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Annual Report
for the year ended March 31, 2012

Table of Contents

Introduction

The Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plans (referred to collectively as "the Plan" or "the Judges Pension 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. The Plan incorporates the pension recommendations arising from the 1998, 2000, 2006 and 2009 Judicial Compensation Commissions.

The registered part of the Plan provides benefits up to the maximum allowed for registered pension plans under federal tax rules. The unregistered part of the Plan provides benefits in excess of those limits.

The Plan replaced the Provincial Judges and Masters in Chambers Pension Plan which was established September 1, 1988. Prior to September 1988, judges and masters in chambers were contributing members of the Public Service Management Pension Plan.

Actuarial valuations of the Plan are conducted at least every three years. The Plan is financed by contributions *from participants and the Government of Alberta ("the Province")* as well as investment earnings.

The Provincial Judges and Masters in Chambers (Registered) Pension Plan Fund was established to fund the registered part of the Plan, and the Retirement Compensation Arrangement (RCA) Fund and Reserve Fund have been established to fund the unregistered part of the Plan.

The President of Treasury Board and Minister of Finance (referred to as "the Minister") is the legal trustee for the Plan, and the Ministry of Treasury Board and Finance ("the Ministry") is responsible for management of the Plan. On behalf of the Minister, Alberta Pensions Services Corporation (APS) is responsible for the Plan administration. Investment of the funds is managed by Alberta Investment Management Corporation (AIMCo). The Plan is audited annually by the Auditor General of Alberta.

Established in 2002, the Judges' Pension Plan Advisory Committee provides advice to the Minister on administration of the Plan. The Judges' Pension Plans Investment Committee was formed in 2007 and its mandate is to oversee investment of the Plan's funds and to approve the investment policies for the funds.

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 Queens' Bench Act* and the *Interpretation Act*.

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 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 Plan Fund has been established to fund the Plan. It is financed by contributions from participants and the Province. From April 1, 2000 onward, the contribution rate to the Plan for participants is seven 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, 2012 is 14.65 per cent of capped salary. In addition, annual payments by government of $1,004,800 are made in order to amortize the unfunded liability in the Plan over 15 years. This contribution rate change was previously approved by the Minister as per the recommendations from 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, 2012 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 President of Treasury Board and Minister of Finance 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* - $124,722 for 2010; $127,611 for 2011) 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 President of Treasury Board and Minister of Finance per the recommendations of the December 31, 2008 Actuarial Valuation.

Together, the Registered Plan and Unregistered Plan provide a pension based on two 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 three 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. Judges who retired before April 1998 do not receive the suppplemental benefit.

As of March 31, 2012, the Registered Plan had 127 active participants, five inactive participants and 131 pensioners and beneficiaries. As of March 31, 2012, the Unregistered Plan comprised 127 active participants, three inactive participants and 115 pensioners and beneficiaries.

Judges' Pension Plan Committees

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

The Advisory Committee provides advice to the President of Treasury Board and Minister of Finance on administration of the Plan.

The Judges' Pension Plan Investment Committee was established in 2007. The Committee consists of three representatives: two members from Alberta Treasury Board and Finance and one member from the Alberta Justice and Solicitor General. 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, 2012:

Active Participants at March 31, 2012	**Contributions Received In the Year Ended March 31, 2012**			**Year Ended March 31, 2011**
	Province ($ thousands)	Participants ($ thousands)	Total ($ thousands)	Total ($ thousands)
127	3,461	1,174	4,635	5,416

Unregistered Plan

The schedule below summarizes contributions to the RCA Fund as well as the Reserve Fund for the year ended March 31, 2012:

	Contributions Received In the Year Ended March 31, 2012			**Year Ended March 31, 2011**
	Province ($ thousands)	Participants ($ thousands)	Total ($ thousands)	Total ($ thousands)
RCA Fund	1,785	1,801	3,586	1,680
Reserve Fund	9,008	N/A	9,008	5,824

Pension Benefits

During the year ended March 31, 2012, pension benefits paid from the Registered Plan totalled $6,805,000 to 131 pensioners, pension partners and beneficiaries (2011: $6,454,000 to 125 pensioners, pension partners and beneficiaries). Pension benefits paid from the Unregistered Plan totalled $3,695,000 to 115 pensioners, pension partners and beneficiaries (2011: $3,121,000 to 109 pensioners, pension partners and beneficiaries).

Ten new pensions (including spousal pensions) were granted in each Plan, and two pensioner and/or beneficiaries passed away during the year.

The schedule below categorizes the pensions in effect at March 31, 2012:

Dollar Value Per Month $	**Number of Pensions**	
	Registered Plan	Unregistered Plan
Advances*	0	0
1 to 999	3	34
1,000 to 1,999	19	16
2,000 to 2,999	20	9
3,000 to 3,999	25	14
4,000 and over	64	40
	131	115

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

On January 1, 2012, a Cost-of-Living Adjustment (COLA) was granted to those pensioners and beneficiaries in receipt of a pension for one year or more. COLA is calculated at 60 per cent of the increase in the *Alberta Consumer Price Index* (*ACPI*) for Judges who retired before April 1, 2009 and was 1.2 per cent. If a Judge retired after March 31, 2009, their COLA is calculated at 100 per cent and was 2.0 per cent.

