2012 Management Employees Pension Plan Annual Report

MEPP

management employees pension plan

2012 MEPP Annual Report

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Governance Statement

This is the Governance Statement of the
Management Employees Pension Board

The President of Treasury Board and Minister of Finance is the statutory administrator of Management Employees Pension Plan (MEPP), and holds all assets of the Plan in trust to provide benefits pursuant to MEPP rules and to meet plan costs.

The Public Sector Pension Plans Act sets out the main objectives of the Management Employees Pension Board (the Board) with respect to funding, administration, investments and amending the Plan. The Board monitors the management of the Plan and acts in an advisory capacity to the President of Treasury Board and Minister of Finance.

The Board:

- may advise the President of Treasury Board and Minister of Finance on any pension matter that is of interest to persons receiving or entitled in the future to receive benefits under the Plan;
- must be consulted before Plan rule changes can be put in place;
- arranges for actuarial valuations, as required, and regularly reviews long-term actuarial assumptions for funding purposes;
- recommends general policy guidelines for the investment and management of the Plan's assets;
- reviews investment performance;
- recommends general policy guidelines on the administration of the Plan; and
- reviews administrative decisions pursuant to a delegation from the President of Treasury Board and Minister of Finance.

Administration Report

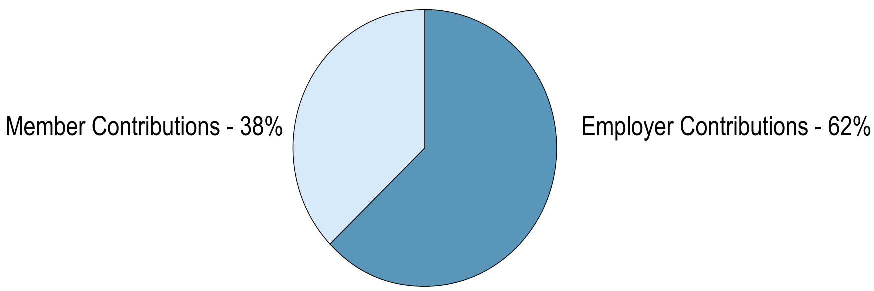
The Management Employee Pension Plan (MEPP) Administration Report is prepared by Alberta Pensions Services Corporation (APS), MEPP's administrator

Alberta Pensions Services Corporation (APS) provides valued pensions services (as directed under a Pension Services Agreement with the President of Treasury Board and Minister of Finance) on behalf of Management Employees Pension Plan (MEPP) members, pensioners, employers and plan governors. Services include:

- Contributions management
- Member, pensioner and employer information management
- Member, pensioner and employer communications
- Benefit calculations
- Benefit disbursements
- Policy development and implementation
- Compliance, regulatory and plan financial reporting

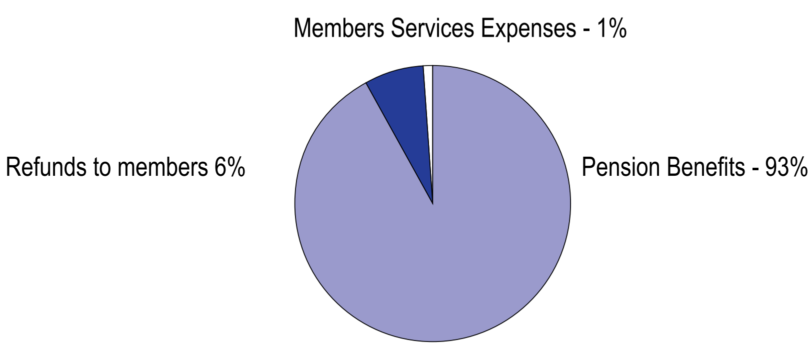
Contributions to MEPP

In 2012, total contributions to MEPP were $168 million.



Payments from MEPP

In 2012, total payments from MEPP were $156 million.



MEPP Members, Pensioners and Employers

MEPP has 21 employers; and a total of 10,254 active and deferred members (members who are no longer employed by a plan employer, have left contributions in the Plan and have yet to choose a pension option) and pensioners.

In 2012, 606 members joined the Plan, 206 members retired, 279 members deferred funds and 154 members terminated and left the Plan.

MEPP Member Services Expenses

MEPP's share of APS operating and plan-specific costs are based on cost allocation policies approved by the Minister of Finance.

MEPP's share of APS costs were just under $2.2 million in 2012. Based on average membership, MEPP's per member service expense is $217, which includes APS operating costs, Board costs, actuarial fees, audit fees and other professional fees.

Cost-of-Living Adjustment (COLA) to Pensions in Pay
After a member begins to receive a pension, a cost-of-living adjustment is applied every year there is an increase in the *Alberta Consumer Price Index (ACPI)*. COLA is equal to 60 per cent of the yearly increase of the *ACPI*.

The COLA granted to pensioners who retired prior to January 1, 2012 was 1.2 per cent. For those who retired during 2012, the COLA was prorated depending on the month of retirement.

Initiatives in 2012
APS focused on the following priorities and initiatives in 2012 to further enhance services to our valued MEPP clients:

- Continued work on Next Generation, a multi-year project to address changes in service demand by creating an engaging pension experience for clients that is complete, accurate, and unifies pension information. This will replace the Pension Services System, Member Online Services (mypensionplan), Pension Payroll, and Employer Online Services applications. Upcoming key activities include:
  - Pension Administration Simplification – an initiative aimed at reducing the complexity of pension plan rules and improving clarity in administrative policy.
  - Business Process Simplification – since 2011, we have been mapping business processes and identifying how current processes align with proposed solutions and where there are gaps.
- Continued advancements in security of online administration via authorized employer-only secure access to *Pension e-news* (the employer newsletter) and *Pension e-guide* (the employer information portal).
- Streamlined the pension estimate process and provided members with more flexibility through the use of online web-based estimators.
- Continued promotion of mypensionplan. As of December 31, 2012, MEPP had 577 new members registered on mypensionplan for a total of 3,291 registrations.
- Enhanced Go Green options on mypensionplan; electronic access to Member Annual Statements with an option to view previous statements back to 2009.
- Award-winning recognition as an industry leader in privacy and data protection by the International Association of Privacy Professionals (IAPP).

The Year Ahead
In 2013, APS plans to:
- Continue the next phase of implementation for Next Generation; Phase I was completed in June 2012 on time and under budget.
- Launch an information video on the plan websites to open new communications channels with members, simplify pension information and connect more effectively with a broader audience.
- Complete an external review of our Records Management Program to ensure member information continues to be stored and handled in an effective way.
- Ensure our Risk Management Program is compliant with industry standards and aligned to best-practice methodologies by completing an independent external quality assessment.
- Invest more in training and building our organizational capability in the areas of change management, leadership development, and technical and product training.
- Promote a values-based culture to ensure our behaviors, interactions and decisions are guided by our shared values and in line with achieving our mission.

Plan Performance and Investment Report

The MEPP Plan Performance and Investment Report is prepared by the Ministry of Treasury Board and Finance

Plan Performance and Investment Report

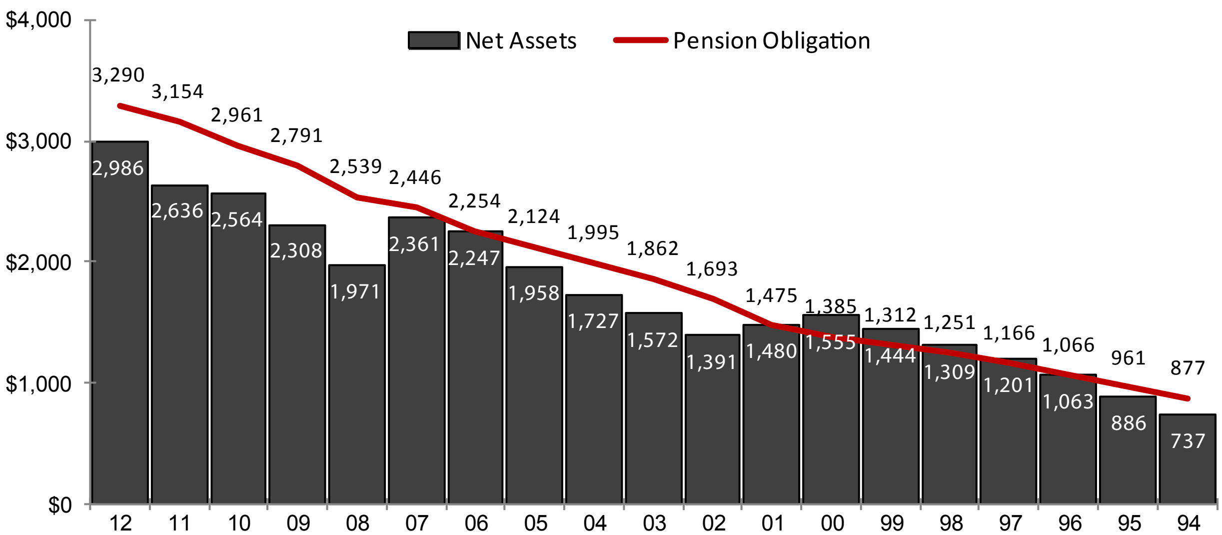
GROWTH IN NET ASSETS VERSUS GROWTH IN PENSION OBLIGATION

In 1993, a separate fund was established for the Management Employees Pension Plan. One of the responsibilities of the MEPP Board is to ensure there are sufficient assets in the Plan to fully support the total pension obligation to members. The assets and obligations in the Plan are managed over the very long term. In the nineties the assets of the Plan exceeded the total pension obligation. The collapse of the information technology bubble during 2001-02 saw a fall in stock markets. The Plan's net assets declined while the pension obligation continued to grow. By 2006, the Plan's financial position almost fully recovered with net assets approaching the total pension obligation. The world credit crisis in 2008 saw a significant fall in net assets which caused a large gap between the growing pension obligation and the net assets of the Plan. Since 2008, the Plan's financial position has improved.

