2008 Annual Report

Local Authorities Pension Plan

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LAPP is Alberta's largest public sector pension plan.

LAPP was established in 1962 as a defined benefit pension plan for employees of local authorities in Alberta. These include organizations from the health care sector, cities, towns, villages, municipal districts, colleges, school boards and other public sector organizations.

LAPP collects contributions from employers and employees, invests the contributions in equities, bonds, and other investment vehicles, and uses investment income and contributions to pay pension benefits to retirees.

The Minister of Alberta Finance and Enterprise is the legal trustee of the Plan, which is governed by a 14 member Board of Trustees. The Board includes six employee nominees, six employer nominees, and one nominee each from retirees and government.

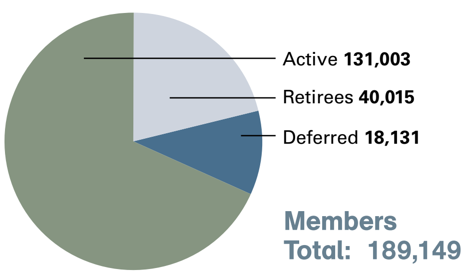
For more information on LAPP visit **www.lapp.ab.ca.**

Highlights

- **Net assets available to provide member benefits (pensions): $13.5 billion, down from $15.6 billion in 2007.**
- **Accrued benefits (liabilities): $17.9 billion, up from $16.8 billion in 2007.**
- **Deficiency: $4.4 billion, up from $1.2 billion in 2007.**
- **Funding status: 75.4%**
- **Total membership: 189,149, up from 179,188 in 2007.**
- **Total number of participating employers: 411**

Membership

December 31, 2008

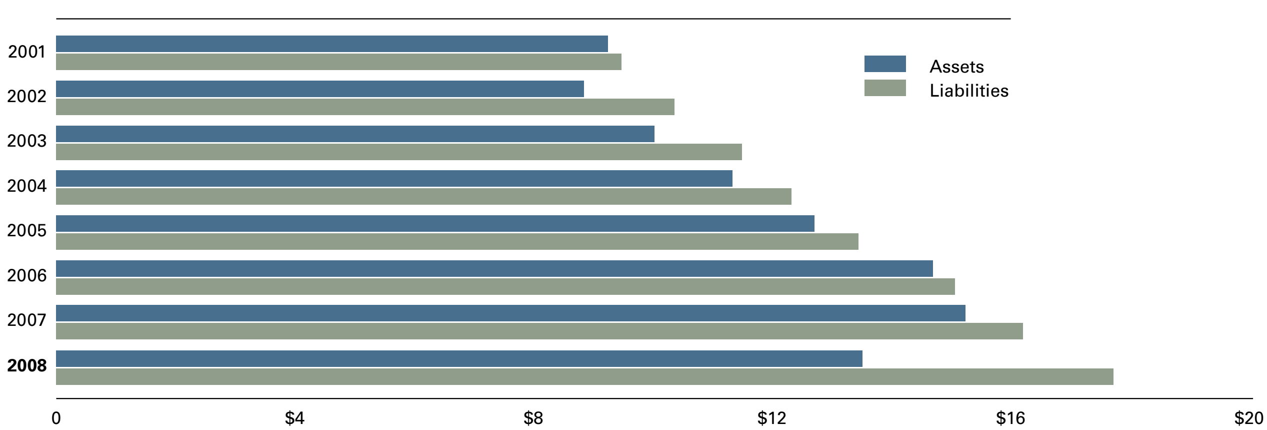


Summary of Net Assets Available for Benefits and Accrued Benefits

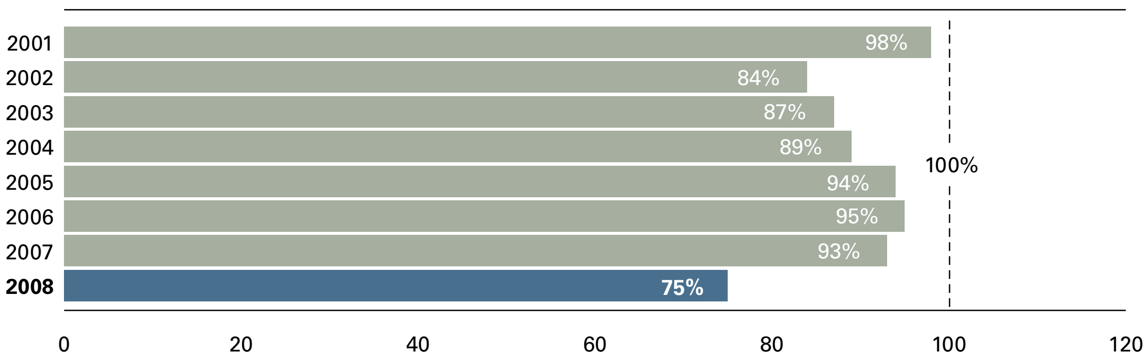
As at December 31, 2008

	2008	2007
	(thousands)	
Net Assets Available for Benefits		
Net assets available for benefits	$ 13,517,229	$ 15,587,866
Accrued Benefits		
Value of accrued benefits	$ 17,931,200	$ 16,771,200
Deficiency	$ (4,413,971)	$ (1,183,334)

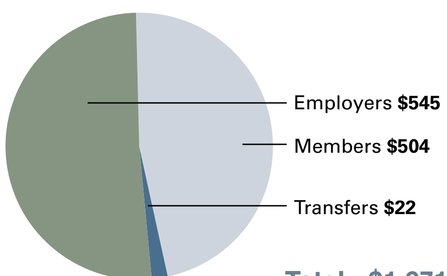
Financial Status ($ billions)



Funding Status (% funded)