Actuarial Valuation

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, 2012 by the current actuary, Aon Hewitt. The estimated accrued liability of the Registered Plan at March 31, 2012 is $103.6 million compared to $94.0 million a year earlier. The net assets available for benefits at March 31, 2012 are $102.8 million (2011: $99.2 million), producing an estimated deficit of $0.8 million (2011: $5.2 million surplus).

The Unregistered Plan showed net assets available for benefits (including the reserve fund) of $104.5 million at March 31, 2012 (2011: $91.4 million) and an estimated deficit of approximately

$5.0 million (2011: surplus of $8.2 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, 2012	March 31, 2011
	($ thousands)	
Net assets available for benefits – Registered Plan	$ 102,827	$ 99,210
Net assets available for benefits – Unregistered Plan*	104,453	91,425
	207,280	190,635
Accrued benefits – Registered Plan	103,599	94,047
Accrued benefits – Unregistered Plan	109,433	83,218
	213,032	177,265
Excess (deficiency) of aggregate assets over aggregate accrued benefits	($ 5,752)	$13,370

* Includes due from Reserve Fund for 2012: $96,094 (2011: $82,848)

Administration

Administration of the Registered and Unregistered Plans is performed by APS. Administration expenses, for the year ended March 31, 2012 were $95,000 (2011: $99,000) for the Registered Plan and $78,000 (2011: $80,000) for the Unregistered Plan.

Investments – Registered Plan

Investment Performance

Positive stock market fundamentals, including healthy corporate profits and low price-to-earnings ratios, helped propel global equity markets into positive territory in the second half of fiscal 2011-12. Strong gains in equities in the second half of the year more than offset losses in the first half stemming from the European sovereign debt crisis and downgrades in credit ratings of numerous countries including the U.S. Overall, the Plan's equity investments earned 1.5 per cent this year. The Plan had strong returns from its diversified investments in interest-bearing securities and real estate. In 2011-12, real estate investments gained 23 per cent and interest-bearing securities gained 8.9 per cent.

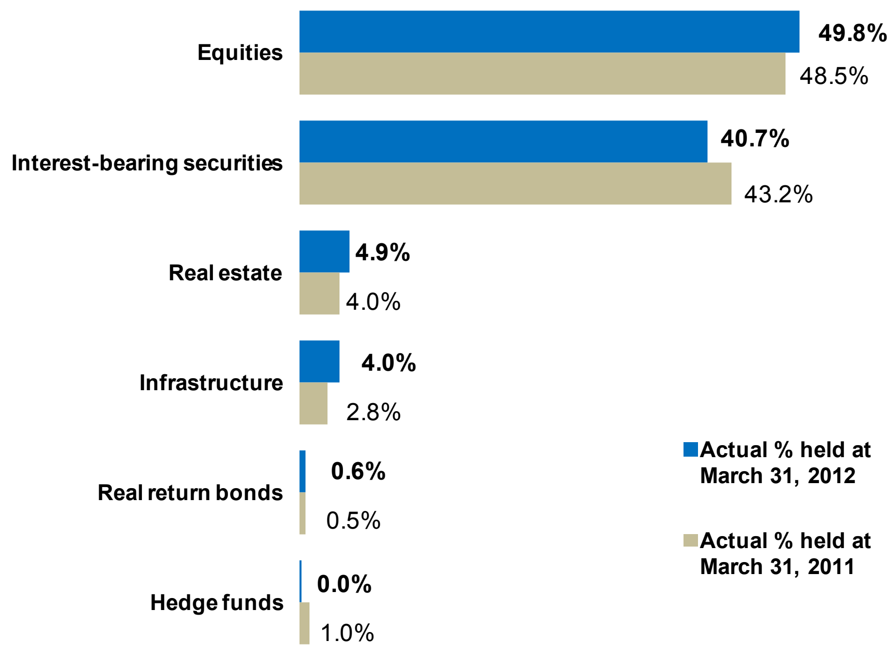
Over the long-term, Alberta Treasury Board and Finance estimates that the plan requires an investment rate of return of 5.7 per cent per annum. Over the past 18 years the Registered Plan's investment return has averaged 7.1 per cent per annum.

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

					Average Annualized Returns		
	2011-12	2010-11	2009-10	2008-09	4 Years	8 Years	18 Years
Overall Actual Return	6.1	9.7	20.2	(17.7)	3.6	5.6	7.1
Policy Benchmark	5.3	9.4	16.3	(13.0)	3.9	5.6	7.0
Value Added (lost)	0.8	0.3	3.9	(4.7)	(0.3)	0.0	0.1

