

Other Information

Audited Information

Alberta Teachers' Retirement Fund Board

Teachers' Pension Plan and
Private School Teachers' Pension Plan

Financial Statements
August 31, 2007

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Pension
Benefits and Deficiency

Statement of Changes in Net Assets Available for Benefits

Statement of Changes in Accrued Pension Benefits

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Auditor's Report

To the Alberta Teachers' Retirement Fund Board

I have audited the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficiency of the Alberta Teachers' Retirement Fund Board (the "Board") as at August 31, 2007 and the Statements of Changes in Net Assets Available for Benefits and Changes in Accrued Pension Benefits for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Pension Benefits and Deficiency of the Board as at August 31, 2007 and the Changes in Net Assets Available for Benefits, and Changes in Accrued Pension Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
November 15, 2007

*[original signed by
Fred J. Dunn, FCA]*
Auditor General

*The official version of this Report of the Auditor General,
and the information the Report covers, is in printed form.*

Alberta Teachers' Retirement Fund Board Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficiency

As at August 31, 2007

	(in thousands)	
	2007	2006
Assets		
Cash	\$ 1,753	\$ 853
Investments (Note 4)	4,297,362	3,733,441
Receivables (Note 5)	26,144	24,963
Capital assets (Note 6)	513	715
	<u>4,325,772</u>	<u>3,759,972</u>
Liabilities		
Accounts payable (Note 7)	<u>17,856</u>	<u>9,563</u>
Net assets available for benefits	4,307,916	3,750,409
Actuarial Value of Accrued Pension Benefits	11,316,191	10,702,244
Deficiency (Note 11)	<u>\$ 7,008,275</u>	<u>\$ 6,951,835</u>

The accompanying notes are part of these financial statements.

Alberta Teachers' Retirement Fund Board Statement of Changes In Net Assets Available for Benefits

For the Year Ended August 31, 2007

	(in thousands)	
	2007	2006
Increase in Net Assets		
Investment earnings (Note 8)	\$ 440,269	\$ 258,703
Contributions (Note 9)		
Teachers	278,515	267,306
Province of Alberta	343,741	327,186
Employers	737	603
Past service purchases	3,644	3,118
Transfers from other plans	5,766	5,461
	<u>632,403</u>	<u>603,674</u>
Total increase in net assets	<u>1,072,672</u>	<u>862,377</u>
Decrease in Net Assets		
Pension benefits	465,339	425,021
Termination benefits	28,374	20,337
Transfers to other plans	3,154	2,302
Administrative expenses (Note 10)	18,298	11,480
	<u>515,165</u>	<u>459,140</u>
Total decrease in net assets	<u>515,165</u>	<u>459,140</u>
Change in Net Assets for the Year	557,507	403,237
Net Assets Available for Benefits at Beginning of Year	<u>3,750,409</u>	<u>3,347,172</u>
Net Assets Available for Benefits at End of Year	<u>\$ 4,307,916</u>	<u>\$ 3,750,409</u>

Alberta Teachers' Retirement Fund Board Statement of Changes in Accrued Pension Benefits

For the Year Ended August 31, 2007

	(in thousands)	
	2007	2006
Accrued Pension Benefits at Beginning of the Year	\$ 10,702,244	\$ 10,285,480
Increase (Decrease) in Accrued Pension Benefits		
Interest on accrued benefits	771,047	740,979
Benefits accrued	330,357	310,144
Changes in actuarial demographic assumptions	-	(49,990)
Experience gains	-	(145,288)
	1,101,404	855,845
Decrease in Accrued Pension Benefits		
Benefits paid	(487,457)	(439,081)
Accrued Pension Benefits at End of Year	\$ 11,316,191	\$ 10,702,244

Alberta Teachers' Retirement Fund Board

Notes to the Financial Statements

August 31, 2007

NOTE 1 AUTHORITY AND NATURE OF OPERATIONS

The Alberta Teachers' Retirement Fund Board, a Provincial corporation, is the trustee and administrator of the Teachers' Pension Plan and the Private School Teachers' Pension Plan (the "Plans"). The Alberta Teachers' Retirement Fund Board operates under the authority of the *Teachers' Pension Plans Act*, Chapter T-1, RSA 2000.

The Plans are Registered Pension Plans as defined in the *Income Tax Act* and are not subject to income taxes. The income tax registration number is 0359125.