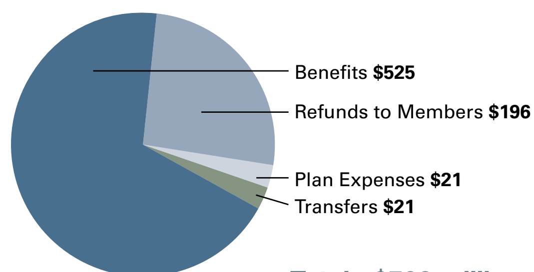


Pension Contributions and Transfers ($ millions)



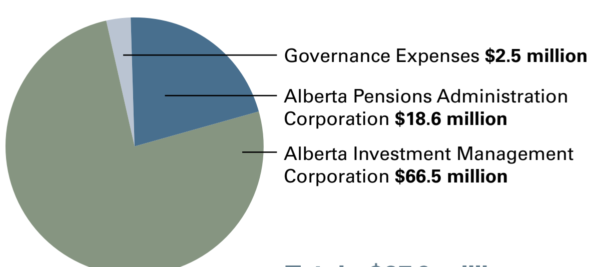
Total: $1,071 million

Pension Payments ($ millions)



Total: $763 million

Plan Expenses



Total: $87.6 million

Administration and Governance Costs - $115 per member

- Alberta Pensions Administration Corporation (APA) costs to administer the Plan – $18.6 million or $101 per LAPP member
- Governance expenses for overseeing the Plan – $2.5 million or $14 per member

Investment Costs - $361 per member

(netted out prior to calculation of investment returns)

- Alberta Investment Management costs to manage the Plan's funds – including external managers: $66.5 million or $361 per member

Based on average membership of 184,169 members

LAPP Board of Trustees

Grant Howell
Chair
Council of Board Chairs, Alberta Association of Public Colleges and Technical Institutes

Tony Olmsted
Vice Chair AU, BOP
United Nurses of Alberta

Ken Balkwill
BOP
Retiree Nominee

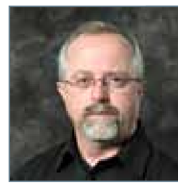
Doug Fischer
AP, BOP
Health Sciences Association of Alberta

Tony Krivoblocki
HR&C
Alberta Federation of Labour

Richard Martin
AU
Management and Out-of-Scope

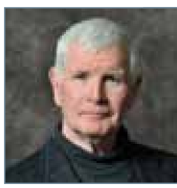
Rod Matheson
AU
Government of Alberta

Bruce McLeod
BOP, HR&C
Alberta Federation of Labour

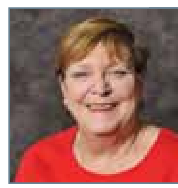


Larry Murray
Alberta Union of Provincial Employees and non-Alberta Federation of Labour unions

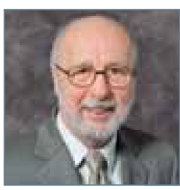
Elaine Noel-Bentley
AU, HR&C
Health Boards of Alberta



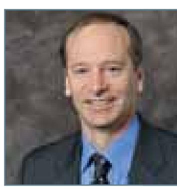
John Ramsey
AU
Health Boards of Alberta



Helen Rice
AP, BOP
Alberta Urban Municipalities Association



George Walker
AP, HR&C
Alberta School Boards Association



John Whaley
AP
Alberta Association of Municipal Districts and Counties

Committee Legend

AP	Appeal Committee
AU	Audit Committee
BOP	Board Operations Committee
HR&C	Human Resources and Compensation Committee

The Board of Trustees says thank you to Trustee Bruce McLeod for his five years of service to the Plan, and to Trustee Aaron Mireau for his three and one-half years of service to the Plan.

LAPP Investments - Examples

Canadian investments

Goldcorp – Goldcorp is one of the world's largest mining companies. Based in Vancouver, the firm employs 11,000 people at 16 mining operations throughout the Americas. Sites include the Red Lake mine in Canada and Penasquito in Mexico.

Althus Group – Althus Group provides real estate consulting and professional advisory services. With a staff of over 1300, Althus Group has a national network of 34 offices in 24 Canadian cities, and offices in the U.S. and the UK.

CCS Corporation – A Canadian success story, CCS operates a number of companies in the well servicing, environmental waste management, scrap metal processing and oilfield waste processing industries. The firm is located in Calgary.

Parkbridge Lifestyle Communities – As an owner, operator and developer of residential and recreational land-lease communities, Parkbridge has 74 different properties located in BC, Alberta, Ontario and Quebec.

International investments

Ceridian – With offices in 45 countries, Ceridian is an international payroll and human resources firm. Based in Bloomington, Minnesota, services include payroll processing, employee benefit administration and corporate health and wellness consulting.

OCBC Bank – OCBC is one of the largest financial institutions in the Singapore – Malaysia market and one of Asia's leading financial services groups. It has 480 branches in 15 countries and territories.

China Mobile – Based in Hong Kong, China Mobile is the largest mobile phone operator in China, and one of the top three in the world. With 415 million customers, it is the largest company registered in Hong Kong.

Thomson Reuters – Powered by the world's most trusted news organization, Thomson Reuters delivers information to decision makers in the financial, legal, tax, accounting, scientific, healthcare and media markets. Headquarters are in New York City.

Tommy Hilfiger – One of the world's leading fashion brands, Tommy Hilfiger Corporation, through its subsidiaries, designs, sources and markets men's and women's sportswear. The corporation is owned by APAX Partners, which is based in London, England.

HIT Entertainment – If you are a parent of young children, you'll be familiar with HIT Entertainment's properties such as Barney the Bear, Thomas and Friends, Bob the Builder and Pingu. HIT is based in London, England.

Puget Sound Energy (PSE) - Washington State's oldest and largest energy utility, PSE serves more than one million electric customers and nearly 750,000 natural gas customers. The company is based in Bellevue, Washington.

Thames Water – Thames Water is the United Kingdom's largest water and waste water utility, serving more than 8.5 million customers in the Greater London area.

Compania Logistica de Hidrocarburos (CLH)
CLH is the owner and operator of a pipeline network and storage infrastructure for refined oil products in Spain. It has a network of 3,835 kilometres of oil pipelines, and 38 storage facilities. The firm also provides distribution of all kinds of aviation fuels and lubricants at airports.