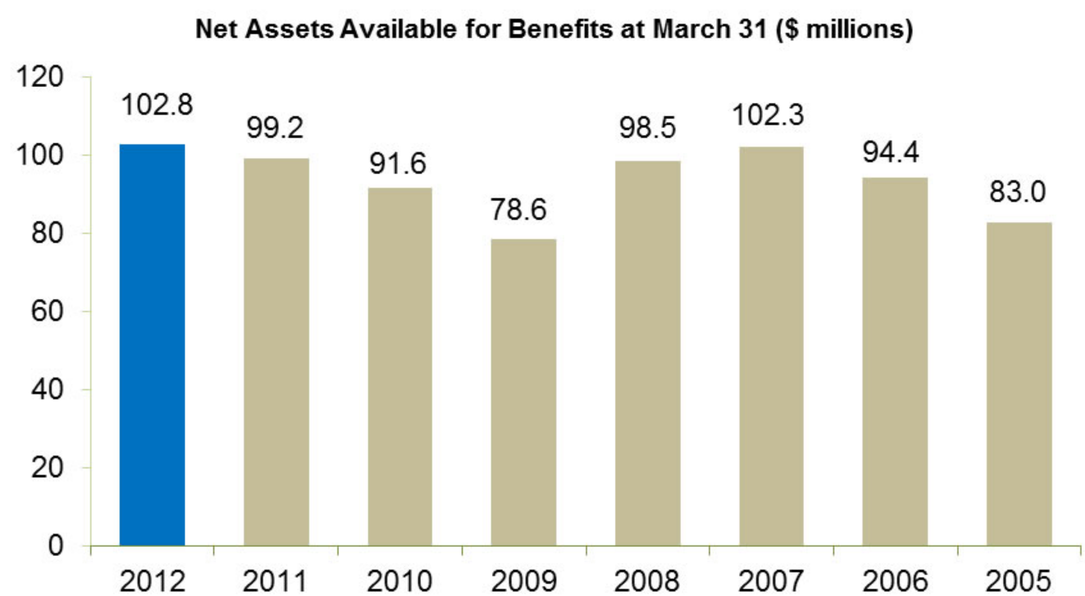
Asset Allocation

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, 2012 to the actual asset mix held at March 31, 2011. During the year, the Plan transferred its investments in hedge funds to its global equity portfolio. Increases in real estate, infrastructure, real return bonds and equities were offset by a decrease in interest-bearing securities, and hedge funds.



Change in Net Assets

At March 31, 2012 net assets available to pay benefits in the Registered Plan totalled $102.8 million, up $3.6 million or 3.6 per cent from $99.2 million at March 31, 2011. The increase includes investment income, net of fees, of $5.9 million offset by an excess of benefits paid over contributions received of $2.3 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.

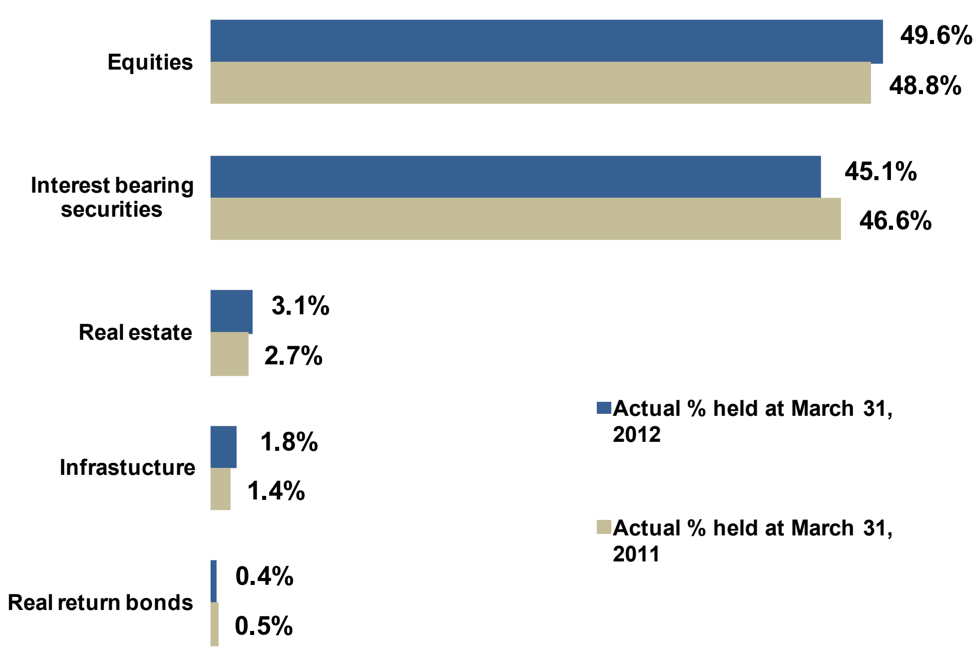
Additionally, due to the tax treatment of the Unregistered Plan, contributions to and investment income from the RCA Plan are not large enough to provide for all expected future benefit payments. As a result, the Government of Alberta established a regulated Reserve Fund, which is administered by the Minister of Finance. 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 4.8 per cent compared to the policy benchmark gain of 4.2 per cent, resulting in a gain from investment management of 0.6 per cent. Over the long term, Alberta Treasury Board and Finance estimates the Unregistered Plan requires a long-term annualized investment rate of return of 5.50 per cent per annum until 2016 and a 5.70 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, 2012 against the actual asset mix at March 31, 2011. Increases in equities, real estate and infrastructure were offset by decreases in interest bearing securities and real return bonds.