NOTE 2 DESCRIPTION OF THE PENSION PLANS

The following description of the Plans is a summary only.

a) General

The Plans are contributory defined-benefit pension plans for the teachers of Alberta.

b) Guarantee

The payment of all benefits for service prior to September 1, 1992 under the Teachers' Pension Plan is guaranteed by the Province of Alberta (the "Province").

c) Funding

The determination of the value of the benefits and the required contributions for the Plans is made on the basis of periodic actuarial valuations (Note 11).

All teachers under contract with school jurisdictions and charter schools in Alberta are required to contribute to the Teachers' Pension Plan. Current service costs and related deficiencies are funded by equal contributions from the Province and the teachers. An additional 10 per cent cost-of-living adjustment for service earned after 1992, as described in Note 2(i), is funded entirely by the teachers.

The unfunded liability for service credited prior to September 1, 1992 is being funded by additional contributions in the proportions of 67.35 per cent by the Province and 32.65 per cent by the teachers over the period ending August 31, 2060. The Province agreed to pay 100 per cent of these additional contributions relating to the period September to December 2007.

Certain public colleges and other designated organizations in Alberta also participate in the Teachers' Pension Plan under the same funding arrangements, except these organizations make the employer contributions rather than the Province.

Certain private schools participate in the Private School Teachers' Pension Plan. Plan costs are funded by contributions from the employers and the teachers.

NOTE 2 DESCRIPTION OF THE PENSION PLANS (CONTINUED)

d) Retirement Pensions

Retirement pensions are based on the number of years of pensionable service and the highest consecutive five-year average salary. Pensions are payable to teachers who retire after completion of at least five years of pensionable service, with certain restrictions, and who have attained age 65. Unreduced pensions are also payable to teachers who have reached at least age 55 and the sum of their age and service equals 85. With certain restrictions, reduced early retirement pensions are payable to teachers who retire on or after age 55 with a minimum of five years of pensionable service.

e) Disability Benefits

Teachers who are disabled after August 31, 1992 are credited with pensionable service while disabled. Teachers do not contribute to the Plans while disabled.

f) Termination Benefits

Refunds or commuted value transfers are available when a teacher ceases employment.

g) Death Benefits

Death benefits are available upon the death of a teacher and may be available upon the death of a pensioner. The benefit may take the form of a lump sum payment or a survivor pension.

h) Other Provisions

Purchase of past service and reinstatement of refunded service is allowed on a basis that is cost neutral to the Plans.

i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60 per cent of the increase in the Alberta Consumer Price Index. The portion of pension earned after 1992 is increased by an additional 10 per cent of the increase in the Alberta Consumer Price Index.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) Basis of Presentation

The financial statements are prepared on a going-concern basis in accordance with Canadian generally accepted accounting principles and present the aggregate financial position of the Plans. The statements disclose the net assets available to meet future benefit payments, and are prepared to assist participants and others in reviewing the activities of the Plans for the fiscal year.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (CONTINUED)

b) Investments

Investments are recorded as of the trade date and are stated at fair value. The methods used to determine year-end fair value are explained in the following paragraphs.

- Money-market securities are recorded at cost which approximates fair value.
- The fair value of publicly traded securities is based on market prices quoted by independent suppliers of securities related data.
- The fair value of non-publicly traded equity investments reflects cash outlays adjusted by periodic third party valuations and fees charged by general partners.
- The fair value of real estate and oil and gas properties not publicly traded, is based on estimates as determined by management in conjunction with industry specialists.

Premiums and discounts arising on acquisitions are amortized using the effective interest rate method and included in investment earnings. Changes in fair value subsequent to acquisition are included in investment earnings (Note 8).

c) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars at rates of exchange prevailing at the dates of the transactions. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Gains or losses resulting from exchange differences are included in the determination of the change in fair value of investments.

d) Derivative Financial Instruments

Forward foreign exchange contracts are valued based on quoted market prices. Gains or losses on forward foreign exchange contracts are recognized with changes in market value, and are included in the determination of current year change in fair value of investments.

e) Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives. Amortization is calculated using the straight-line method at the following annual rates:

Furniture and equipment	10-25%
Computer hardware and software	20-33.3%

Software under development is not amortized until implemented.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (CONTINUED)

f) Measurement Uncertainty

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Measurement uncertainty exists in the calculation of the Plans' actuarial value of accrued benefits. Uncertainty arises because the Plans' actual experience may differ significantly from assumptions used in the calculation of the Plans' accrued benefits.