Brussels Airport
The Brussels Airport Company is jointly owned by a consortium of investors (75%) and the Belgian government (25%). In 2008, the airport hosted 18.5 million passengers, an increase from the previous year of 3.6%

Message from the Chair

Grant Howell

By the end of 2008, the world was in the midst of the worst financial crisis in recent memory. Into early 2009, the crisis showed no signs of letting up. Writing a summary of LAPP's performance in 2008 while these financial events continue to unfold is a real challenge – I can tell you how the crisis started, but I cannot tell you how it will all end.

What began with collapsing house prices in the U.S. in 2007 continued with a near collapse of the world's banking system in 2008. Trouble came from all directions - the stock markets, the real estate industry, and a weakened insurance sector. The crisis caused portfolio values to plunge, investment banks to collapse, and a new phrase, "stimulus package", to enter our vocabulary.

In the midst of this troubled economic environment, the LAPP Board of Trustees had a pension plan to run. Because LAPP uses earnings from investments to pay retiree pensions, sitting on the sidelines and watching the carnage was not an option. Rough as it was, we were in the game.

At the end of the year, the combined value of our investments was down and our pension obligations (the money we will eventually pay to retirees) were up. Although our investment portfolio was designed to withstand difficult economic situations, it still took a beating. There was truly no place to hide.

In dollar terms, our investments are worth less today than they were a year ago. But pension plans are long term ventures, and we expect challenging investment regimes to emerge once or twice each decade. Knowing this, our portfolio had a more "defensive" mix of investments than other pension plans in Canada, and came through the year in better shape than most others. LAPP's investment return was -15.1%, compared to the median return for Canada's large pension plans, which was -18.4%.

Looking forward, we do not expect 2009 to be an easy year. The LAPP Board has put a plan in place to address this year's losses, and we will report our progress to you through newsletters and our website. If you'd like even more information, additional ways of contacting us are listed elsewhere in this report.

Thank you to the Board of Trustees and the employees of LAPP, Alberta Investment Management Corporation and Alberta Pensions Administration Corporation for their hard work under challenging and unexpected circumstances. I am heartened by the skill and determination of those who watch over our pension funds.

Original Signed by

Grant Howell
Chair

Message from the CEO

Ron Liteplo

For LAPP, one story dominated all others this year – the loss in value caused by the world wide economic crisis. Call it what you want - a market meltdown, a credit crunch or a financial fiasco - one thing was certain: there was no escaping its devastating effects.

In its nearly fifty year history, LAPP has never seen anything like the turbulence and turmoil of 2008. Although we discuss the causes of the crisis elsewhere in this report, my sense is that members and retirees are more interested in one simple question: is my pension safe?

The answer is yes. Over the course of 2008, the Board watched the unfolding economic crisis with more than just passing interest. Waiting and hoping was just not an option - decisive action was necessary if LAPP was to regain what the markets had taken away. After studying several alternatives in detail, the Board made changes to LAPP's asset mix to help recover the lost value. The road to recovery will be long and challenging, but we have begun the journey.

One of the great benefits of a defined benefit plan (like LAPP) is that a retiree's final pension is based on years of service and salary level, not on stock market gains or losses. So, despite the difficult year, pension payments to LAPP retirees remain as they were before the crisis began – stable, secure, and uninterrupted.

If this crisis has taught us one thing, it is just how valuable a defined benefit pension can be. The reduced value of your own RRSP may result in less money for you at retirement time, but the reduced value of LAPP's investment portfolio has no impact upon your retirement income. LAPP carries the risk; you receive the reward.

Keep a close watch on your LAPP pension this year, and every year thereafter. It is a valuable asset, one that will serve you well for the rest of your life. Further, keep those three words in mind – stable, secure, and uninterrupted – whenever you think of your pension plan.

To the LAPP Board of Trustees and the many employees who work in support of LAPP, thank you for your ongoing efforts. While the year was difficult, it was reassuring to be surrounded by so many people who have the interests of our members and retirees at heart.

Original Signed by

Ron Liteplo
CEO
Alberta Local Authorities Pension Plan Corp.

Management Discussion and Analysis

Financial Report

No matter how you look at it, the news was not good. By the end of the year, turmoil in the world's financial markets caused the value of LAPP's investments to fall from $15.6 billion to $13.5 billion dollars, a reduction of $2.1 billion. To put this in perspective, LAPP's actuarial assumptions anticipated a 6% gain over the year to $16.6 billion, so the Plan is now $3 billion behind where it expected to be. Clearly, some catching up is required.

So what exactly happened? In simple terms, huge losses from the U.S. sub-prime mortgage crisis caused banks around the world to stop lending to each other. When these banks subsequently needed money to pay their own bills and obligations, they were forced to sell off stocks, bonds, and other assets at whatever prices they could get. This wholesale "forced selling" caused prices to drop on markets around the world and LAPP, as an active participant in these markets, got caught in the falling tide.

LAPP's response to the crisis was underway even before the full extent of the damage was known. Early in the year, the Board undertook an Asset/Liability study, to review the overall mix of stocks, bonds, and alternative investments in the LAPP portfolio. The study revealed that the previous mix had been very good to LAPP, and that certain changes could generate higher gains with a similar amount of risk. Not surprisingly, the new mix was endorsed by the Board, and its adoption was a significant first step towards improving the Plan's financial position.

LAPP was also more fortunate than most other pension plans. It had few holdings in the many financial institutions that went bankrupt, and had been reducing exposure to equities in the months leading up to the market meltdown. Still, the loss of an investment dollar is tough to take, even if the circumstances were largely out of the Plan's control.

The Board also took steps to reduce costs in a number of areas. More investment management is now being done in Alberta, instead of in other locations around the world. Further efficiencies were found in the Plan's administration, with every dollar of savings redirected back into investments.