Net Assets Available for Benefits

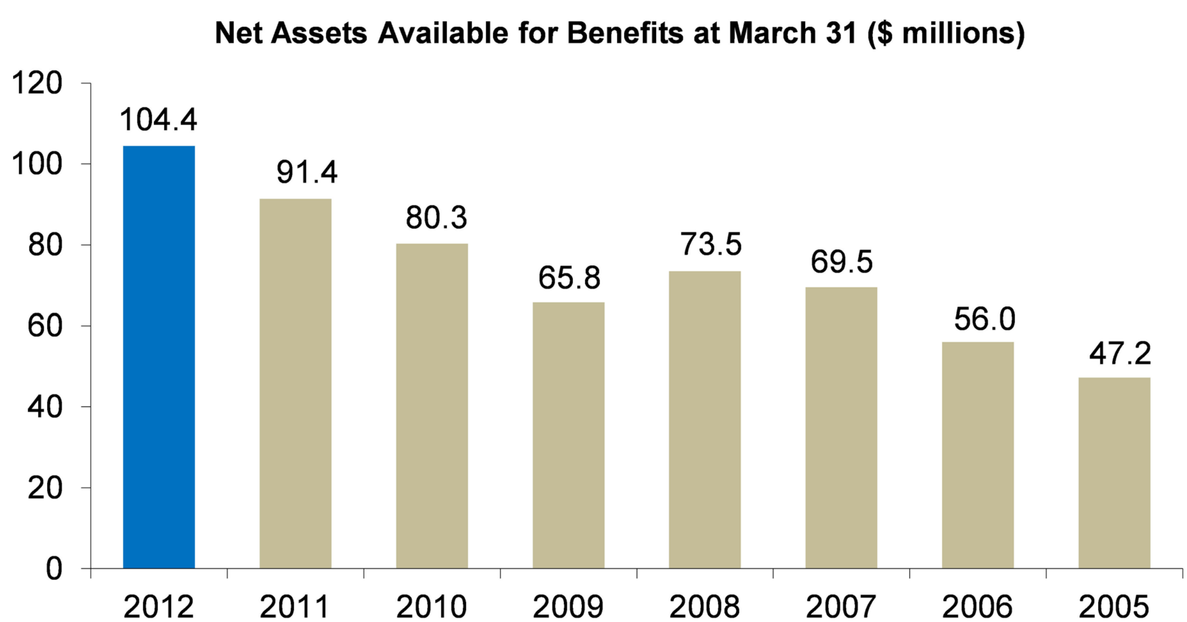
The table below summarizes the composition of the Unregistered Plan at March 31, 2012.

(in millions)

	Reserve Fund	RCA Fund	Total
Interest bearing securities	**$40.6**	**$0.6**	**$41.2**
Deposits and short-term securities	10.3	0.6	10.9
Bonds and mortgages	30.3	0.0	30.3
Equities	**45.3**	**0.0**	**45.3**
Canadian equities	14.6	0.0	14.6
Foreign equities	30.7	0.0	30.7
Inflation sensitive	**4.8**	**0.0**	**4.8**
Real estate	2.8	0.0	2.8
Infrastucture	1.6	0.0	1.6
Real return bonds	0.4	0.0	0.4
Total investments	**90.7**	**0.6**	**91.3**
Accounts receivable	5.6	1.8	7.4
Accounts payable, net	(0.2)	(0.1)	(0.3)
Income tax refundable	0.0	6.0	6.0
Net assets	**$96.1**	**$8.3**	**$104.4**

Change in Net Assets

At March 31, 2012, net assets available to pay benefits in the Unregistered Plan totalled $104.4 million, up $13.0 million or 14.2 per cent from $91.4 million at March 31, 2011. The increase includes investment income of $4.2 million, net of investment expenses, and contributions in excess of benefits paid of $8.8 million.



PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Judges and Masters in Chambers (Registered) Pension Plan, which comprise the statements of financial position as at March 31, 2012 and 2011, and the statements of changes in net assets available for benefits and changes in pension obligation for the years 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 audits. I conducted my audits 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 audits 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 Provincial Judges and Masters in Chambers (Registered) Pension Plan as at March 31, 2012 and 2011, and changes in net assets available for benefits and changes in pension obligation for the years then ended in accordance with Canadian accounting standards for pension plans.

Original Signed by Merwan N. Saher, FCA

Auditor General

June 8, 2012

Edmonton, Alberta

Statements of Financial Position

As at March 31

	($ thousands) 2012	2011
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 102,218	$ 99,244
Receivable from sale of investments	1,100	-
Contributions receivable		
Employer	45	-
Employee	93	-
GST receivable	29	14
Total assets	103,485	99,258
Liabilities		
Liabilities for investment purchases	622	-
Accounts payable	36	48
Total Liabilities	658	48
Net assets available for benefits	$ 102,827	$ 99,210
Pension obligation and (deficit) surplus		
Pension Obligation (Note 5)	103,599	94,047
(Deficit) Surplus (Note 6)	(772)	5,163
Pension obligation and (deficit) surplus	$ 102,827	$ 99,210

The accompanying notes are part of these financial statements.