In 2012, the fair value of the Plan's net assets increased by 13.3 per cent or $350 million to $2.986 billion at December 31, 2012. The increase in net assets was greater than the increase in the pension obligation which grew by 4.3 per cent or $136 million to $3.290 billion. At December 31, 2012, the Plan's deficit, being the excess of pension obligations over net assets, decreased to $304 million, down from $518 million at the beginning of the year. As a result, the Plan closed out 2012 with 91 per cent of the total pension obligation supported by assets according to the most recent audited financial statements.

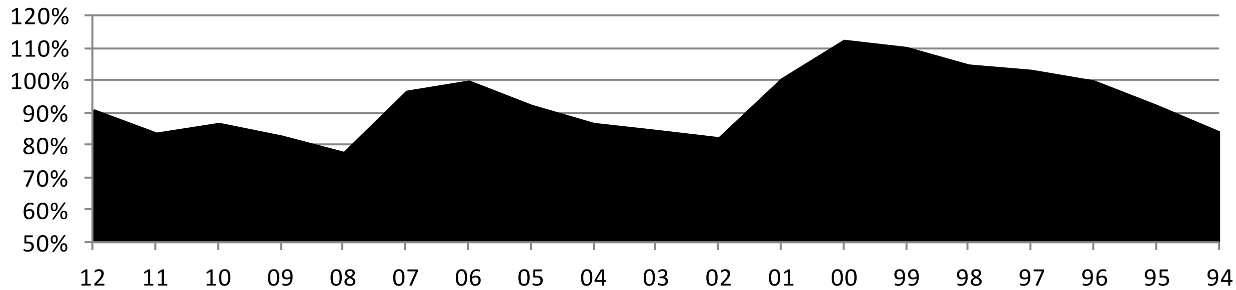
The chart below compares the growth in the total pension obligations to the growth in net assets. The total pension obligation is based on the estimated net present value of future pension benefits paid to employees when they retire. Retirement benefits earned by employees provide a lifetime pension for each year of pensionable service based on a specified percentage applied to the average salary for the five highest consecutive years, subject to the maximum benefit limit allowed under the income tax act. The estimated pension obligation increases annually for each additional year of pensionable service earned by employees. The pension obligation is an estimate because it is based on various assumptions used by the Plan's actuary. For example, an estimated discount rate is used to determine the present value of future retirement payments. A lower estimated discount rate will increase the total pension obligation. Similarly, a higher estimated life expectancy and a higher estimate of future salary increases will increase the pension obligation. Net assets increase when there is positive overall investment returns and when employee and employer contributions exceed pension benefits paid. Net assets decrease when there are investment losses.

NET ASSETS COMPARED TO TOTAL PENSION OBLIGATION (in millions)
(per audited financial statements)



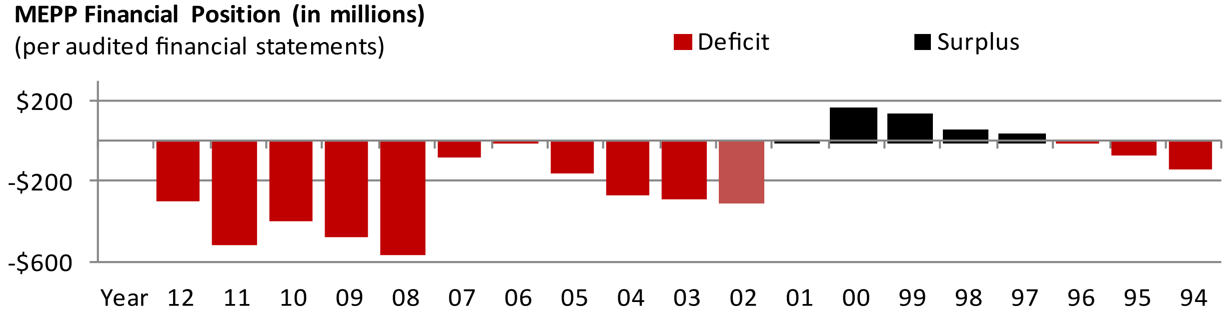
The chart below shows the per cent of total pension obligations supported by net assets in the Plan. In the nineties the pension obligation was more than 100 per cent supported by net assets in the Plan. In 2008, the per cent of the total pension obligation supported by net assets fell to 78 per cent. This improved to 91 per cent by December 31, 2012.

Per cent of Pension Obligation Supported by Net Assets
(per audited financial statements)



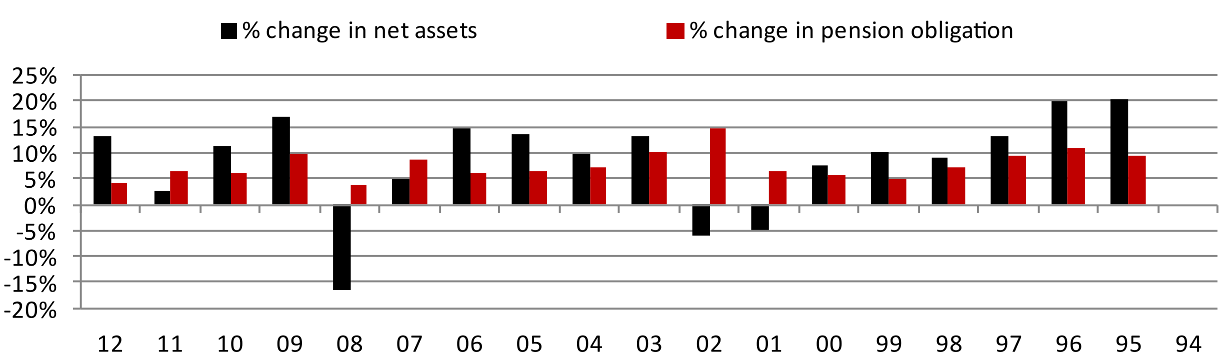
The chart below shows the Plan's financial position since inception. The Plan is in a deficit position when the pension obligations exceed the net assets. As the chart shows, the Plan was in a surplus position in the mid to late nineties before falling into a deficit position in 2002, recovering in 2006 and then falling again into a deficit position in 2008. Since 2008, the Plan's financial position has improved with the deficit decreasing to $304 million at December 31, 2012.

MEPP Financial Position (in millions)
(per audited financial statements)



The chart below compares the percent increase in net assets to the percent increase in the total pension obligation. In 2012 the Plan's net assets grew by 13.3 per cent while the total pension obligation grew by 4.3 per cent.

Per cent change in net assets and pension obligation
(per audited financial statements)



Investment Performance

At December 31, 2012, the fair value of the Plan’s net assets totalled $2.986 billion, up 13.3 per cent or $350 million from $2.636 billion at the beginning of the year. The growth in net assets is comprised of a return on investments of 12.0 per cent, or $326 million after investment expenses and 1.3 per cent or $24 million from contributions in excess of pension benefits. Investment expenses totalled $14 million in 2012, up 72.2 per cent or $5.9 million from $8.1 million in 2011.

2012 YEAR IN REVIEW

MEPP's Investment Returns

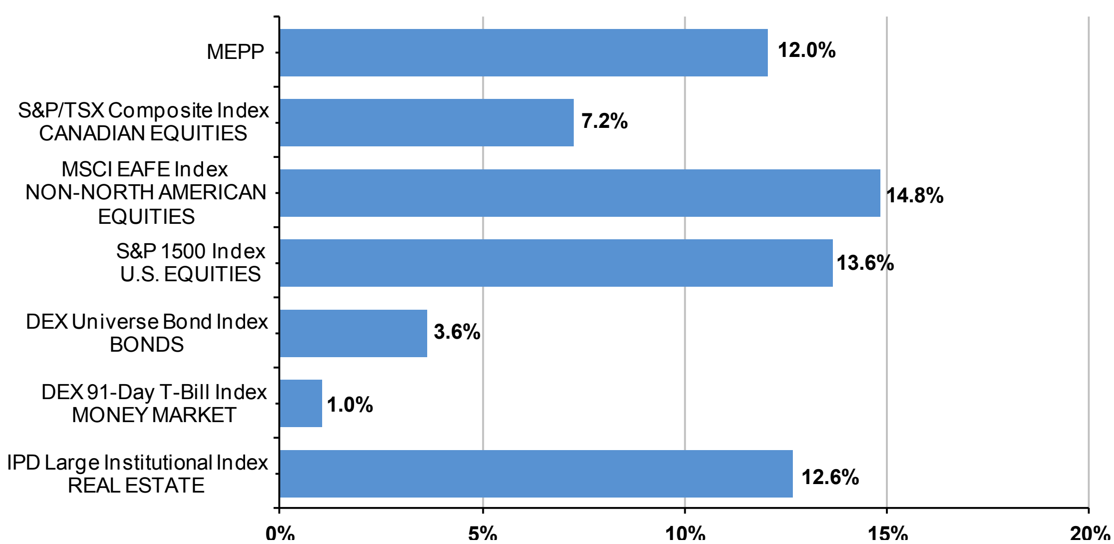
1st quarter	***6.4%***
2nd quarter	***-1.2%***
3rd quarter	***3.6%***
4th quarter	***2.8%***
Annual 2012	***12.0%***

The year started out strong with MEPP earning 6.4 per cent on its investments in the first quarter. The second quarter saw markets contract and MEPP’s investments lost 1.2 per cent. Markets reacted to bad news concerning the continuing uncertainty in the European Union over bank bailouts and sovereign debt of countries such as Greece and Spain. Weak consumer demand hurt manufacturing economies like China, Germany and Japan.