Ryan Gault
LRT repairman
The City of Calgary

Plan Design

While the financial crisis acted like a dark cloud over the year, there were a few bright spots. The Board recommended several changes to the Plan, to remove areas of potential confusion and clarify eligibility requirements. The improvements were inexpensive to implement, and improved access to the plan for many members.

For example, the Board has recommended that part time employees should be able to include more of their hours as "pensionable service". This will especially benefit employees who work more than one part time job with the same employer.

Plan Governance

The Board approved a new three-year strategic plan and a new communication plan. The strategic plan is the Board's most important planning document, as it outlines how LAPP will grow and evolve over the coming years. The plan can be viewed at www.lapp.ab.ca.

To stay current on the many issues facing pension plans today, members of the Board participated in training programs on subjects as diverse as statistics, liability-driven investing, and global vs. regional equities. Informed, educated decision-making continues to be a hallmark of the LAPP Board.

Plan Funding

As mentioned earlier, the most significant operational change was a new asset mix, approved after the Board's detailed examination of the Plan's assets and liabilities. Of near equal importance was the decision to increase contribution rates for 2009, as a direct result of the findings of the annual actuarial valuation. The rate increase was the first for LAPP in four years and, given the difficult investment experience in 2008, a strong possibility exists for an additional contribution rate increase in 2010.

The actuarial valuation is a critical component of every pension plan. A projection of future costs, it estimates how much money the Plan needs to pay each LAPP member's pension for life. As these costs can extend up to 80 years in the future, the valuation's findings are not as precise as the financial numbers contained in this annual report.

All pension plans operate with two sets of numbers – actuarial assumptions, which tell the Plan how much money it will need, and accounting numbers, which tell what the Plan how much it actually has.

Two sets of numbers can occasionally lead to confusion, as the numbers are prepared at different times of the year, under different rules and processes, and provide different kinds of information. So, to make sure both sets were correct, the Board conducted an independent review of the actuarial process this year. Further, the accounting numbers were reviewed by the Auditor General of Alberta.

We are pleased to report that our actuarial valuation process was confirmed as being appropriate, and that the accounting numbers were audited by the Auditor General.

Plan Administration

Our two primary administrative service partners, Alberta Investment Management Corporation (AIMCo) and Alberta Pensions Administration Corporation (APA), both underwent significant organizational changes over the year, in an effort to improve service to stakeholders.

For example, with more LAPP members approaching the age of retirement, APA found its call volumes increasing significantly. New employees were added to the Member Service Centre and an accelerated training program was introduced, in an effort to improve call response times.

LAPP uses the services of CEM Benchmarking, an international pension evaluation firm, to determine if APA and AIMCo are doing efficient, cost-effective work for the Plan. We can again confirm that both of these compare favourably with their peers when it comes to providing investment and administration services at a reasonable cost.

As is our normal practice, both firms will be evaluated again in 2009.

We appreciate the efficiency and improvement efforts of both our partner organizations, and wish them continued success as they implement their changes.

Communications

The Board continued to expand its communication program, to place interesting and relevant information in the hands of stakeholders. Through a new three-year communication strategy, the Board gave the go-ahead to new initiatives like web-based video training, social media and pension plan marketing.

Dawn LaVallee

Bus maintenance
The City of Calgary

Management Discussion and Analysis - Investments

Management Discussion and Analysis – Investments

Alberta Investment Management Corporation (AIMCo) provides the day-to-day investment services for LAPP's investment portfolio.

Market Review

2008 was marked by a deepening global recession, tightening credit markets, a steep decline in commodity prices and a severe decline in world equity markets.

Overall, world equity markets were down significantly in 2008. In Canada, the benchmark Standard & Poors / Toronto Stock Exchange index (S&P/TSX) posted a loss of 33.0%. In the United States, the S&P 500 index declined by 21.9% in Canadian dollars (37.0% in U.S. dollars). Outside of North America, the Morgan Stanley Capital International (MSCI) Europe Australasia Far East (EAFE) Index posted a negative return of 29.8% in Canadian dollars.

The value of the Plan's foreign investment portfolio is exposed to foreign currency risk. The fair value of foreign investments increases when the Canadian dollar weakens against the foreign currency. For example, for every one cent change in the U.S. dollar against the Canadian dollar the fair value of the Plan's U.S. equity portfolio, totaling $1.2 billion, changes by approximately $12 million. At December 31, 2008, one U.S. dollar purchased $1.22 Canadian, compared to 99 cents Canadian at December 31, 2007. Thus in 2008, the decline in U.S. equity returns was softened by the weaker Canadian dollar relative to the U.S. dollar.

The Canadian bond market represented by the DEX Universe Bond Index posted a return of 6.4% in 2008, up from 3.7% in 2007 and 4.1% in 2006. Over eight years, the annualized return from this index was 6.5%.

Long Term Investment Return Expectation

The Plan's actuary assumes a long-term investment return of 6.30% per annum, for funding purposes. This assumes a real rate of return of 3.55% and long-term annual inflation of 2.75%.

By comparison, LAPP's investments lost 15.1% in 2008, down from gains of 4.7% in 2007, 14.0% in 2006 and 14.3% in 2005. Over eight years, the annualized return from the Plan investments was 3.5%.

Asset Mix

LAPP's Board sets the asset mix policy for the Plan. In 2007, the Board changed the classification of investments to better match liability flows and investment horizons. The risk matching category includes assets with predictable cash flows to better match liability flows and reduce asset/liability mismatch risk. Short horizon investments focus on securities which produce value-added returns against benchmarks with short time horizons. Long horizon investments focus on assets that are less liquid and are expected to produce higher returns over longer time horizons.

The table below summarizes the relationship between target policy asset mix and actual asset mix in 2008 and 2007.