Statements of Changes in Net Assets Available for Benefits

Year ended March 31

	2012 ($ thousands)	2011 ($ thousands)
Increase in assets		
Contributions (Note 7)	$ 4,635	$ 5,416
Investment income (Note 8)	6,276	9,029
	10,911	14,445
Decrease in assets		
Benefit payments (Note 10)	6,805	6,454
Investment expenses (Note 11)	394	260
Administrative expenses (Note 12)	95	99
	7,294	6,813
Increase in net assets	3,617	7,632
Net assets available for benefits at beginning of year	99,210	91,578
Net assets available for benefits at end of year	$ 102,827	$ 99,210

The accompanying notes are part of these financial statements.

Statements of Changes in Pension Obligation

Year ended March 31

	2012 ($ thousands)	2011 ($ thousands)
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 5,748	$ 5,784
Benefits earned	3,587	3,428
Net increase due to actuarial assumption changes	3,890	846
Impact of Judicial Compensation Commission	3,225	-
	16,450	10,058
Decrease in pension obligation		
Benefits, transfers and interest	6,805	6,454
Net experience gains	93	2,855
	6,898	9,309
Net increase in pension obligation	9,552	749
Pension obligation at beginning of year	94,047	93,298
Pension obligation at end of year (Note 5)	$ 103,599	$ 94,047

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Plan is a summary only. 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 15 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 15.

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 is the legal trustee for the Plan and Alberta Finance 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, 2012 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. Together the Plan and Unregistered Plan provide a pension based on 2 percent of a member's highest average salary for years of pensionable service before April 1, 1998; 2.67 percent of a member's highest average for years of pensionable service between April 1, 1998 to March 21, 2000 and 3 percent of a member's highest average salary for years of pensionable service after March 31, 2000. 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 who terminated after March 31, 1998 are entitled to an unreduced pension on service after 1991 and before April 1,1998 if they have 5 years of service and have attained the age of 55 years with the sum of his or her age and judicial service amounting to at least 80 years, or has attained the age of 60 years.

Members are entitled to an unreduced pension on service after March 31,1998 if they retire with at least 5 years of service and have attained the 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 for persons who terminated before April 1, 2009. For persons who terminated after March 31, 2009, pensions payable are increased each year on January 1st by an amount equal to 100% 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 for pension plans. 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 Accounting Standards Board (AcSB) issued revised Canadian accounting standards for pension plans. The Plan adopted the new standards under the Canadian Institute of Chartered Accountants (CICA) Section 4600 on April 1, 2011 on a retrospective basis. There is no impact on the net assets available for benefits, the pension obligation, or plan deficits with the implementation of this new section. Additional disclosures have been made to derivative financial instruments (Note 3k) and investment risk management (Note 4) in accordance with IFRS 7, Financial Instruments, and to contributions (Note 7) and benefit payments (Note 10).

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 pool participants and to value purchases and sales of pool units. Pooled investment funds include financial instruments (including derivatives), investment receivables and liabilities, and cash.

b) VALUATION OF ASSETS AND LIABILITIES

Investments in units of pooled investment funds are recorded in the financial statements at fair value. 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 6th business day following the year end. Differences in valuation estimates provided to Alberta 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 year.

The fair value of the units is based on the fair value of the underlying investments in the pooled investment funds. 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.

The methods used by AIMCo to determine the fair value of investments held by pooled investment funds is 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.

v) The fair value of Absolute Return Strategy Pool investments is estimated by external managers.

For private investments and absolute return strategies, 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.

c) INVESTMENT TRANSACTIONS, INCOME RECOGNITION AND TRANSACTION COSTS

Investment income and expenses are recognized on an 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. Administrative expenses are recorded on an accrual basis.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or liability. Transaction costs are expensed, and include fees and commissions paid to agents, advisors and brokers.

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 3k) include equity index swaps, interest rate swaps, forward foreign exchange contracts, futures contracts, credit default swaps, cross-currency interest rate swaps, swap option contracts and warrants and rights. 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 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 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.

vi) Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask price quoted by an independent securities valuation company.

f) VALUE 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.

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 pension obligation 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 pension obligation, 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 pension obligation 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 pension obligation 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.

h) 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

	($ thousands)			
	2012		2011	
	Fair Value	%	Fair Value	%
Interest bearing securities				
Deposits and short-term securities [(a)]	$ 377	0.4	$ 1,648	1.7
Bonds and mortgages [(b)]	41,229	40.3	41,158	41.5
	41,606	40.7	42,806	43.2
Public equities				
Canadian [(c)]	15,610	15.3	13,132	13.2
Global developed [(d)]	34,725	34.0	34,821	35.1
Emerging markets [(e)]	573	0.6	248	0.2
	50,908	49.8	48,201	48.5
Alternative investments and hedge funds				
Absolute return strategy hedge funds [(f)]	-	-	963	1.0
Real estate [(g)]	5,013	4.9	3,937	4.0
Real return bonds [(h)]	595	0.6	511	0.5
Infrastructure and private debt and loans [(i)]	4,096	4.0	2,826	2.8
	9,704	9.5	8,237	8.3
Total investments [(j)(k)]	**$ 102,218**	**100.00**	**$ 99,244**	**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 Judges' Pension Plans Investment Committee. The Plan invests in units of 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 Plan, 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 $377 (2011: $1,562) and short-term securities of nil (2011: $86). Terms to maturity and market yield at March 31, 2012 are reported in Note 4c.

