6,491	6,941
	8,577	10,123
Liabilities		
Actuarial value of accrued benefits	83,218	81,826
Excess of liabilities over assets	(74,641)	(71,703)
Reserve Fund (a)	82,848	70,235
Net surplus (liabilities)	**$ 8,207**	**$ (1,468)**

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

	($ thousands)	
	2011	**2010**
Increase in assets		
Current and optional service		
Provincial Judges and Masters in Chambers	$ 840	$ 870
Province of Alberta	840	870
Investment loss	(25)	(5)
	1,655	1,735
Decrease in assets		
Increase (Decrease) in actuarial accrued benefits	(1,392)	(7,750)
Pension benefits and refunds	(3,121)	(2,658)
Administration costs	(80)	(72)
	(4,593)	(10,480)
Increase in the Reserve Fund	12,613	15,520
Increase in net assets	9,675	6,775
Net liabilities at beginning of year	(1,468)	(8,243)
Net surplus (liabilities) at end of year	**$ 8,207**	**$ (1,468)**

An actuarial valuation for the Unregistered Plan was carried out as at December 31, 2008 by Johnson Inc. and was extrapolated to March 31, 2011.

The major assumptions used in the actuarial extrapolation to March 31, 2011, were the same as those used in the extrapolation of the Registered Plan except for the investment rate of return which was assumed to be 5.5% per annum until the year 2016 and 6.1% per annum thereafter (see Note 5).

The Unregistered Plan's future experience will 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.

* The March 31, 2011 financial statements of the Reserve Fund are available in the Alberta Finance and Enterprise 2011 Annual Report.

NOTE 12 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2011 presentation.

NOTE 13 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Finance and Enterprise based on information provided by APS, AIMCo, and the Plan's actuary, and after consultation with the Judges' Pension Plan advisory committee.