In the second quarter, commodities also took a hit with the price of oil dropping by almost $20 per barrel in May and June to around $85 per barrel. In the third quarter, markets and oil prices improved with MEPP earning 3.6 per cent on its investments. Actions by central banks drove markets higher. The European Central Bank promised to do “whatever it takes” to keep the eurozone together, the U.S. Federal Reserve began a new bond-buying program and China initiated additional infrastructure programs. Markets were hesitant in the fourth quarter as threats of a “fiscal cliff” loomed over the U.S. economy. MEPP’s investments earned 2.8 per cent in the fourth quarter. Overall MEPP finished out the 2012 year earning 12.0 per cent on its investments.

The following chart summarizes the market returns from various indices around the world and the overall return of MEPP for 2012.

Returns for MEPP and Major Markets (in Canadian dollars)



In 2012, the Canadian stock market represented by the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index increased by 7.2 per cent compared to a loss of 8.7 per cent in 2011.

Equity markets outside of North America, represented by the Morgan Stanley Capital International Index for Europe, Australasia and the Far East (MSCI EAFE) Index, gained 14.8 per cent in Canadian dollars in 2012 compared to a decrease of 10.2 per cent in 2011.

The S&P 1500 Index, which tracks the performance of the top 1500 American companies, increased by 13.6 per cent in Canadian dollars (16.2 per cent in U.S. dollars) in 2012, down from last year's gain of 4.0 per cent in Canadian dollars (1.8 per cent in U.S dollars). Returns were lower when translated into the stronger Canadian dollar.

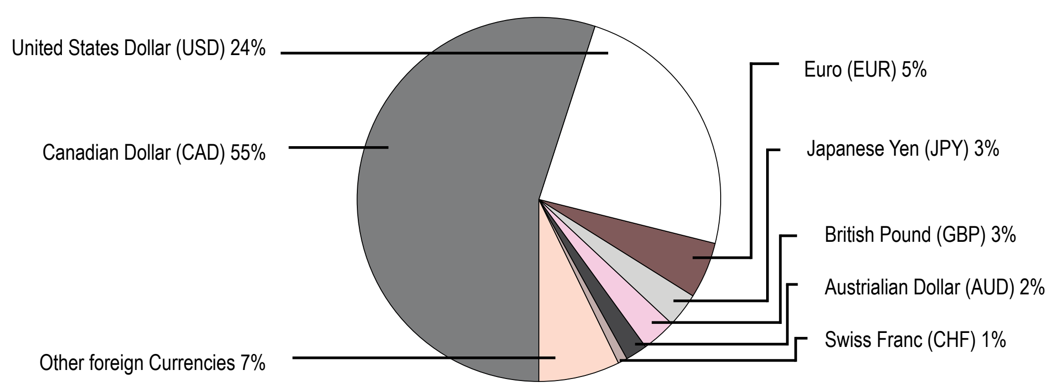
The bond market represented by the DEX Universe Bond Index posted a positive 3.6 return of per cent in 2012 down from 9.7 per cent in 2011.

The Canadian real estate market, represented by the IPD Large Institutional Index, 12.6 gained per cent this year, compared to last year's gain of 15.9 per cent.

Investment by Currency

At December 31, 2012, 55 per cent of the Plan's investments were denominated in Canadian currency (2011: 54 per cent), followed by 24 per cent in U.S. currency (2011: 24 per cent) and 21 per cent in currencies outside North America (2011: 22 per cent). The value of the Plan's foreign investment portfolio is exposed to foreign currency risk (i.e. loss) when the value of the Canadian currency strengthens against other currencies. By year-end, the Canadian dollar was stronger against the U.S. dollar, meaning U.S. dollar investments were worth less when translated into Canadian dollars. At December 31, 2012, one U.S. dollar was worth $1.00 Canadian compared to $1.02 Canadian at the beginning of the year. One Euro was worth $1.31 Canadian compared to $1.32 Canadian at the beginning of the year.

MEPP Investments by Currency



Investment Management Services

Alberta Investment Management Corporation, AIMCo, is a provincial corporation in the Alberta Ministry of Treasury Board and Finance. AIMCo was created on January 1, 2008. AIMCo invests MEPP's assets subject to legislation and the investment policies recommended by the Board. The Plan invests in units issued by pooled investment funds. Pooled investment funds are created and managed by AIMCo. There are thousands of securities held in many pooled investment funds. These securities are bought, sold and managed by AIMCo on a daily basis. For various reasons, such as to achieve greater diversification, access external expertise and specialized knowledge and reduce operational complexity, some investments are managed by third party investment managers selected and monitored by AIMCo.

The Board monitors AIMCo's services and associated charges. An independent investment consultant, API Asset Performance Inc., assists the Board in its review of the investment performance of the Plan. The Board has designed the Plan's investment policies with a focus on assessing the risk tolerance of the Plan members and ways to manage the inherent volatility of the long-term asset mix.

Investment Expenses

In 2012, the overall investment expense charged by AIMCo increased by $5.9 million or 72.2 per cent while average assets under management increased by $211 million or 8.1 per cent.

Investment expenses as a percentage of net assets are provided below.

($ millions)	Percent Increase	2012	2011
Investment expenses charged by AIMCo	72.2%	**$ 14.0**	$ 8.1
Average fair value of investments	8.1%	**$ 2,810**	$ 2,599
Expenses as a percentage of investments		**0.50%**	0.31%

Statement of Investment Policies and Goals (SIP&G)

The *SIP&G* sets out the governing investment principles and procedures, considering the Plan's provisions, characteristics, and financial obligations. It also defines the management structure and monitoring procedures. The Board reviews the *SIP&G* at least annually and recommends changes if necessary. The *SIP&G* can be viewed on the MEPP website at www.mepp.ca.

Asset Mix

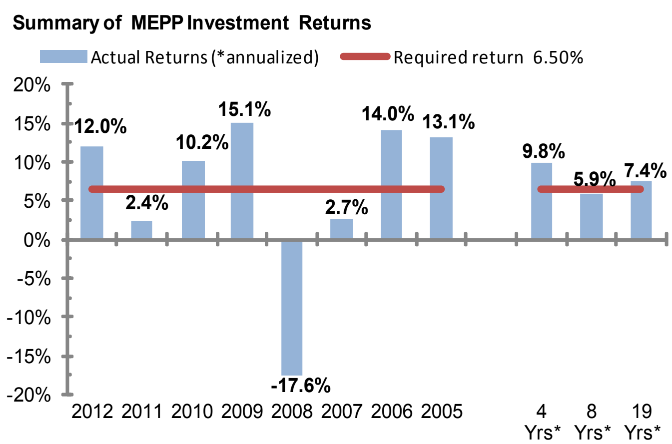
MEPP's asset allocation policy is structured to capture the historically higher rates of return from equities. At December 31, 2012, the long-term target asset mix was weighted more towards equities at 59.0 per cent, followed by inflation sensitive investments at 27.0 per cent and money market and fixed income securities at 14.0 per cent. AIMCo is given a broad range to invest within each asset class. The illiquid asset classes, such as real estate, private equities, infrastructure and hedge funds, are not always readily available for purchase and will take longer to attain their respective target asset mix.

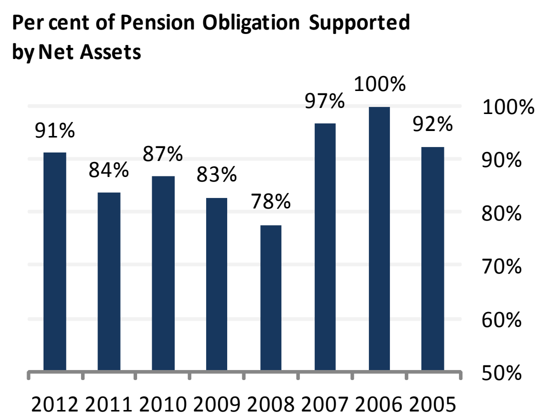
The table below shows MEPP's long-term policy asset mix benchmark including minimum and maximum ranges for each asset class in comparison to the Plan's actual asset mix at December 31, 2012 and 2011.

	ASSET MIX %				
	Policy Benchmark	Policy Minimum	Policy Maximum	Actual 2012	Actual 2011
Money Market and fixed income	**14.0**	**10.0**	**40.0**	**13.5**	**15.0**
Cash & short term		0.0	10.0	0.8	0.8
Universe bonds		0.0	20.0	12.7	14.2
Long bonds		5.0	20.0	0.0	0.0
Equities	**59.0**	**40.0**	**70.0**	**62.2**	**59.6**
Canadian		5.0	25.0	13.9	13.5
Foreign		20.0	45.0	43.8	41.8
Private equities		2.0	12.0	4.5	4.3
Hedge funds		0.0	5.0	0.0	0.0
Inflation sensitive	**27.0**	**15.0**	**40.0**	**24.3**	**25.4**
Infrastructure		5.0	15.0	5.6	5.8
Real estate		5.0	15.0	7.1	6.8
Real return bonds		5.0	20.0	11.6	12.8
Total	**100.0**			**100.0**	**100.0**

Long-term Investment Objective for Funding Purposes

The chart below compares MEPP's overall actual returns for calendar years 2005 to 2012 and the four, eight and nineteen year annualized time periods against the required long-term investment return for funding purposes of 6.5 per cent. This year, the actual return of 12.0 per cent exceeded the required long-term return by 5.5 per cent. At December 31, 2012, the per cent of total pension obligation supported by net assets improved to 91 per cent as shown in the table on the right.