b) Investments in bond and mortgage pooled funds include policy allocations to universe bonds totalling $37,392 (2011: $37,106) and mortgages totalling $3,837 (2011: $4,052). 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. Terms to maturity and market yield at March 31, 2012 are reported in Note 4c.

c) Canadian public equity pooled funds include 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 pooled funds invest in directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), emerging markets and Canada. The pooled funds also have indirect exposure to global developed markets and emerging markets through investments 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 pooled fund's global portfolio includes investments in North American concentrated equities (5 to 20 per cent share of mid-sized North American Companies) and hedge funds.

e) Emerging market pooled funds 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) During the year, assets from the Absolute Return Strategies hedge fund pool were moved into the global equities asset class.

g) Real estate investments are held in Canadian (89%) and foreign (11%) real estate pooled funds. Real estate is held primarily 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.

h) The Plan holds units of a pooled fund which invests in inflation sensitive real return bonds. This pooled fund is primarily made up of bonds that are issued or guaranteed by the Government of Canada, and bear interest at a fixed rate adjusted for inflation. Terms to maturity and market yield at March 31, 2012 are reported in Note 4c.

i) Pooled funds invest in infrastructure partnerships totalling $3,658 (2011: $2,669) and private debt and loans totalling $438 (2011: $157). Infrastructure partnerships 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). Private debt and loan investments are in Canada, the United States and Europe. The debt will generally be unrated and if rated would be non-investment grade (i.e., BB or lower). These investments may include senior secured loans, leveraged loans, mezzanine debt and convertible debt.

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, infrastructure and private debt investments. For these investments trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable data. Reasonably possible alternative assumptions could yield different fair value measures. As a result, a significant range of measurement uncertainty exists in the valuation of Level 3 investments.

	($ thousands)			
Investment:	**Level One**	**Level Two**	**Level Three ***	**Total**
Interest bearing securities	$ -	$ 37,769	$ 3,837	$ 41,606
Public equities	33,358	13,700	3,850	50,908
Alternative investments and hedge funds	-	595	9,109	9,704
2012 - Total Amount	**$ 33,358**	**$ 52,064**	**$ 16,796**	**$ 102,218**
- Percent	**33%**	**51%**	**16%**	**100%**
2011 - Total Amount	$ 31,779	$ 52,955	$ 14,510	$ 99,244
- Percent	32%	53%	15%	100%
Increase (decrease) during the year	**$ 1,579**	**$ (891)**	**$ 2,286**	**$ 2,974**

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

	($ thousands)	
	2012	**2011**
Balance, beginning of year	$ 14,510	$ 12,347
Investment income	2,045	1,363
Purchases of Level 3 pooled fund units	5,052	2,909
Sale of Level 3 pooled fund units	(4,811)	(2,109)
Balance, end of year	**$ 16,796**	**$ 14,510**

k) Included in the fair value of the Plan's investments in various pooled funds, 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, 2012, the net fair value of derivative related investments, including deposits in futures contracts margin accounts totalled $938, or 0.9% (2011: $929 or 0.9%) 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, 2012:

	2012					2011	
	Maturity						
($ thousands)	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]	95	5	-	$ 46,600	$ 894	$ 51,211	$ 174
Interest rate derivatives [d]	59	22	19	22,257	220	20,335	231
Foreign currency derivatives [e]	100	-	-	17,546	(45)	37,528	102
Credit risk derivatives [f]	33	18	49	22,812	(281)	23,208	(215)
Derivative related receivables, net					788		292
Deposits in futures margin accounts					139		637
Deposits as collateral for derivative contracts					11		-
Net derivative related investments					$ 938		$ 929

Net derivative related receivables of $788 are comprised of net receivables from counterparties of $1,430 and net payables to counterparties of $642. The current credit exposure is represented by the amount of net receivables from counterparties. Cash flows associated with receivables and payables on derivative contracts is generally settled every three months.

[a] The notional amounts upon which payments are based are not indicative of the credit risk associated with derivative contracts.

[b] The method of determining 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 basket 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.

At March 31, 2012, the value of equity replication derivatives includes amounts related to counterparties that are public service pension plans and Government of Alberta endowment funds managed by AIMCo. The net fair value of these contracts totalled ($34).

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 Judges' Pension Plans Investment 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 3k).

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	50
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

a) 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 value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of the Plan's investments in debt securities are with counterparties considered to be investment grade.

The Plan is exposed to credit risk associated with the underlying debt securities held in pooled investment funds managed by AIMCo. The following table summarizes the Plan's investment in debt securities by counterparty credit rating at March 31, 2012:

Credit rating	Fair Value
Investment Grade (AAA to BBB-)	93%
Speculative Grade (BB+ or lower)	0%
Unrated	7%
	100%

The Plan's maximum credit risk in respect of derivative financial instruments is the fair value of all derivative-related receivables from counterparties (see Note 3k). 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.