Asset Mix (%)

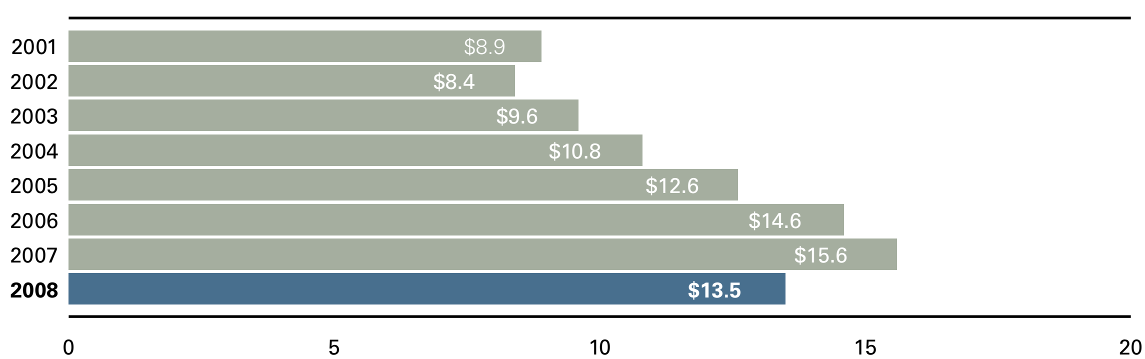
December 31, 2008

	Target Policy Asset Mix %	**Actual 2008 %**	Actual 2007%
Risk Matching			
Cash & Short term	0.5	**2.0**	2.3
Universe Bonds	8.0	**8.0**	8.0
Long-term Bonds	20.0	**19.9**	20.6
Real Return Bonds	5.0	**5.4**	5.0
Private Income	5.0	**3.5**	2.4
Total	38.5	**38.8**	38.3
Short Horizon			
Canadian Equities	15.0	**14.8**	16.7
United States Equities	7.5	**8.6**	10.1
Non-North American Equities	17.0	**17.4**	17.1
Hedge Funds	5.0	**4.1**	4.5
Total	44.5	**44.9**	48.4
Long Horizon			
Real Estate	10.0	**12.1**	10.3
Private Equity	5.0	**3.7**	2.5
Timberland	2.0	**0.5**	0.5
Total	17.0	**16.3**	13.3
Total	100.0	**100.0**	100.0

Illiquid asset classes, such as private equities, private income and timberland investments, are not always readily available for purchase. As a consequence, it will take longer to transition out of equities and into these private investments.

Market Value - Investments

($ Billions)



Investment Results

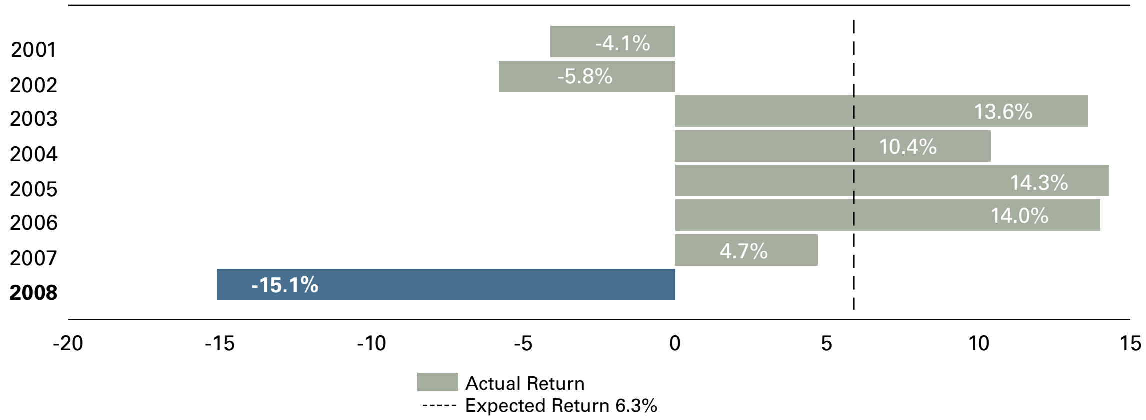
To evaluate performance and measure the value added by our investment managers from their active investment decisions, such as security selection, we compare our actual investment results to our investment policy benchmark. The benchmark return represents what we could reasonably expect to earn without active management if we invested in the market indices in proportion to our policy asset mix approved by the Board. Our investment managers strive to earn more than market returns by over or underweighting specific investments in relation to the indices.

In 2008, the Plan's investment loss of 15.1% was 4.3% more than the investment policy benchmark loss of 10.8%. In other words, the value lost from active management was approximately $675 million in 2008. Over four years and eight years the Plan's investments earned annualized returns of 3.7% and 3.5% respectively compared to the policy benchmark returns of 4.0% and 3.5%.

Compound Annualized Return (%)
Ending December 31, 2008

Years	1	2	3	4	8
Actual Return	(15.1)	(5.7)	0.4	3.7	3.5
Policy Benchmark	(10.8)	(4.3)	1.2	4.0	3.5
Value (Lost) Added	(4.3)	(1.4)	(0.8)	(0.3)	0.0

Annual Returns (%)



Risk Matching Investments

Risk matching investments include cash and short-term investments, bonds and mortgages, long bonds, real return bonds and private income investments. Risk matching investments are used to provide cash flow and adequate liquidity to meet the Plan's financial obligations as well as match some of our liabilities for risk management purposes.

As at December 31, 2008, the Plan had approximately $5.234 billion or 38.8% of its total investments held in risk matching investments compared to $5.983 billion or 38.3% at the beginning of the year.

Risk matching investments are actively managed to generate extra returns over their respective benchmarks.

Overall, risk matching investments earned a return of 1.4% in 2008, 4.1% below the combined benchmark return of 5.5%.

The actual returns from these investments in comparison to the benchmark return are shown below.