Plan Performance and Investment Report

Value Added Return from Active Management

In order to measure the investment performance from AIMCo's active management decisions, such as security selection, the investment return for each asset class and the overall performance of the Plan's assets are measured against clearly defined benchmarks that have been established in the *SIP&G*. The overall performance goal is for AIMCo to provide a value added return of 0.75 per cent, net of fees, above the passively managed market-based policy benchmark return over a four-year rolling time period. The policy benchmark return is determined by multiplying the benchmark return for each asset class by its percentage of the total investment portfolio.

Over the past four years, the value added return from AIMCo is 0.6 per cent per annum including a valued added return of 2.2 per cent in 2012. On an eight-year basis, the value added return from the investment manager is 0.1 per cent per annum. Over the longer term of nineteen years, the value added return is 0.2 per cent.

The table below shows the value added returns by AIMCo in comparison to the various components of the policy benchmark.

Value Added / (Lost) by Manager in Comparison to Benchmarks	1 Year %	4 Year %	8 Year %
Overall Value Added Return	**2.2**	**0.6**	**0.1**
Fixed Income Securities			
Bonds and Mortgages	3.0	1.7	(0.2)
Equity			
Canadian Equity	5.0	2.5	1.1
Foreign Equity	3.4	1.9	0.2
Private Equity	(4.4)	(8.3)	n/a
Inflation Sensitive			
Real Estate	2.6	0.0	2.4
Real Return Bonds	0.2	(0.3)	(0.1)
Infrastructure	(5.0)	(1.1)	3.1

The table below shows MEPP's overall actual investment return and returns for each asset class compared to the policy benchmark return in Canadian dollars.

Table of Investment Returns[1]	December 31, 2012							
	Investment (in millions)	Asset Mix (%)	Annual Return (%) ($ Canadian) 2012	2011	2010	2009	Annualized Return (%) 4yr	8yr
				Restated (2)				
OVERALL ACTUAL RETURN	**$2,985**	**100.0**	**12.0**	**2.4**	**10.2**	**15.1**	**9.8**	**5.9**
Policy Benchmark Return			9.8	*1.5*	*10.7*	*15.1*	*9.2*	*5.8*
Consumer Price Index (CPI)			**0.8**	*2.9*	*2.0*	*1.0*	*1.7*	*1.8*
FIXED INCOME SECURITIES								
Short-Term Fixed Income	**24**	**0.8**	**1.3**	**1.2**	**1.0**	**1.8**	**1.4**	**3.0**
Bonds and Mortgages (1)	**381**	**12.7**	**6.6**	**9.2**	**9.5**	**7.2**	**8.0**	**5.5**
DEX Universe Bond Index			3.6	*9.7*	*6.7*	*5.4*	*6.3*	*5.7*
EQUITIES								
Canadian Equities	**414**	**13.9**	**12.2**	**(7.9)**	**18.8**	**38.3**	**14.2**	**7.7**
S&P/TSX Composite Index			*7.2*	*(8.7)*	*17.6*	*35.1*	*11.7*	*6.6*
Foreign Equities	**1,309**	**43.8**	**17.0**	**(4.6)**	**6.7**	**15.4**	**8.3**	**1.8**
MSCI All Country World Index (ACWI) (3)			13.6	*(5.3)*	*7.0*	*11.3*	*6.4*	*1.6*
Private equities (1) (2)	**133**	**4.5**	**9.2**	**7.6**	**9.6**	**(0.2)**	**6.5**	**7.6**
MSCI ACWI (4)			13.6	*(5.3)*	*16.9*	*38.2*	*14.8*	*9.3*
INFLATION SENSITIVE								
Real estate (1)	**211**	**7.1**	**15.2**	**20.9**	**12.2**	**(7.3)**	**9.7**	**14.3**
IPD Large Institutional Index			12.6	*15.9*	*11.2*	*(0.1)*	*9.7*	*11.9*
Real Return Bonds	**347**	**11.6**	**3.1**	**18.1**	**11.0**	**13.0**	**11.2**	**7.3**
DEX Real Return Bond Index (RRBI)			2.9	*18.3*	*11.1*	*14.5*	*11.5*	*7.4*
Infrastructure (1) (2)	**166**	**5.6**	**3.4**	**6.7**	**7.2**	**3.0**	**5.5**	**11.5**
50% MSCI ACWI and 50% DEX RRBI (5)			8.4	*6.5*	*13.6*	*7.0*	*6.6*	*8.4*

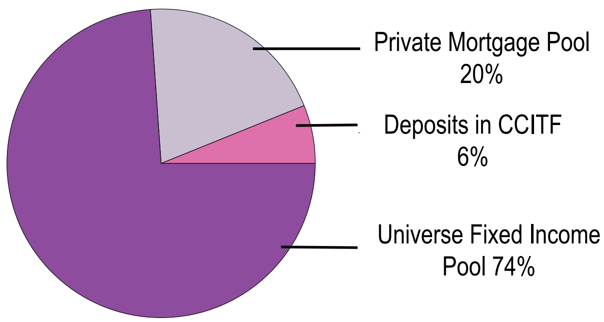
(1) Investment returns are provided by AIMCo. Investment returns for assets classified as Level 3 in the financial statements are based on estimates of fair value. Level 3 includes real estate, private equities, infrastructure, hedge funds and private debt. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Plan's financial statements, will be reflected in the next reporting period.
(2) The overall actual return for 2011 has been increased by 0.3 per cent from 2.1 per cent to 2.4 per cent resulting from an increase in estimated actual returns for private equities (4.0 per cent to 7.6 per cent); infrastructure (4.4 per cent to 6.7 per cent) and real estate (20.5 per cent to 20.9 per cent).
(3) Prior to July 1, 2010, the combined S&P 1500 Index and MSCI EAFE Index.
(4) Prior to July 1, 2010, S&P/TSX Composite Index plus 2.5 per cent.
(5) Prior to July 1, 2010, CPI plus 6.0 per cent.

MONEY MARKET AND FIXED INCOME SECURITIES

At December 31, 2012, the Plan's money market and fixed income portfolio totalled $405 million or 13.5 per cent of total investments compared to $395 million or 15.0 per cent at December 31, 2011.

The Plan's money market and fixed income portfolio includes investments in AIMCo's Universe Fixed Income Pool, Private Mortgage Pool and the Consolidated Cash Investment Trust Fund (CCITF).

Summary of Money Market and Fixed Income Securities (Total $ million)



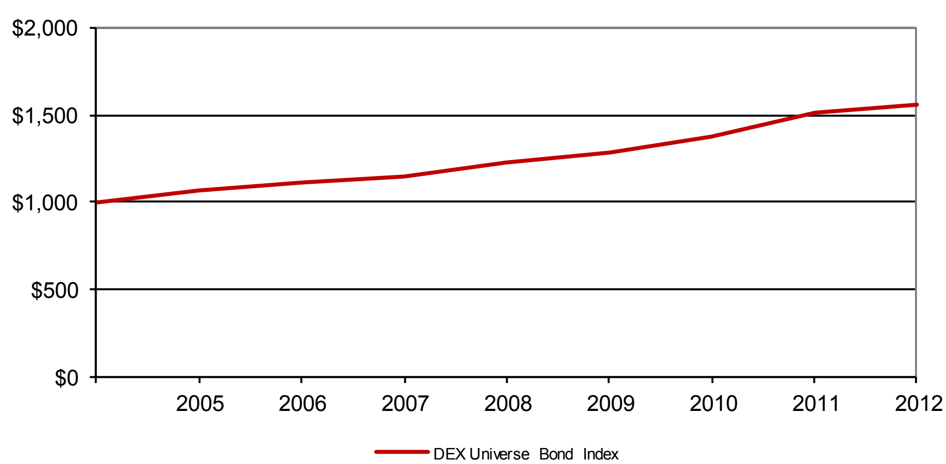
Pooled Fund Securities by Issuer Relative to Benchmark	Universe Fixed Income Pool (%)	Private Mortgage Pool (%)	Benchmark DEX Universe Bond Index (%)
Federal	**10**	**-**	41
Provincial	**26**	**1**	29
Municipal	**1**	**-**	2
Corporate	**48**	**-**	28
Private debt and mortgages	**5**	**99**	-
Less than one year	**10**	**-**	-
Total per cent	**100**	**100**	**100**

The Plan's actual gain in 2012 from bonds and mortgages was 6.6 per cent, 3.0 better than benchmark gain of 3.6 per cent. The Plan's actual gain from cash and short-term investments totalled 1.3 per cent in 2012.

Bonds and Mortgages	Actual Return	Benchmark Return
1 Year	6.6%	3.6%
4 Years	8.0%	6.3%
8 Years	5.5%	5.7%

The chart below shows the growth in value over eight years of $1,000 dollars (Canadian) invested in the bond market, represented by the DEX Universe Bond Index, for the period December 31, 2005 to December 31, 2012. After eight years, $1,000 would grow to approximately $1,563.