To generate additional income, the Plan participates in a securities-lending program. Under this program, the custodian may lend investments held in pooled funds to eligible third parties for short periods. Securities borrowers are required to provide 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 pooled investment funds 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 32% of the Plan's investments, or $32 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (17%) and the Euro (4%).

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 3.2% (2011: 4.1%) of total investments.

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

	($ millions)	
	2012	
Currency	**Fair Value**	**Sensitivity**
U.S. dollar	$ 18	$ (1.8)
Euro	4	(0.4)
Japanese yen	3	(0.3)
British pound	3	(0.3)
Australian dollar	1	(0.1)
Swiss franc	1	(0.1)
Other foreign currencies	2	(0.2)
Total foreign currency investments	$ 32	$ (3.2)

c) INTEREST RATE RISK

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in pooled investment funds 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 to the Plan would be approximately 2.6% (2011: 2.3%) of total investments.

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

Asset Class	< 1 year	1 - 5 years	Over 5 years	Average Effective Market Yield
Deposits and short term securities	91%	9%	0%	1.3%
Bonds and mortgages	4%	44%	52%	4.6%
Real return bonds	12%	1%	87%	0.5%

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 pooled investment funds managed by AIMCo. The Plan's investments are recorded at fair value on the statements of financial position. 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 5.2% (2011: 4.2%) of total investments. Changes in fair value of investments are recognized in the statements 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 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 3k).

NOTE 5 PENSION OBLIGATION

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, 2012 by the current actuary, Aon Hewitt.

The actuarial assumptions used in determining the value of the pension obligation of $103,599 (2011: $94,047) 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 the salary escalation rate. The discount rate is based on the average from a consistent modeled investment rate of 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	5.70	6.10
Inflation rate	2.25	2.25
Salary escalation rate	3.50	3.50

An actuarial valuation of the Plan as at December 31, 2011 will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2013.

Judicial Compensation Commission

The Judicial Compensation Commission Regulation is constituted in the *Alberta Provincial Judges and Masters in Chambers Compensation Commission Regulation*. An Order-in Council, issuing a Judicial Compensation Order as required under the regulation, was signed December 15, 2011. Pursuant to that Order, the Commission's recommendations for salary increases and enhancement to the Plan's cost of living indexing were approved. This impact was included in the actuarial extrapolation of March 31, 2012.

NET EXPERIENCE GAINS

Net experience gains of $93 (2011: $2,855) arose from differences between the actuarial assumptions used in the 2008 valuation and 2012 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, 2012:

	Sensitivities		
	Changes in Assumptions %	Decrease in Plan Surplus *($ millions)*	Increase in Current Service Cost*
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0%	7.1	2.6%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0%	0.0	0.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	11.6	4.7%

* As a % of capped pensionable earnings

NOTE 6 (DEFICIT) SURPLUS

	($ thousands) 2012	2011
Surplus (deficit) at beginning of year	$ 5,163	$ (1,720)
Increase in net assets available for benefits	3,617	7,632
Net increase in pension obligation	9,552	749
(Deficit) surplus at end of year	$ (772)	$ 5,163

NOTE 7 CONTRIBUTIONS

	($ thousands) 2012	2011
Current service		
Employer	$ 2,456	$ 2,068
Employees	1,174	1,088
Province of Alberta	1,005	2,260
	$ 4,635	$ 5,416

NOTE 8 INVESTMENT INCOME

Investment income is comprised of income earned from investments in units of pooled funds which are created and managed by AIMCo.

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

	($ thousands)	
	2012	**2011**
Interest-bearing securities	$ 3,719	$ 2,634
Canadian equities	(848)	2,450
Foreign equities	2,003	3,122
Absolute return strategies	68	143
Real estate	950	421
Real return bonds	84	49
Infrastructure and private debt and loans	300	210
	$ 6,276	**$ 9,029**

NOTE 9 INVESTMENT PERFORMANCE (NET OF INVESTMENT EXPENSES)

Estimated investment returns (net of fees) as shown below are provided for supplementary information purposes. The determination of the estimated return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. The estimated return includes gains and losses which have not been realized. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

	2012	2011 (restated) [d]	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Eighteen-Year Compound Annualized Return
Time-weighted rates of return [a]			*in percent*		
Estimated return	**6.1**	**9.7**	**3.6**	**5.6**	**7.1**
Estimated policy benchmark return [b]	*5.3*	*9.4*	*3.9*	*5.6*	*7.0*
Value added (lost) by investment manager	0.8	0.3	(0.3)	0.0	0.1
Expected value added [c]	0.5	0.5	0.5	0.5	0.5

(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 are provided by AIMCo. The overall return and benchmark is based on investment returns and benchmarks for each asset class. 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.

(c) In the *SIP&G*, the Judges Pension Plans Investment Committee expects that the investments held by the Plan will return approximately 50 basis points, or 0.5%, above the policy benchmark over 4-year rolling time periods.