Total Risk Matching (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	1.4	5.5	(4.1)
4 Years	5.0	5.7	(0.7)

Cash and Short Term (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	4.2	3.3	0.9
4 Years	4.3	3.6	0.7
8 Years	3.8	3.3	0.5

Bonds and Mortgages (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	3.6	6.4	(2.8)
4 Years	4.5	5.1	(0.6)
8 Years	6.4	6.4	0.0

Long Government Bonds (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(0.8)	6.2	(7.0)
4 Years	4.9	7.0	(2.1)
8 Years	n/a	n/a	n/a

Real Return Bonds (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	0.9	0.4	0.5
4 Years	3.5	3.4	0.1
8 Years	7.3	7.3	0.0

Private Income (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	14.7	8.0	6.7
4 Years	18.2	8.0	10.2
8 Years	n/a	n/a	n/a

Short Horizon Investments

Short horizon investing focuses on trading in investments to produce value-added returns against the benchmark over shorter time horizons.

This asset class represents $6.061 billion or 44.9% of our total investments at December 31, 2008 compared to $7.520 billion or 48.4% at the beginning of the year. Short horizon investments include publicly traded equities in Canada, the U.S. and outside North America, plus hedge funds.

Overall, short horizon investments lost 31.1% in 2008, 4.4% greater than the combined benchmark return of negative 26.7%.

Total Short Horizon (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(31.1)	(26.7)	(4.4)
4 Years	(1.1)	(0.6)	(0.5)

Canadian Public Equities

At December 31, 2008, Canadian equities represented $2.001 billion or 14.8% of our total investments compared to $2.595 billion or 16.7% at the beginning of the year.

Canadian equities are managed through several pooled investment funds, including enhanced index, active mandates and "large" and "small" capitalization companies.

The actual loss from Canadian equity investments in 2008 was 33.7%, 2.1% less than the benchmark loss of 35.8%.

Canadian Public Equities (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(33.7)	(35.8)	2.1
4 Years	1.7	0.1	1.6
8 Years	2.9	1.8	1.1

U.S. Public Equities

At December 31, 2008, U.S. public equities comprised $1.158 billion or 8.6% of the Plan's total investments compared to $1.567 billion or 10.1% at the beginning of the year.

Passive index strategies comprise 14% of the U.S. equity portfolio. Actively managed small-mid cap strategies comprise 46% and valued added strategies comprise 40%.

The Plan's actual loss from U.S. equity investments in 2008 was 26.4%, 4.5% more than the benchmark loss of 21.9% measured in Canadian dollars.

U.S. Public Equities (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(26.4)	(21.9)	(4.5)
4 Years	(4.9)	(4.9)	0.0
8 Years	(5.2)	(5.0)	(0.2)

Non-North American Public Equities

At December 31, 2008, the Plan's non-North American public equity investments totaled $2.344 billion or 17.4% of total investments compared to $2.654 billion or 17.1% at the beginning of the year.

To provide geographic diversification and capture investment opportunities globally, the Plan invests outside of North America, primarily in Europe, Australasia, and the Far East (EAFE), using both active and passive strategies in developed and emerging stock markets.

In 2008, the Plan's actual loss from non-North American equity investments was 32.0%, 2.2% more than the benchmark loss of 29.8%.

Non-North American Public Equities (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(32.0)	(29.8)	(2.2)
4 Years	(1.8)	(2.1)	0.3
8 Years	(2.0)	(2.6)	0.6

Hedge Funds

At December 31, 2008, hedge funds comprised $558 million or 4.1% of the Plan's total investment portfolio compared to $703 million or 4.5% at the beginning of the year. This class of externally managed investments encompasses a wide variety of strategies with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these funds is buying undervalued securities and selling short overvalued securities.

In 2008, hedge funds lost 27.2%, 35.2% under the policy benchmark gain of 8.0%.

Hedge Funds (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(27.2)	8.0	(35.2)
4 Years	(1.7)	8.0	(9.7)
8 Years	n/a	n/a	n/a

Rob Campbell

Lifeguard
City of Edmonton

Management Discussion and Analysis – Investments

Long Horizon Investments

Long horizon investments focus on assets that are less liquid and are expected to produce higher returns over longer time horizons. Long horizon investments include real estate, private equities and timberland.

Overall, long horizon investments lost 0.3% in 2008, 5.2% under the combined benchmark gain of 4.9%.

Total Long Horizon (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(0.3)	4.9	(5.2)
4 Years	16.8	13.7	3.1

Real Estate

As at December 31, 2008, real estate investments comprised $1.634 billion or 12.1% of total investments compared to $1.606 billion or 10.3% at the beginning of the year.

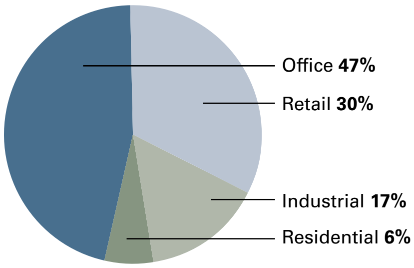
We invest in real estate for diversification and protection from inflation. Our real estate portfolio includes a mix of retail, office, residential and industrial properties. The focus is on quality properties featuring strong locations and tenants.

In 2008, real estate gained 5.4%, 2.3% better than the benchmark gain of 3.1%.

Real Estate (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	5.4	3.1	2.3
4 Years	19.0	14.1	4.9
8 Years	13.7	12.1	1.6

Real Estate



Top Five Real Estate Holdings
as at December 31, 2008

Property	Location	Sector
Yorkdale Shopping Centre	Toronto, Ontario	Retail
Place Ville Marie	Montreal, Quebec	Office
Square One Shopping Centre	Mississauga, Ontario	Retail
Scarborough Town Centre	Toronto, Ontario	Retail
Bow Valley Square	Calgary, Alberta	Office

Private Equities

At December 31, 2008 private equity investments comprised $492 million or 3.7% of the Plan's total investment portfolio compared to $386 million or 2.5% the previous year. Private equities are primarily merchant banking investments, and include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

In 2008, private equities lost 14.6%, 24.6% below the policy benchmark of 10.0%.

Private Equities (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(14.6)	10.0	(24.6)
4 Years	12.3	10.0	2.3
8 Years	n/a	n/a	n/a

Timberland

At December 31, 2008, timberland investments comprised $72 million or 0.5% of the Plan's total investment portfolio, unchanged from the previous year.