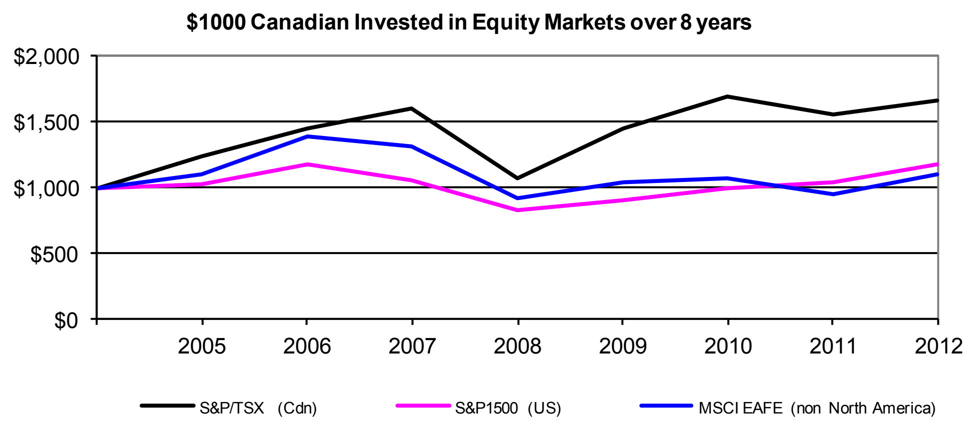
$1,000 Canadian Invested in Bond Market over 8 years



EQUITY INVESTMENTS

Given MEPP's long-term investment horizon, its asset mix policy is structured to capture the historically higher rates of return from equities. At December 31, 2012 equities represent 62.2 per cent (2011: 59.6 per cent) of the Plan's total asset mix and consisted of Canadian public equities 13.9 per cent (2011: 13.5 per cent), foreign public equities 43.8 per cent (2011: 41.8 per cent), and private equities 4.5 per cent (2011: 4.3 per cent).

The chart below shows the growth over eight years in $1,000 dollars (Canadian) invested in major equity markets in Canada, U.S. and non-North America for the period December 31, 2005 to December 31, 2012. For example, $1,000 dollars invested on December 31, 2005, in the Canadian stock market represented by the S&P/TSX Composite Index would be worth approximately $1,665 dollars at December 31, 2012. An investment of $1,000 Canadian dollars in the U.S. equity market and in the Europe, Australasia and Far East market would be worth $1,176 and 1,099.



Canadian Equities

At December 31, 2012, Canadian equities represent 13.9 per cent of MEPP's total investments (or $414 million) up from 13.5 per cent (or $356 million) at the end of the previous year. MEPP's Canadian equity investment is held primarily in AIMCo's Canadian Equities Master Pool. The Pool includes directly held investments in Canadian public companies and structured equity products which replicate Canadian public equity investments using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX). Directly held interest bearing securities support the notional value of index swaps and futures contracts.

The actual gain from Canadian equity investments over the year was 12.2 per cent, 5.0 per cent better than the benchmark gain of 7.2 per cent based on the S&P/TSX Composite index.

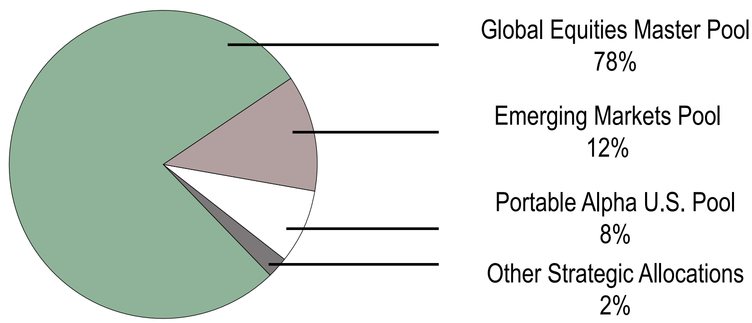
Canadian Public Equities	Actual Return	Benchmark Return
1 Year	12.2%	7.2%
4 Years	14.2%	11.7%
8 Years	7.7%	6.6%

Canadian Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2012 Sector	Benchmark TSX Composite Index %	Over (Under) Benchmark %
Consumer discretionary	4	2
Consumer staples	3	2
Energy	25	(1)
Financials	33	1
Health Care	2	-
Industrials	6	-
Information technology	1	-
Materials	19	(1)
Telecommunications	5	2
Utilities	2	1
	100.0	

Foreign Public Equities

At December 31, 2012, foreign equities comprised 43.8 per cent of total MEPP investments (or $1,309 million), up from 41.8 per cent or $1,101 million at the end of the previous year. MEPP's investment in foreign public equities includes investments in AIMCo's Global Equity Master Pool, the Portable Alpha U.S. Pool, the Emerging Markets Equity Pool and other strategic allocations allocations.

Summary of Foreign Equities by Pool
Total $1,309 million



In 2012, the actual gain from foreign public equities was 17.0 per cent, 3.4 per cent better than the benchmark gain of 13.6 per cent based on the MSCI All World Country Index.

Foreign Public Equities	Actual Return	Benchmark Return
1 Year	17.0%	13.6%
4 Years	8.3%	6.4%
8 Years	1.8%	1.6%

Global Equities

Global equities include the Global Equities Master Pool and the Portable Alpha U.S. Pool. The Global Equity Master Pool includes directly held investments in public companies in the U.S., Europe, Australasia, and the Far East (EAFE) with smaller allocations to emerging markets and Canada. The Pool replicates exposure to foreign equity markets by investing in structured equity products using index swaps and futures contracts. Directly held interest bearing securities support the notional value of index swaps and futures contracts. MEPP's investment in the Portable Alpha U.S. Pool provides value-added returns from hedge fund strategies. In 2012, the global equity portfolio gained 17.0%.

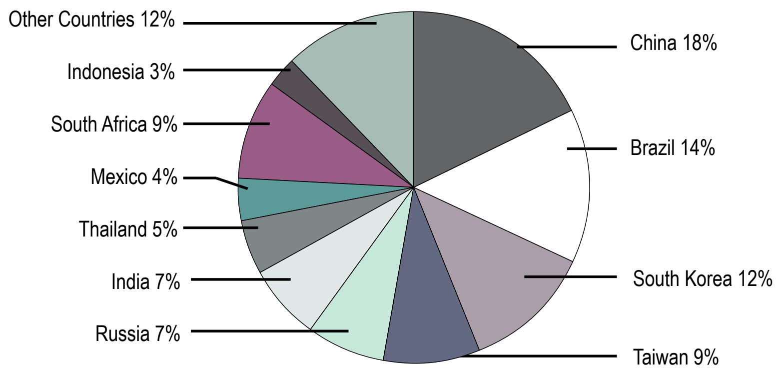
Global Equities Master Pool Industry Exposure Relative to Benchmark December 31, 2012 Sector	Benchmark MSCI World Total Return Index %	Over (Under) Benchmark %
Consumer discretionary	11	(1)
Consumer staples	11	1
Energy	10	1
Financials	20	(2)
Health Care	11	1
Industrials	11	2
Information technology	12	-
Materials	7	(1)
Telecommunications	4	-
Utilities	3	(1)
	100.0	

Global Equities Master Pool Relative Regional Exposure to Benchmark December 31, 2012 Region	Benchmark MSCI World Total Return Index %	Over (Under) Benchmark %
United States	52	(1)
Europe, Australasia & the Far East	43	-
Emerging markets	-	-
Canada	5	1
	100.0	

Emerging Markets

MEPP's investment in AIMCo's Emerging Markets Pool makes up approximately 12.0 per cent of the Plan's foreign equity investment. The Pool is actively managed and includes securities in economies which are in the early stages of development and whose market has sufficient size and liquidity and is receptive to foreign investment. The Pool includes investments in China, Brazil, South Korea, Taiwan, Russia, India and other countries. In 2012, the emerging markets portfolio gained 17.0 per cent.

Top Ten Countries in Emerging Markets Pool



Private Equities

The Plan's investment in AIMCo's private equity pools comprised 4.5 per cent (or $133 million) of the total investment portfolio at December 31, 2012 up from 4.3 per cent (or $113 million) the previous year. AIMCo's private equity pools include primarily merchant banking investments. Merchant banking transactions include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

In 2012, private equities gained 9.2 per cent which was 4.4 per cent less than the market-based benchmark gain of 13.6 per cent.

Private Equities	Actual Return	Benchmark Return
1 Year	9.2%	13.6%
4 Years	6.5%	14.8%
8 Years	7.6%	9.3%

INFLATION SENSITIVE

At December 31, 2012, the Plan's inflation sensitive portfolio comprised 24.3 per cent (or $724 million) of total investments compared to 25.4 per cent (or $670 million) at the end of the previous year. The inflation sensitive portfolio consists of real estate, private income (infrastructure, and private debt and loan) and real returns bonds.

Real Estate

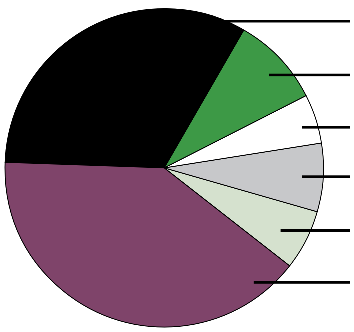
At December 31, 2012, the Plan's investment in AIMCo's private real estate pools comprised 7.1 per cent (or $211 million) of total investments compared to 6.8 per cent (or $179 million) the previous year. Investments are primarily in a mix of office, retail, industrial and residential properties in major Canadian urban areas including Toronto, Ottawa, Montreal, Calgary and Edmonton. The focus is on quality, featuring strong locations and tenants.

The actual gain from real estate in 2012 was 15.2 per cent, 2.6 per cent more than the benchmark gain of 12.6 per cent from the IPD Large Institutional Index.