(d) The benchmark returns reported for 2011 have been restated to conform with changes made by AIMCo subsequent to the completion of the 2011 financial statements. As a result, the benchmark return changed from 9.3% to 9.4%

NOTE 10 BENEFIT PAYMENTS

	($ thousands) 2012	2011
Retirement benefits	$6,362	$6,082
Termination benefits	35	-
Death benefits	408	372
	$ 6,805	$ 6,454

NOTE 11 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 the Plan and its share of expenses through pool investment funds.

Investment services provided by AIMCo 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.

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

Investment expenses are provided below:

	($ thousands) 2012	2011
Interest-bearing securities	$ 51	$ 32
Canadian equities	22	12
Foreign equities	150	81
Absolute return strategies	10	9
Real estate	19	16
Infrastructure and private debt and loans	29	27
Plan Investment expenses	113	83
Total investment expenses	$ 394	$ 260
Average fair value of investments	$ 100,731	$ 95,199
Percent of investments at average fair value	0.39%	0.27%
Investment expenses per member	$ 1,498	$ 977

NOTE 12 ADMINISTRATIVE EXPENSES

	($ thousands)	
	2012	2011
General administration costs	$ 85	$ 81
Board costs	4	1
Actuarial fees	6	17
	95	99
Member service expenses per member	$ 361	$ 371

Administrative expenses are paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

NOTE 13 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 11 and administrative expenses per Note 12 are $489 (2011: $358) or $1,859 (2011: $1,348) per member and 0.48% (2011: 0.36%) of net assets under administration.

NOTE 14 CAPITAL

The Plan defines its capital as the funded status. In accordance with the *Employment 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, including the use of derivatives and leverage are based on the Plan's *SIP&G* as approved by the Judges Pension Plan's Investment Committee. The asset mix and risk policies and procedures are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk.

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, additional contributions are payable by the Government of Alberta 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 15 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION 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, 2012 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, 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 financial position for the Unregistered Plan as at March 31, 2012 and changes in net assets available for benefits and changes in pension obligation for the year then ended is as follows:

Statements of Financial Position

	($ thousands) 2012	2011
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents	$ 638	$ 2,086
Income tax refundable	5,994	6,491
Contributions receivable		
Employer	910	$ -
Employee	924	$ -
Due from Reserve Fund (a)	96,094	82,848
Total Assets	104,560	91,425
Liabilities		
Accounts payable	107	-
Total Liabilities	107	-
Net assets available for benefits	104,453	91,425
Pension obligation and deficit		
Pension obligation	109,433	83,218
(Deficit) surplus	(4,980)	8,207
Pension obligation and deficit	$ 104,453	$ 91,425

a) Contributions from the Province of Alberta as determined by the Minister of Finance 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.

Statements of Changes in Net Assets Available for Benefits

	($ thousands) 2012	2011
Increase in assets		
Current and optional service		
Employer	$ 1,785	$ 840
Employee	$ 1,801	840
Increase in due from Reserve Fund	13,246	12,613
Investment loss	(31)	(25)
	16,801	14,268
Decrease in assets		
Pension benefits and refunds	3,695	3,121
Administration costs	78	80
	3,773	3,201
Increase in net assets	13,028	11,067
Net assets at beginning of year	91,425	80,358
Net assets at end of year	$ 104,453	$ 91,425

Statements of Changes in Pension Obligation

	($ thousands) 2012	2011
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 4,761	$ 4,736
Benefits earned	5,202	5,849
Net increase due to actuarial assumption changes	2,210	542
Impact of Judicial Compensation Commission	17,779	-
	29,952	11,127
Decrease in pension obligation		
Benefits, transfers and interest	3,695	3,121
Net experience gains (Note 5b)	42	6,614
	3,737	9,735
Net increase in pension obligation	26,215	1,392
Pension obligation at beginning of year	83,218	81,826
Pension obligation at end of year (Note 5)	$ 109,433	$ 83,218

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, 2012 by the current actuary, Aon Hewitt.

The major assumptions used in the actuarial extrapolation to March 31, 2012, 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 5.7% 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, 2012 financial statements of the Reserve Fund are available in the Alberta Finance 2012 Annual Report.

NOTE 16 COMPARATIVE FIGURES

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

NOTE 17 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 Judges' Pension Plan Advisory Committee.

SCHEDULE OF THE PROVINCIAL JUDGES AND MASTER IN CHAMBERS (REGISTERED) PENSION PLAN (THE PLAN) AND THE PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN (UNREGISTERED PLAN)

The following Schedule is provided for illustrative purposes only. The Provincial Judges and Masters in Chambers (Registered) Pension Plan and the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan are independent entities 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.

	($ thousands)	
	March 31, 2012	March 31, 2011
Net assets available for benefits - Registered Plan	$ 102,827	$ 99,210
Net assets available for benefits - Unregistered Plan *	104,453	91,425
	207,280	190,635
Pension Obligation - Registered Plan	103,599	94,047
Pension Obligation - Unregistered Plan	109,433	83,218
	213,032	177,265
Excess (deficiency) of aggregate assets over aggregate accrued benefits	$ (5,752)	$ 13,370

* Includes due from Reserve Fund for 2012 $96,094 (2011: $82,848)