Timberland investments are located primarily in Canada with a smaller investment outside of Canada. The Canadian timberland investment includes an interest in a limited partnership which includes forestry land and land held for better use located in British Columbia.

In 2008 the timberland investment lost 8.7%, 14.7% under the benchmark gain of 6.0%.

Timberland (%)

	Actual Return	Benchmark Return	Value Added (Lost)
1 Year	(8.7)	6.0	(14.7)
4 Years	n/a	n/a	n/a
8 Years	n/a	n/a	n/a

Investment Expenses

Investment services provided by AIMCo and external managers 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 and Enterprise provides investment accounting and reporting for the Plan and treasury management services.

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

	2008 ($ millions)	2007 ($ millions)
Total investment expenses	$ 66.5	$ 57.6
Investment expenses as a percentage of net assets	0.49%	0.37%

Management Discussion and Analysis – Investments

Looking Ahead

The global economy enters 2009 in recession. Consumer and industrial activity around the world collapsed in the fourth quarter of 2008 in the wake of the seizure of global credit markets. Consumers continue to be hit by falling housing markets, weak equity markets, and a weak employment situation. Further, the banking sector remains hampered in its ability to extend new credit to consumers or businesses as it repairs its collective balance sheet from the losses of 2007 and 2008.

Given these factors, we expect to see a consumer retrenchment in the United States, with consumers increasing their savings at the expense of consumption expenditure. This bodes ill for the global economy in 2009. The U.S. consumer sector makes up approximately 70% of U.S. Gross Domestic Product (GDP), which in turn makes up approximately 20% of global GDP. U.S. consumer spending has been the driver of global growth for the last several years. With the consumer likely to save more in the period ahead, we expect global growth to be very disappointing through 2009.

To offset this, governments and central banks have been taking stimulative action. While this will take the edge off the downturn in growth, it will not prevent it from coming. At present it is not clear that this is fully factored into corporate profit estimates. We expect profit growth to be disappointing. This, when balanced against equity markets that have seen valuation improvements, suggests a market with elevated volatility and, at best, modest returns. Indeed, we expect all risky asset classes to face challenges this year.

The present environment will create opportunities for capital providers in all asset classes. As both high and low quality assets have been sold off in the current crisis, there are opportunities to pick up underpriced assets at discounted prices. The challenge is to identify those of the highest quality that will be able to endure what is sure to be a very challenging 2009.

Larry Snidal

Armourer
Edmonton Police Service

Management Discussion and Analysis - Benefit Administration

Management Discussion and Analysis - Benefit Administration

Alberta Pensions Administration Corporation (APA) works with LAPP to collect member data and contributions, calculate and pay pension benefits, maintain membership records, provide information to the Board, and communicate pension information to members, pensioners and employers.

To this end, important changes in 2008 included:

- **Information Products.**
  - Updated Welcome Package for new members, with a new welcome letter explaining the value of the Plan in plain language. New members began to receive the enhanced package in late 2008.
  - Updated Pension Options and Pension Estimates Packages for members planning to retire.
  - Updated New Employer Information Package with comprehensive information on joining the Plan.

- **mypensionplan enhancements.** Enhanced the secure mypensionplan site, where members can access their personal pension information. It is now easier to sign up to the site, as there is no registration waiting period, and members can view and change their address information online.

- **Corporate Strategic Planning**. Work continues on the *Five-year Strategic Plan*, which looks to enable better use of available technology and employee expertise to deliver proactive, responsive and client-focused service to members, pensioners, employers and plan governors now and into the future.

Contributions to LAPP

In 2008, total contributions to LAPP were $1,071 million.

	2008 $ millions	**%**	2007 $ millions	%
Employer Contributions	**$ 545**	**51**	$ 476	51
Member Contributions	**504**	**47**	437	47
Transfers from other Plans	**22**	**2**	17	2
TOTAL	**$1,071**		$ 930	

Payments from LAPP

In 2008, total payments from LAPP were $763 million.

	2008 $ millions	**%**	2007 $ millions	%
Pension Benefits	**$ 525**	**69**	$ 467	68
Refunds to Members	**196**	**25**	188	28
Transfers to other Plans	**21**	**3**	8	1
Member Service Expenses*	**21**	**3**	17	3
TOTAL	**$ 763**		$ 680	

* Includes APA operating costs, Board costs and plan-specific costs.

LAPP Members, Pensioners, Employers

LAPP serves 411 employers and a total of 189,149 active and deferred members and pensioners. In 2008, 18,920 people joined LAPP, 2,909 LAPP members retired and 9,207 people terminated from the Plan.

LAPP Expenses

LAPP's per member costs are based on a cost-share formula, which allocates APA's operating costs among the pension plans it serves according to a formula determined by the Minister of Finance and Enterprise.

APA costs allocated to LAPP were $18.6 million in 2008, or $101 per LAPP member, based on average membership of 184,169 members.

Communication and Education Services

LAPP members and employers were provided with a number of tools in 2008 that made it easier for them to understand, manage and access information about their plan.

LAPP members were provided with member annual statements, and given the opportunity to attend information seminars. New members were sent a Welcome Package that included a welcome letter, forms and plan details.

LAPP employers were sent a monthly electronic employer newsletter, *Pension e-news*, which gave them up-to-date and easy access to pension information. *Pension e-guide*, the electronic manual for employers, continued to be a source of online support for employers' administrative issues and was upgraded in 2008 with a "What's New" section.

Plan members and other interested persons visited the LAPP website (www.lapp.ab.ca) in increasing numbers in 2008. Just over 61,250 visits were made to the site in 2008, compared to approximately 53,900 visits in 2007. Members continued to take advantage of the pension estimator function and, through upgrades performed to mypensionplan in 2008, were able to quickly and easily sign up and change their address information.

Please refer to www.apaco.ab.ca for additional information on APA's activities.