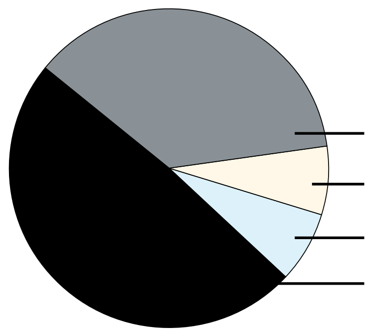
Real Estate	Actual Return	Benchmark Return
1 Year	15.2 %	12.6%
4 Years	9.7%	9.7%
8 Years	14.3%	11.9%

Top Five Real Estate Holdings as at December 31, 2012		
Property	**Location**	**Sector**
Yorkdale Shopping Centre	Toronto, Ontario	Retail
Square One Shopping Centre	Mississauga, Ontario	Retail
Place Ville Marie	Montreal, Quebec	Office
Scarborough Town Centre	Toronto, Ontario	Retail
Bow Valley Square	Calgary, Alberta	Office

Private Real Estate Pool by Type



Private Real Estate Pool by Type



Private Income (Infrastructure, and Private Debt and Loan)

The Plan's investment in private income comprises 5.6 per cent (or $166 million) of the total investment portfolio at December 31, 2012 compared to 5.8 per cent (or $153 million) the previous year. AIMCo's infrastructure pools include projects that provide attractive returns plus inflation sensitivity with a long investment horizon. Infrastructure projects include transportation/logistics (e.g. toll roads, airports, ports and rail), power energy (e.g. contracted power generation and power transmission pipelines) and utilities (e.g. water, waste water and natural gas networks). AIMCo's Private Debt and Loan Pool primarily include Canadian and foreign unrated debt.

In 2012, private income gained 3.4 per cent, 5.0 per cent below the benchmark gain of 8.4 per cent.

Private Income	Actual Return	Benchmark Return
1 Year	3.4%	8.4%
4 Years	5.5%	6.6%
8 Years	11.5%	8.4%

Real Return Bonds

The Plan's investment in AIMCo's Real Return Bond Pool comprised 11.6 per cent (or $347 million) of the total investment portfolio at December 31, 2012 compared to 12.8 per cent (or $338 million) the previous year. The Real Return Bond Pool includes bonds which pay a rate of return adjusted for inflation. The Pool is comprised of Government of Canada bonds (78 per cent), provincial bonds (11 per cent) and corporate bonds (11 per cent).

In 2012, real return bonds gained 3.1 per cent, which was 0.2 per cent better than the benchmark gain of 2.9 per cent.

Real Return Bonds	Actual Return	Benchmark Return
1 Year	3.1 %	2.9%
4 Years	11.2%	11.5%
8 Years	7.3%	7.4%

Proxy Voting

The Board considers proxy voting to be a key element of responsible investing and believes that thoughtful voting is a contributor to optimizing the long term value of investments. We entrust the proxy voting function to AIMCo. Day-to-day research and mechanical functions have been outsourced to an independent advisor who specializes in providing proxy-related services to institutional investors. While AIMCo may review and utilize the recommendations of the research provider in making proxy voting decisions, they are in no way obligated to follow such recommendations.

Risk Management System

The Board accepts that in order to meet the return objectives of the Plan, it must take on risk in the assets in which it invests. The Board invests in a diverse set of asset types to help improve the likelihood of achieving its desired results for a given level of risk.

Investment risk management is a central thesis for our investment manager, AIMCo. AIMCo seeks to measure and monitor both historic and possible future risks, allocating risk as a scarce resource to the most promising investment opportunities. AIMCo maintains a quantitative investment risk system designed to operate across all asset classes and a variety of risk types such as market risk, currency risk, and concentration risk.

The Board has established a series of limits on the risks to the Plan's funded status within its investment policy, which will be measured, monitored, and managed on this basis. As the ultimate risk to a pension plan is not being able to meet pension obligations, the Board monitors the risk of the Plan's liabilities in relation to the investment assets. AIMCo will model the risk of both assets and theoretical liabilities and report to the Board on a quarterly basis.

Appendix: Financial Statements

The MEPP Financial Statements are prepared by the
Ministry of Treasury Board and Finance

MANAGEMENT EMPLOYEES PENSION PLAN

Financial Statements

Year Ended December 31, 2012

Independent Auditor's Report

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

I have audited the accompanying financial statements of the Management Employees Pension Plan, which comprise the statement of financial position as at December 31, 2012, and the statements of changes in net assets available for benefits and changes in pension obligation 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 accounting standards for pension plans, 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 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 financial position of the Management Employees Pension Plan as at December 31, 2012, and changes in net assets available for benefits and changes in pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

[Original signed by Merwan N. Saher, FCA]

Auditor General

April 24, 2013

Edmonton, Alberta

Statement of Financial Position

As at December 31, 2012

	($ thousands)	
	2012	**2011**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 2,984,755	$ 2,634,480
Contributions receivable		
Employers	525	568
Employees	305	336
Accounts receivable and accrued investment income	1,350	2,419
Total Assets	2,986,935	2,637,803
Liabilities		
Accounts payable	585	1,947
Total Liabilities	585	1,947
Net assets available for benefits	$ 2,986,350	$ 2,635,856
Pension obligation and deficit		
Pension obligation (Note 5)	$ 3,289,773	$3,153,582
Deficit (Note 6)	(303,423)	(517,726)
Pension obligation and deficit	$ 2,986,350	$ 2,635,856

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2012

	($ thousands)	
	2012	**2011**
Increase in Assets		
Contributions (Note 7)	$ 168,082	$ 155,835
Investment income (Note 8)	340,083	65,849
Transfers from other plans, net	12,319	1,873
	520,484	223,557
Decrease in Assets		
Benefit payments (Note 10)	153,778	142,152
Investment expenses (Note 11)	14,032	8,150
Administrative expenses (Note 12)	2,180	1,592
	169,990	151,894
Increase in net assets	350,494	71,663
Net assets available for benefits at beginning of year	2,635,856	2,564,193
Net assets available for benefits at end of year	$ 2,986,350	$ 2,635,856

The accompanying notes are part of these financial statements.

Financial Statements

Statement of Changes in Pension Obligation

Year ended December 31, 2012

	($ thousands) 2012	2011
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 195,418	$ 188,531
Benefits earned	119,266	106,976
Net increase due to actuarial assumption changes (Note 5a)	4,420	37,074
	319,104	332,581
Decrease in pension obligation		
Benefits, transfers and interest	141,459	140,279
Net experience gains (Note 5b)	41,454	-
	182,913	140,279
Net increase in pension obligation	136,191	192,302
Pension obligation at beginning of year	3,153,582	2,961,280
Pension obligation at end of year (Note 5)	$ 3,289,773	$ 3,153,582

The accompanying notes are part of these financial statements.

Financial Statements

Notes to the Financial Statements

Year ended December 31, 2012

(All dollar amounts in thousands, except per member data)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act,* Revised Statutes of Alberta 2000, Chapter P-41 and the *Management Employees Pension Plan* Alberta Regulation 367/93, as amended. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the legislation, the legislation shall apply.

a) GENERAL

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887. The President of Treasury Board and Minister of Finance is the legal trustee for the Plan and Alberta Treasury Board and Finance is management of the Plan. The Plan receives advice from the Management Employees Pension Board (the Board).

b) PLAN FUNDING

Current service costs and the Plan's actuarial deficiency (see Note 14) are funded by employees and employers at contribution rates, which together with investment earnings, are expected to provide for all benefits payable under the Plan. The contribution rates in effect at December 31, 2012 are unchanged at 11.16% (2011: 11.16%) of pensionable salary up to the maximum pensionable salary limit under the *Income Tax Act* for employees and 19.14% (2011: 19.14%) for employers.

The contribution rates are reviewed at least once every three years by the President of Treasury Board and Minister of Finance, in consultation with the Board, based on recommendations of the Plan's actuary.

c) RETIREMENT BENEFITS

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

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

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

d) DISABILITY BENEFITS

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

Individuals who became members after June 30, 2007 and had no combined pensionable service prior to July 1, 2007 are not entitled to disability benefits.

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, or a lump sum payment. For a beneficiary other than a pension partner, or where service is less than five years, the benefits take the form of a lump sum payment.

f) TERMINATION BENEFITS AND REFUNDS TO MEMBERS

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest. The refunds are accounted for as refunds to members on the statement of changes in net assets available for benefits.

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

g) OPTIONAL SERVICE AND TRANSFERS

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

The actuarial present value of pension entitlements is paid when service is transferred out of the Plan under a transfer agreement. The cost to recognize service transferred into the Plan under a transfer agreement is the actuarial present value of the benefits that will be created as a result of the transfer.

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 accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

b) VALUATION OF INVESTMENTS

As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established under Part 5 of the *Financial Administration Act* of Alberta. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Province of Alberta and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. Alberta Investment Management Corporation (AIMCo) controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations provided by AIMCo at the close of the sixth business day following the year end. Differences in valuation estimates provided to Alberta Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) INVESTMENT INCOME

Investment income includes the following:

i) Income distributions from the pools are recorded in the Plan's accounts and included in investment income on the statement of changes in net assets (see Note 8). Income distributions are based on the Plan's pro-rata share of total units issued by the pools.

ii) Realized gains and losses on disposal of units and unrealized gains and losses on units are recorded in the Plan's accounts and included in investment income on the statement of changes in net assets. Realized gains and losses on disposal of units are determined on an average cost basis.

iii) Investment income is recorded on an accrual basis.

d) INVESTMENT EXPENSES

Investment expenses include all amounts, including transaction costs, charged to the Plan by AIMCo (see Note 11). Investment expenses are recorded on an accrual basis.

e) VALUATION OF PENSION OBLIGATION

The value of the pension obligation 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.

f) 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 the 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 pension obligation, private investments, hedge funds and real estate investments. Uncertainty arises because:

i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and

ii) the estimated fair values of the Plan's private investments, hedge funds and real estate investments 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 pension obligation, private investments, hedge funds and real estate investments, 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 in the Plan's pension obligation are disclosed as assumptions or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

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

g) INCOME TAXES

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

NOTE 3 INVESTMENTS

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 Guidelines (SIP&G) approved by the Plan's board. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools 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 Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

	($ thousands)				
	Fair Value Hierarchy [a]			2012	2011
Asset class	Level 1	Level 2	Level 3	**Fair Value**	**Fair Value**
Money market and fixed income					
Deposits and short-term securities	$ -	$ 24,410	$ -	$ 24,410	$ 20,358
Bonds and mortgages	-	297,611	82,838	380,449	374,777
	-	322,021	82,838	404,859	395,135
Equities					
Canadian	262,701	150,926	-	413,627	355,922
Foreign	906,555	293,170	109,078	1,308,803	1,101,023
Private	-	-	133,082	133,082	112,685
	1,169,256	444,096	242,160	1,855,512	1,569,630
Inflation sensitive					
Real estate	-	-	211,335	211,335	178,911
Infrastructure and private debt and loans	-	-	166,521	166,521	152,634
Real return bonds	-	346,528	-	346,528	338,170
	-	346,528	377,856	724,384	669,715
Total investments	$ 1,169,256	$ 1,112,645	$ 702,854	$ 2,984,755	$ 2,634,480

a) **Fair Value Hierarchy:** The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. This level includes publicly traded listed equity investments totalling $1,169,256 (2011: $1,003,965).
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes debt securities and derivative contracts not traded on a public exchange totalling $1,112,645 (2011: $991,954). For these investments, fair value is 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 3*** - fair value is estimated using inputs based on non-observable market data. This level includes private mortgages, hedge funds, private equities and inflation sensitive investments totalling $702,854 (2011: $638,561).