Measurement uncertainty exists in the valuation of the Plans' private investments as values may differ significantly from the values that would have been used had a ready market existed for these investments.

NOTE 4 INVESTMENTS

	(in thousands)			
	2007		2006	
	Fair Value	Cost	Fair Value	Cost
Fixed Income and Cash				
Cash	\$ 67,285	\$ 67,285	\$ 68,340	\$ 68,340
Money-market securities	145,189	145,189	67,135	67,135
Bonds and debentures	501,727	501,034	488,746	472,176
	<u>714,201</u>	<u>713,508</u>	<u>624,221</u>	<u>607,651</u>
Equities				
Publicly traded equities				
Canadian	1,246,221	891,217	1,119,000	803,121
Global	2,283,133	2,122,403	1,967,675	1,883,277
Non-publicly traded equities	53,807	52,461	22,545	23,578
	<u>3,583,161</u>	<u>3,066,081</u>	<u>3,109,220</u>	<u>2,709,976</u>
	<u>\$ 4,297,362</u>	<u>\$ 3,779,589</u>	<u>\$ 3,733,441</u>	<u>\$ 3,317,627</u>

a) Interest Rate Risk

Interest rate risk relates to the impact of interest rate changes on the Plans' cash flows and financial position. This risk arises from differences in the timing and amount of cash flows related to the Plans' assets and liabilities.

As at August 31, 2007 a 1% increase in nominal interest rates would result in a decline in the fair value of Fixed Income investments of 4.6% (2006: 5.7%).

NOTE 4 INVESTMENTS (CONTINUED)

a) Interest Rate Risk (continued)

Based on fair values at August 31, 2007 Fixed Income investments have the following average effective yields and term structures:

	(in thousands of dollars)						
	2007					2006	
	Terms of Maturity			Total	Average Effective Yield	Total	Average Effective Yield
Within 1 Year	1 to 5 Years	Over 5 Years					
Money-market securities	145,189	-	-	145,189	4.87%	67,135	4.28%
Bonds and debentures	21,450	182,952	297,325	501,727	4.97%	488,746	5.09%

b) Credit Risk

Credit risk arises from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

The Plans limit their credit risk by dealing with counter parties that are considered to be of high quality, setting and monitoring compliance with portfolio guidelines, diversification and obtaining collateral where appropriate.

The Plans record all investments at fair value. Consequently, investment values reflected in Note 4 of these financial statements represent the maximum credit risk exposure of the Plans as at August 31, 2007.

c) Currency Risk

Currency risk arises from the Plans' holding of equities that are denominated in foreign currencies. A portion of the currency exposure may be hedged by foreign currency forwards. Foreign currency forwards are contractual obligations either to buy or sell a specified amount of foreign currencies at predetermined future dates and exchange rates.

NOTE 4 INVESTMENTS (CONTINUED)

c) Currency Risk (continued)

The Plans' foreign currency exposure is as follows:

	(in thousands)			
	2007		2006	
	Foreign Currency Exposure	Foreign Currency Hedge	Net Foreign Currency Exposure	Net Foreign Currency Exposure
United States	\$ 1,091,149	\$ 28,703	\$ 1,062,446	\$ 1,020,834
Euro	435,974	6,568	429,406	320,216
United Kingdom	199,442	-	199,442	134,325
Japan	208,850	-	208,850	161,582
Switzerland	133,157	3,363	129,794	132,256
Australia	26,818	-	26,818	40,353
Other	205,088	-	205,088	131,653
	<u>\$ 2,300,478</u>	<u>\$ 38,634</u>	<u>\$ 2,261,844</u>	<u>\$ 1,941,219</u>

Foreign currency exposure includes \$17,345,000 (2006: \$33,698,000) in cash.

NOTE 5 RECEIVABLES

	(in thousands)	
	2007	2006
Accrued income	\$ 12,050	\$ 12,297
Contributions - teachers	13,701	12,535
Other	393	131
	<u>\$ 26,144</u>	<u>\$ 24,963</u>

NOTE 6 CAPITAL ASSETS

	(in thousands)			
	2007			2006
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 409	\$ 376	\$ 33	\$ 19
Computer hardware and software	4,566	4,086	480	696
	<u>\$ 4,975</u>	<u>\$ 4,462</u>	<u>\$ 513</u>	<u>\$ 715</u>