*** Reconciliation of Level 3 Fair Value Measurement**

	($ thousands) 2012	2011
Balance, beginning of year	$ 638,561	$ 482,090
Investment income	80,091	53,017
Purchases of Level 3 pooled fund units	96,091	205,784
Sale of Level 3 pooled fund units	(111,889)	(102,330)
Balance, end of year	$ 702,854	$ 638,561

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Money market and fixed income:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and 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 earnings multiple analysis.
- ***Inflation sensitive:*** The estimated fair value of private real estate investments is reported at the 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. Private debt and loans is valued similar to private mortgages. Infrastructure investments are valued similar to private equity investments. Real return bonds are valued similar to public interest bearing securities.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows

NOTE 3 INVESTMENTS CONTINUED

using current market yields and calculated default probabilities. Forward foreign exchange contracts and futures contracts are valued based on quoted market prices. 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. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pooled investment funds created and managed by AIMCo. 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 approved by the Board. 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. The Board 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 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established the following asset mix policy ranges:

	Target Asset	Actual Asset Mix			
Asset Class	**Policy Mix**	December 31, 2012		December 31, 2011	
		($ thousands)	*%*	*($ thousands)*	*%*
Money market and fixed income	10 - 40%	$ 404,859	13.5	$ 395,135	15.0
Equities	40 - 70%	1,855,512	62.2	1,569,630	59.6
Inflation sensitive	15 - 40%	724,384	24.3	669,715	25.4
		$ 2,984,755	100.0	$ 2,634,480	100.0

a) Credit Risk

i) Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. 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 value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities are with counterparties with credit ratings considered to be investment grade.

The following table summarizes the Plan's investment in debt securities by counterparty credit rating at December 31, 2012:

Credit rating	2012	2011
Investment Grade (AAA to BBB-)	89%	85%
Speculative Grade (BB+ or lower)	1%	0%
Unrated	10%	15%
	100%	100%

ii) Counterparty default risk - derivative contracts

The Plan's maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). The Plan can only transact with counterparties to derivative contracts with a credit rating of A+ or higher by at least two recognized ratings agencies. Provisions are in place to either transfer or terminate existing contracts when the counterparty has their credit rating downgraded. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. 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. Approximately 45% of the Plan's investments, or $1,352 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (24%) and the Euro (5%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.5% (2011: 4.6%).

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2012:

	($ millions)			
	2012		2011	
Currency	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 711	$ (71)	$ 646	$ (65)
Euro	162	(16)	139	(14)
Japanese yen	81	(8)	94	(9)
British pound	105	(11)	94	(9)
Australian dollar	45	(5)	37	(4)
Swiss franc	33	(3)	28	(3)
Other foreign currencies	215	(21)	163	(16)
Total foreign currency investments	$ 1,352	$ (135)	$ 1,201	$ (120)

c) **Interest Rate Risk**

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. 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. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.2 % (2011: 2.6%).

The following table summarizes the terms to maturity of interest-bearing securities held in pooled investment funds at December 31, 2012:

Asset Class	**< 1 year**	**1 - 5 years**	**Over 5 years**	**Average Effective Market Yield**
Deposits and short term securities	93%	7%	0%	1.3%
Bonds and mortgages	8%	41%	51%	3.8%
Real return bonds	1%	0%	99%	0.4%

d) **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 is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 6.4% (2011: 5.0%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) **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 pools that hold 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 and exposure to net payables to counterparties (Note 4f).

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share *($ thousands)*	
By counterparty	Number of counterparties	**2012**	**2011**
Contracts in favourable position (current credit exposure)	45	$ 36,462	$ 32,931
Contracts in unfavourable position	18	(16,641)	(20,770)
Net fair value of derivative contracts	63	$ 19,821	$ 12,161

(i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $36,462 (2011: $32,931) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share *($ thousands)*	
Types of derivatives used in pools	**2012**	**2011**
Structured equity replication derivatives	$ 21,481	$ 14,860
Foreign currency derivatives	(1,701)	471
Interest rate derivatives	688	(929)
Credit risk derivatives	(647)	(2,241)
Net fair value of derivative contracts	$ 19,821	$ 12,161

(i) Structured equity replication derivatives: Equity index swaps are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity index swap. Rights, warrants, futures and options are also included as structured equity replication derivatives.

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

(ii) Foreign currency derivatives: 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.

(iii) Interest rate derivatives: Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

(iv) Credit risk derivatives: Credit risk derivatives include credit default swaps allowing the pools 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.

(v) Contractual maturities: Structured equity replication derivatives and foreign currency derivatives primarily mature within one year. For interest rate derivatives approximately 58% mature within one year; 25% between 1 and 3 years and 17% over 3 years. For credit risk derivatives approximately 40% mature within one year; 8% between 1 and 3 years and 52% over 3 years.

(vi) Deposits: At December 31, 2012 deposits in futures contracts margin accounts totalled $7,895 (2011: $16,581) and deposits as collateral for derivative contracts totalled $ nil (2011: $9).

NOTE 5 PENSION OBLIGATION

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2011 by Aon Hewitt and was then extrapolated to December 31, 2012.

The actuarial assumptions used in determining the value of the pension obligation of $3,289,773 (2011: $3,153,582) 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 discount rate, inflation rate and salary escalation rate. The discount rate is based on the average from a consistent modeled investment return, net of investment expenses, and an additive 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:

	2012	2011
	%	
Discount rate	6.30	6.30
Inflation rate	2.25	2.25
Salary escalation rate*	3.50	3.50
Mortality rate	Uninsured Pensioner 1994 table projected generationally	

* In addition to age specific merit and promotion increase assumptions.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2012. 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 2013.

b) NET EXPERIENCE GAINS

Net experience gains of $41,454 (2011: $ nil) reflect the results of the valuation as at December 31, 2011 extrapolated to December 31, 2012.

c) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

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

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2012:

	($ thousands)		
	Changes in Assumptions %	**Increase in Plan Deficiency** $	**Increase in Current Service Cost as a % of Pensionable Earnings ***
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	219,600	1.6
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	20,600	0.6
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1.0)	434,300	4.4

* The current service cost of accruing benefits (including 0.4% allowance for administration expenses) as a percentage of pensionable earnings as at December 31, 2009 valuation was 21.6%.

NOTE 6 DEFICIT

($ thousands)	2012	2011
Deficit at beginning of year	$ (517,726)	$ (397,087)
Increase in net assets available for benefits	350,494	71,663
Net increase in pension obligation	(136,191)	(192,302)
Deficit at end of year	$ (303,423)	$ (517,726)

NOTE 7 CONTRIBUTIONS

($ thousands)	2012	2011
Current service		
Employers	$ 104,139	$ 97,324
Employees	60,726	56,811
Past service		
Employers	546	406
Employees	2,671	1,294
	$ 168,082	$ 155,835

NOTE 8 INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

	($ thousands) 2012	2011
Money market and fixed income	$ 24,361	$ 41,999
Equities		
Canadian	44,848	(27,269)
Foreign	202,520	(48,892)
Private	17,992	7,741
Absolute return strategies	-	575
	265,360	(67,845)
Inflation sensitive		
Real estate	29,051	31,208
Infrastructure and private debt and loans	10,402	3,623
Real return bonds	10,909	56,864
	50,362	91,695
	$ 340,083	$ 65,849

Investment income includes realized gains and losses from disposal of pool units, unrealized gains and losses on units and income distributions from the pools.

Income distributions from the pools is based on income earned by the pools determined on an accrual basis which includes interest, dividends, security lending income, realized gains and losses on sale of securities held by the pools, realized foreign exchange gains and losses, writedowns of securities held in the pools and income and expense earned on derivative contracts. Realized gains and losses are determined on an average cost basis. Impairment charges related to the writedown of securities held in the pools are indicative of a loss in value that is other than temporary.

NOTE 9 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	2012	2011	2010	2009	2008
			in per cent		
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return (loss) on investments	9.8	1.5	10.7	15.1	(14.5)
Value added return (loss) by investment manager	2.2	0.9	(0.5)	-	(3.1)
Total return (loss) on investments [(a)]	**12.0**	**2.4**	**10.2**	**15.1**	**(17.6)**
Other sources [(b)]	1.3	0.4	0.9	2.0	1.1
Per cent change in net assets [(c)]	**13.3**	**2.8**	**11.1**	**17.1**	**(16.5)**
Per cent change in pension obligation [(c)]	**4.3**	**6.5**	**6.1**	**9.9**	**3.8**
Per cent of pension obligation supported by net assets	**91**	**84**	**87**	**83**	**78**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 3.7% (PBR: 3.9%), ten years is 7.1% (PBR: 6.9%) and nineteen years is 7.4% (PBR: 7.2%). The total return reported for 2011 has been restated to conform to changes made by AIMCo subsequent to the completion of the 2011 financial statements. The total return in 2011 increased by 0.3% from 2.1% to 2.4% attributed to an increase in the value added return by the investment manager.

(b) Other sources includes employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.

(c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

NOTE 10 BENEFIT PAYMENTS

	($ thousands) 2012	2011
Retirement benefits	$ 139,803	$ 128,944
Disability benefits	342	350
Termination benefits	8,929	10,311
Death benefits	4,704	2,547
	$ 153,778	$ 142,152

NOTE 11 INVESTMENT EXPENSES

	($ thousands) 2012	2011
Amount charged by:		
AIMCo [a]	$ 13,980	$ 8,095
Alberta Treasury Board and Finance [b]	52	55
Total investment expenses	$ 14,032	$ 8,150
Average fair value of investments	$ 2,809,617	$ 2,599,065
Percent of investments at average fair value	0.50%	0.31%
Investment expenses per member	$ 1,396	$ 827

(a) For investment management services.

(b) For investment accounting and Plan reporting services.

NOTE 12 ADMINISTRATIVE EXPENSES

	($ thousands) 2012	2011
General administration costs	$ 1,701	$ 1,357
Board costs	95	58
Actuarial fees	105	13
Audit fees	50	42
Other professional fees	229	122
	2,180	1,592
Member service expenses per member	$ 217	$ 162

General Administration and the Board costs were paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

The Plan's share of APS's operating and plan specific costs was based on cost allocation policies approved by the President of Treasury Board and Minister of Finance.

NOTE 13 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 11 and member service expenses per Note 12 are $16,212 (2011: $9,742) or $1,613 (2011: $989) per member and 0.54% (2011: 0.37%) of net assets under administration.

NOTE 14 CAPITAL

The Plan defines its capital as the funded status. In accordance with the *Public Sector Pension Plans Act*, the actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, the use of derivatives and leverage are based on an asset mix and risk policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's SIP&G approved by the Board.

The Plan's asset values are determined on the fair value basis for accounting purposes. However, for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation purposes amounted to $2,850,591 at December 31, 2012 (2011: $2,720,737).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiency determined by the December 31, 2009 actuarial funding valuation is being funded by special payments currently totalling 9.4% of pensionable earnings shared between employees and employers until December 31, 2014. Thereafter, the special payments will decrease successively to 7.3% until December 31, 2016; to 2.5% until December 31, 2017; and to 2.1% until December 31, 2024.

The special payments have been included in the rates in effect at December 31, 2012 (see Note 1b).

NOTE 15 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2012 presentation.

NOTE 16 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Treasury Board and Finance based on information provided by APS, AIMCo and the Plan's actuary, and after consultation with the Board.

MEPP 10-year Plan Summary (Unaudited) as at December 31, 2012

($ thousands)

	2012	2011	2010	2009	2008	2007^	2006	2005	2004	2003
Change in net assets										
Income										
Investment income (loss)	$340,083	$ 65,849	$ 244,018	$ 307,231	$ (411,196)	$ 65,059	$ 279,150	$ 227,795	$ 163,484	$ 190,938
Contributions	168,082	155,835	144,953	144,721	131,406	114,463	104,003	86,003	66,663	56,297
Total Income	**508,165**	**221,684**	**388,971**	**451,952**	**(279,790)**	**179,522**	**383,153**	**313,798**	**230,147**	**247,235**
Expenditures										
Benefits paid	144,849	131,841	122,572	114,834	103,672	93,819	84,937	76,873	68,145	61,296
Refunds to members	8,929	10,311	5,780	6,552	8,405	5,987	4,653	1,900	2,117	1,143
Transfers to (from) other plans	(12,319)	(1,873)	(4,853)	(14,616)	(8,752)	(985)	(322)	(953)	186	170
Additional Government contribution	-	-	-	-	-	(40,000)	-	-	-	-
Investment expenses^	14,032	8,150	7,224	6,805	5,945	5,081	3,958	3,368	3,208	1,930
Member Service expenses	2,180	1,592	1,770	1,527	1,375	1,212	1,207	1,416	1,427	1,363
Total expenditures	**157,671**	**150,021**	**132,493**	**115,102**	**110,645**	**65,114**	**94,433**	**82,604**	**75,083**	**65,902**
Increase (decrease) in net assets	**350,494**	**71,663**	**256,478**	**336,850**	**(390,435)**	**114,408**	**288,720**	**231,194**	**155,064**	**181,333**
Net Assets										
Investments										
Short-term	24,410	20,358	21,085	30,625	8,706	10,780	11,844	11,941	29,865	17,784
Fixed income securities	726,977	712,947	841,567	795,087	665,179	855,975	788,921	741,675	640,618	567,255
Equities										
Canadian	413,627	355,922	367,442	504,419	410,891	551,487	494,753	473,466	449,245	423,513
Global	1,308,803	1,101,023	1,028,848	764,892	-	-	-	-	-	-
United States	-	-	-	-	284,038	318,886	354,435	282,183	249,229	230,224
Non-North American	-	-	-	-	323,824	363,542	374,427	313,927	269,192	255,251
Real Estate	211,335	178,911	144,637	124,121	175,510	173,182	157,730	126,796	83,191	72,912
Alternative Investments	299,603	265,319	160,070	97,254	92,307	78,054	55,875			
Total Investments	**2,984,755**	**2,634,480**	**2,563,649**	**2,316,398**	**1,960,455**	**2,351,906**	**2,237,985**	**1,949,988**	**1,721,340**	**1,566,939**
Contribution and other receivables	2,180	3,323	788	1,154	11,021	9,694	8,988	8,282	5,779	5,215
Liabilities	(585)	(1,947)	(244)	(9,837)	(611)	(300)	(81)	(98)	(141)	(240)
Net Assets available for benefits	**2,986,350**	**2,635,856**	**$2,564,193**	**$2,307,715**	**$1,970,865**	**$2,361,300**	**$2,246,892**	**$1,958,172**	**$1,726,978**	**$1,571,914**
Actuarial value of accrued benefits	3,289,773	3,153,582	2,961,280	2,790,914	2,539,439	2,445,641	2,253,657	2,124,067	1,995,079	1,861,928
Surplus (Deficiency)	**(303,423)**	**(517,726)**	**(397,087)**	**(483,199)**	**(568,574)**	**(84,341)**	**(6,765)**	**(165,895)**	**(268,101)**	**(290,014)**
Funded Ratio (%)	91	84	87	83	78	97	100	92	87	84
Performance (%)										
Long-term Investment return for funding goal	6.50	6.50	6.50	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Rate of return-nominal^^^^^	12.00	2.10	10.2	15.0	(17.6)	2.7	14.0	13.1	10.2	13.7
Benchmark^^^^^	9.80	1.50	10.4	15.1	(14.4)	2.6	13.2	11.9	10.0	12.8
Consumer Price Index (Canada)	0.80	2.90	2.0	1.0	2.0	2.4	1.6	2.2	2.1	2.0
Real rate of return	11.20	(0.80)	8.1	14.0	(19.8)	0.3	12.4	10.9	8.1	11.7
Interest Rates (%)										
Bank of Canada	1.00	1.00	1.00	0.25	1.75	4.25	4.25	3.25	2.75	2.75
US Federal Reserve	0.25	0.25	0.25	0.25	0.50	4.25	5.25	4.25	2.25	1.00
Market Indices (%)										
S&P/TSX ($Cdn)	7.20	(8.70)	17.6	35.1	(33.0)	9.8	17.3	24.1	14.5	26.8
S&P 1500 ($Cdn)^^	13.60	4.00	10.6	8.8	(21.6)	(10.6)	15.3	1.6	3.3	5.3
MSCI EAFE ($Cdn)	14.80	(10.20)	2.4	12.6	(29.8)	(5.7)	26.0	10.0	12.0	13.3
DEX Universe Bond Index^^^	3.60	9.70	6.7	5.4	6.4	3.7	4.1	6.5	7.1	6.7
Participants ^^^^										
Active members	5,287	5,215	5,036	5,452	5,244	4,868	4,654	4,447	4,206	4,029
Inactive members	1,067	998	946	631	675	733	789	756	731	770
Retirees	3,900	3,636	3,384	3,112	2,905	2,684	2,446	2,211	2,016	1,837
Total	**10,254**	**9,849**	**9,366**	**9,195**	**8,824**	**8,285**	**7,889**	**7,414**	**6,953**	**6,636**
Contribution Rates (%)										
Employees	11.16	11.16	10.50	10.50	10.50	10.50	10.50	10.50	9.50	9.50
Employers	19.14	19.14	18.00	18.00	18.00	18.00	18.00	18.00	13.10	13.10
Annual COLA pension adjustment	1.20	0.60	0.06	2.16	2.94	2.16	1.20	0.78	3.42	1.02

^ Comparative figures have been restated to be consistent with 2007 presentation.

^^ S&P 500 for 2005 and prior years.

^^^ Scotia Capital Fixed Income Indices for 2006 and prior years.

^^^^ Participant counts may differ from the actuarial valuation results due to timing differences and treatment of inactive member accounts.

^^^^^ The overall actual return for 2010 has been increased from 10.1 per cent to 10.2 per cent and the overall benchmark return was decreased from 10.5 per cent to 10.4 per cent resulting from an increase in estimated 2009 actual returns for private equities (-2.7 per cent to -0.2 per cent) and infrastructure (2.1 per cent to 3.0 per cent).