NOTE 7 ACCOUNTS PAYABLE

	(in thousands)	
	2007	2006
Tax withholdings	\$ 6,093	\$ 5,416
Contributions - Province of Alberta	7,310	552
Investment transactions	2,896	1,385
Miscellaneous	1,557	2,210
	<u>\$ 17,856</u>	<u>\$ 9,563</u>

NOTE 8 INVESTMENT EARNINGS

	(in thousands)	
	2007	2006
Interest and dividend income		
Cash and money-market securities	\$ 6,458	\$ 6,634
Bonds and debentures	23,349	30,859
Publicly traded equities		
Canadian	24,626	19,275
Global	55,362	58,165
Non-publicly traded equities	561	170
	<u>110,356</u>	<u>115,103</u>
Realized net gain on disposal of investments	228,118	205,520
Unrealized net gain (loss) on investments	101,795	(61,920)
	<u>\$ 440,269</u>	<u>\$ 258,703</u>

NOTE 9 CONTRIBUTIONS

	(in thousands)	
	2007	2006
Teachers		
Current service	\$ 159,834	\$ 153,335
Current service additional 10% COLA	10,504	10,076
Post-August 1992 deficiency	33,196	31,882
Pre-September 1992 unfunded liability	74,981	72,013
	<u>278,515</u>	<u>267,306</u>
Province of Alberta		
Current service	158,667	151,026
Post-August 1992 deficiency	31,039	29,544
Pre-September 1992 unfunded liability	154,035	146,616
	<u>343,741</u>	<u>327,186</u>
Employers		
Current service	674	549
Post-August 1992 deficiency	11	9
Pre-September 1992 unfunded liability	52	45
	<u>737</u>	<u>603</u>
Past services purchases	<u>3,644</u>	<u>3,118</u>
Transfers from other plans	5,766	5,461
	<u>\$ 632,403</u>	<u>\$ 603,674</u>

NOTE 10 ADMINISTRATIVE EXPENSES

	(in thousands)		
	2007		2006
	Budget	Actual	Actual
External investment management fees	\$ 10,935	\$ 11,674	\$ 4,973
Salaries and benefits (Note 13)	4,139	3,595	3,768
Custodial and banking charges	696	1,020	735
Premises and equipment	785	781	783
Communications	670	536	519
External professional services	615	508	549
Board and Investment Committee	65	62	59
Audit fees	60	60	55
Other	30	62	39
	<u>\$ 17,995</u>	<u>\$ 18,298</u>	<u>\$ 11,480</u>

NOTE 11 OBLIGATIONS FOR BENEFITS

a) Extrapolations and Assumptions

Actuarial valuations of the Plans were done as at August 31, 2006. Extrapolations were prepared for reporting purposes as at August 31, 2007. The present value of accrued benefits was determined using the projected benefit method prorated on service. The assumptions used in the valuations and extrapolations are based on management's best estimate of future events.

The major long-term economic assumptions used in the 2007 actuarial extrapolations and the 2006 valuations are:

	<u>2007</u>	<u>2006</u>
Rate of return on invested assets	7.25%	7.25%
Rate of inflation	3.00%	3.00%
Real wage increases	1.00%	1.00%
Teacher population growth	0.25%	0.25%

Future experience will differ from those assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future actuarial valuations.

b) Sensitivity of Changes in Major Assumptions

As at August 31, 2007 a 0.25% decrease in population growth rate under the Teachers' Pension Plan, holding all other assumptions constant, would increase the amount of contributions required to fund the unfunded liability attributable to service credited prior to September 1992 by 0.50% of total teacher salaries. No change would occur to the value of accrued pension benefits. The amount of contributions required to fund the deficiency attributable to service credited after August 1992 would increase by 0.04% of total teacher salaries.

As at August 31, 2007 a 0.50% decrease in the rate of return on invested assets and in the real rate of return under the Teachers' Pension Plan, holding all other assumptions constant, would:

- i) increase current service costs by 1.50% of total teacher salaries
- ii) decrease the additional contributions for the unfunded liability attributable to service credited prior to September 1992 by 0.43% of total teacher salaries
- iii) increase the additional contributions for the deficiency attributable to service credited after August 1992 by 1.44% of total teacher salaries
- iv) increase the accrued pension benefits by approximately \$796 million.

c) Results Based on Extrapolations

The extrapolation for the Teachers' Pension Plan to August 31, 2007 determined an unfunded liability of \$6.592 billion, attributable to service credited prior to September 1992 and a \$419 million deficiency attributable to service after August 1992. The unfunded liability and deficiency are being funded as described in Note 2c.

The extrapolation for the Private School Teachers' Pension Plan to August 31, 2007 determined a surplus of \$2.555 million.

NOTE 11 OBLIGATIONS FOR BENEFITS (CONTINUED)

c) Results Based on Extrapolations (continued)

	(in thousands)				
	2007				2006
	Teachers' Pension Plan		Private		Total
	Pre-Sept. 1992	Post-Aug. 1992	Teachers' Pension Plan	Total	
Net assets (liabilities)					Total
at beginning of year	\$ (543,326)	\$ 4,264,356	\$ 29,379	\$ 3,750,409	\$ 3,347,172
Net contributions	224,551	374,949	1,375	600,875	581,035
Benefits	(360,189)	(103,957)	(1,193)	(465,339)	(425,021)
Investment earnings	-	436,830	3,439	440,269	258,703
Administrative expenses	-	(18,158)	(140)	(18,298)	(11,480)
Net assets (liabilities)	(678,964)	4,954,020	32,860	4,307,916	3,750,409
Interest on net liabilities	(45,209)	45,209	-	-	-
Actuarial value of accrued benefits	(5,867,827)	(5,418,059)	(30,305)	(11,316,191)	(10,702,244)
(Deficiency)/surplus	\$ (6,592,000)	\$ (418,830)	\$ 2,555	\$ (7,008,275)	\$ (6,951,835)

d) Post-fund Receivable from Pre-fund

The net assets available for benefits related to the Teachers' Pension Plan are segregated into pre-September 1992 and post-August 1992 funds. All disbursements and receipts since September 1992 have been charged or credited to the appropriate fund.

During the 2002/2003 year, assets available to the pre-September 1992 fund were depleted. In accordance with legislation, each month since that time, assets have been advanced from the post-August 1992 fund to the pre-September 1992 fund to enable it to meet its ongoing commitments.

A rate of interest equal to the assumed rate of return on invested assets was used to charge interest on amounts advanced.

	(in thousands)	
	2007	2006
Opening balance	\$ 543,326	\$ 384,033
Advances during the year	135,638	126,196
Interest on advances	45,209	33,097
Receivable from Pre-fund	\$ 724,173	\$ 543,326

NOTE 12 INVESTMENT PERFORMANCE

The following is a summary of the investment performance results:

	One-Year Return	Five-Year Average Annual Compound Rate
Alberta Teachers' Retirement Fund Board	11.7%	10.1%
Benchmark (1)	11.3%	10.0%

(1) The benchmark return is a weighted average of certain market index returns based on the fund's policy asset mix.

The long-term real rate of return assumption is based on management's best estimate of future events. This long-term rate of return target was set at 3.5 per cent over inflation for the year ended August 31, 1993, 4 per cent over inflation for the four years ended August 31, 1997, 4.5 per cent over inflation from September 1, 1997 to August 31, 2004 and then 4.25 per cent from September 1, 2004. Over the fifteen-year period since September 1, 1992 the fund's average annual compound rate of return was 8.8 per cent, compared to the long-term target of 6.9 per cent.

NOTE 13 REMUNERATION AND COMPENSATION

a) Board Member Remuneration

Four Board members, who are employed by the Province of Alberta or by an employer participating in the plans, are not paid fees for Board and committee meetings attended. One Board member received remuneration of \$11,700 (2006: \$10,750) and another Board member received remuneration of \$4,500 (2006: nil). For the year ended August 31, 2007 the Board Chair received remuneration of nil (2006: nil).

b) Compensation

The compensation table provides full disclosure of base salary, annual bonus, change in net present value of the Supplemental Employee Pension Plan (SEPP) and other compensation earned for years ended August 31, 2007, 2006 and 2005 by the Chief Executive Officer, Chief Investment Officer and the three other most highly compensated senior staff. The Board's advisor for compensation purposes is Lim HR Compensation Consulting Inc.

NOTE 13 REMUNERATION AND COMPENSATION (CONTINUED)

b) Compensation (continued)

Name and Principal Position	Year	Base Salary	Annual Bonus ⁽¹⁾	Change in Net Present Value of SEPP ⁽⁶⁾		Other Compensation ⁽²⁾	Total Compensation
				Accrued Benefit	Interest ⁽⁷⁾		
Emilian Groch	2007	\$ 212,000	\$ 56,400	\$ 25,000	\$ 10,500	\$ 30,900	\$ 334,800
Chief Executive Officer	2006	200,000	59,100	98,900 ⁽⁵⁾	-	29,200	387,200
	2005	174,300	50,700	-	-	34,700	259,700
Ken Bancroft	2007	195,000	37,800	16,000	11,300	26,700	286,800
Chief Investment Officer	2006	184,000	57,900	114,400 ⁽⁵⁾	-	25,500	381,800
	2005	160,600	67,000	-	-	28,400	256,000
Derek Brodersen	2007	176,000	5,200	19,400	6,300	20,800	227,700
Portfolio Manager, Equities	2006	165,900	89,900	60,100 ⁽⁵⁾	-	19,300	335,200
	2005	156,100	94,800	-	-	22,900	273,800
Albert Copeland	2007	124,100	18,200	7,400	1,000	36,200 ⁽³⁾	186,900
Director, Information & Technology Services	2006	116,300	16,000	11,200 ⁽⁵⁾	-	30,400 ⁽⁴⁾	173,900
	2005	109,200	15,800	-	-	18,800	143,800
Randy Round	2007	123,800	17,300	2,100	700	21,900	165,800
Director, Financial Services	2006	116,200	14,900	8,100 ⁽⁵⁾	-	20,600	159,800
	2005	106,400	14,200	-	-	18,500	139,100

(1) Management is eligible to receive bonuses based on the achievement of pre-set corporate and investment targets. Bonuses in relation to investment targets are based on a combination of total fund and portfolio performance targets, measured in value added above benchmarks. Performance versus benchmark is measured over five-year and one-year periods.

(2) Other Compensation includes vacation payouts and the employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension (excluding SEPP), health care, dental coverage, vision coverage, group life insurance, long-term disability plan, professional memberships and car allowances.

(3) Other Compensation includes \$14,300 for vacation payout.

(4) Other Compensation includes \$9,800 for vacation payout.

(5) The SEPP was effective September 1, 2005 and replaced an existing supplementary defined contribution plan retroactive to September 1, 1999; 2006 amounts relate to the 2005/2006 year and the prior six years.

(6) Management is eligible to participate in the Local Authorities Pension Plan (LAPP). This plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the Year's Maximum Pensionable Earnings under the Canada Pension Plan and 2.0% on the excess. Benefits under this plan are capped by pensionable salary reached at the maximum pension benefit limit allowed under the federal *Income Tax Act*.

Where earnings are in excess of this capped pensionable salary, a non-registered, unfunded SEPP provides for a pension equal to the pension formula under the LAPP, with no cap applied to pensionable salary, less the initial pension provided under the LAPP. Pensionable salary under the SEPP includes 50% of the annual target-level bonus paid.

NOTE 13 REMUNERATION AND COMPENSATION (CONTINUED)

b) Compensation (continued)

(6) (continued)

The present value of the accrued benefits of the SEPP is estimated based on the projected benefit method prorated on service, incorporating the same assumptions used for the Plans (Note 11 a), and represent entitlements that may change over time. In particular, the present value is based on benefit amounts that have been projected for salary increases to retirement and as of August 31, 2007 the amount, recorded in accounts payable, is \$470,576 (2006: \$363,600). The present value of the accrued benefits, based on the accrued pensionable salary earned to August 31, 2007, that would be paid if all members left employment is \$319,949 (2006: \$233,300).

(7) Pensions under the SEPP will be paid when they come due. Accordingly, no pre-funding occurs. The interest represents the financing cost for establishing the pension expense for the year.

NOTE 14 MEMORANDUM OF AGREEMENT (TENTATIVE)

On November 15, 2007 the Province and The Alberta Teachers' Association announced a tentative memorandum of agreement that would provide for the Province to assume full responsibility for the pre-September 1992 unfunded liability effective September 1, 2009 and to pay the total additional contributions relating to the pre-September 1992 unfunded liability until August 31, 2009. This tentative agreement is subject to a number of ratification steps before it is finalized and, if adopted in its present form, would not have a significant impact on future operations. The agreement may result in future changes to the assumptions described in Note 11 a), the impact of which cannot be determined at this time.

NOTE 15 COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to conform to the 2007 presentation.

NOTE 16 BUDGET INFORMATION

The accrued pension benefits are based on management's best estimates of future events after consultation with the Plans' actuary. Differences between actual results and management's expectations are disclosed as net experience gains in the statement of changes in accrued pension benefits. Accordingly, a budget is not included in these financial statements, with the exception of administrative expenses (Note 10).