Financial Statements December 31, 2008

Management's Responsibility for Financial Reporting

The Local Authorities Pension Plan (Plan) financial statements and financial information in the 2008 Annual Report are the responsibility of the Minister of Finance and Enterprise. Certain of these responsibilities are undertaken on behalf of the Minister of Finance and Enterprise by:

- Alberta Investment Management Corporation (AIMCo), which is only responsible for the management of assets, subject to legislation and to the investment policies and goals approved by the Plan Board;

- Alberta Pensions Administration Corporation (APA), which is only responsible for administration of the Plan under an Administrative Services Agreement with the Minister of Finance and Enterprise; and,

- Alberta Local Authorities Pension Plan (ALAPP) Corp., which is only responsible for Plan strategy and Board support.

The information in the Annual Report has been approved by the Plan Board. The financial statements were approved by the Deputy Minister of Finance and Enterprise, based on information provided by APA, Alberta Local Authorities Pension Plan Corp. and the Plan's actuary, and after consultation with the Plan's Board of Trustees.

The financial statements have been prepared by Alberta Finance and Enterprise in conformity with Canadian generally accepted accounting principles and, of necessity, includes some amounts that are based on estimates and judgments. Financial information presented in the 2008 Annual Report that relates to the operations and financial position of the Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance and Enterprise, AIMCo, APA, and ALAPP each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure. These systems are designed to provide management of these entities with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of the financial statements.

March 27, 2009

Original Signed by

Robert Bhatia
Deputy Minister of Finance and Enterprise

AUDITOR GENERAL Alberta

To the Minister of Finance and Enterprise and The Local Authorities Pension Plan Board of Trustees

I have audited the Statement of Net Assets Available for Benefits and Liability for Accrued Benefits of the Local Authorities Pension Plan as at December 31, 2008 and the Statements of Changes in Net Assets Available for Benefits, Changes in Liability for Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Liability for Accrued Benefits of the Plan as at December 31, 2008 and the Changes in Net Assets Available for Benefits, Changes in Liability for Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by
Fred J. Dunn
FCA
Auditor General

Edmonton, Alberta
March 27, 2009

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

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

As at December 31, 2008

	2008	2007
	($ thousands)	
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	**$ 13,493,066**	$ 15,566,024
Contributions receivable (Note 6)	**41,467**	34,114
Accrued investment income and accounts receivable	**1,767**	2,110
	13,536,300	15,602,248
Liabilities		
Accounts payable	**19,071**	14,382
Net assets available for benefits	**13,517,229**	15,587,866
Liability for Accrued Benefits		
Actuarial value of accrued benefits (Note 7)	**17,931,200**	16,771,200
Deficiency	**$ (4,413,971)**	$ (1,183,334)

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Net Assets Available For Benefits

For the year ended December 31, 2008

	2008	2007
	($ thousands)	
Increase in assets		
Contributions (Note 8)	**$ 1,070,727**	$ 929,571
Net investment (loss) income (Note 9)		
Investment (loss) income	**(2,312,034)**	750,942
Investment expenses	**(66,479)**	(57,616)
	(2,378,513)	693,326
	(1,307,786)	1,622,897
Decrease in assets		
Pension benefits	**524,557**	466,880
Refunds to members	**195,933**	187,637
Transfers to other plans	**21,216**	8,178
Member service expenses (Note 10)	**21,145**	17,385
	762,851	680,080
(Decrease) Increase in net assets	**(2,070,637)**	942,817
Net assets available for benefits at beginning of year	**15,587,866**	14,645,049
Net assets available for benefits at end of year	**$ 13,517,229**	$ 15,587,866

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Liability for Accrued Benefits

For the year ended December 31, 2008

	2008	2007
	($ thousands)	
Increase in liability for accrued benefits		
Interest accrued on benefits	**$ 1,171,400**	$ 1,073,000
Benefits earned	**909,400**	725,200
Net experience losses (Note 7(b))	**110,900**	125,400
	2,191,700	1,923,600
Decrease in liability for accrued benefits		
Benefits paid including interest	**742,400**	667,300
Net decrease (increase) due to actuarial assumption changes (Note 7(a))	**289,300**	(123,200)
	1,031,700	544,100
Net increase in liability for accrued benefits	**1,160,000**	1,379,500
Liability for accrued benefits at beginning of year	**16,771,200**	15,391,700
Liability for accrued benefits at end of year (Note 7)	**$ 17,931,200**	$ 16,771,200

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Deficiency

For the year ended December 31, 2008

	2008	2007
	($ thousands)	
Deficiency at beginning of year	**$ (1,183,334)**	$ (746,651)
(Decrease) Increase in net assets available for benefits	**(2,070,637)**	942,817
Net increase in liability for accrued benefits	**(1,160,000)**	(1,379,500)
Deficiency at end of year (Note 12)	**$ (4,413,971)**	$ (1,183,334)

The accompanying notes and schedules are part of these financial statements.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Local Authorities Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 366/93, as amended.

a) GENERAL

The Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, regional health authorities, school divisions, school districts, colleges, technical institutes and certain commissions, foundations, agencies, libraries, corporations, associations and societies. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0216556. The Minister of Alberta Finance and Enterprise is the legal trustee of the Plan and accordingly, Alberta Finance and Enterprise is management of the Plan. The Plan is governed by a Board of Trustees.

b) PLAN FUNDING

Current service costs and the Plan's actuarial deficiency (see Note 12) are funded by employers and employees at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 2008 were 6.75% (2007 6.75%) of pensionable earnings up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 9.64% (2007 9.64%) of the excess for employees, and 7.75% (2007 7.75%) of pensionable earnings up to the YMPE and 10.64% (2007 10.64%) of the excess for employers.

c) RETIREMENT BENEFITS

The 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 YMPE and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the federal *Income Tax Act*. The maximum pensionable service allowable under the Plan is 35 years. Unreduced pensions are payable to members at retirement who have attained age 65, or have attained age 55 and the sum of their age and years of pensionable service equals at least 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of pensionable service.

d) DISABILITY BENEFITS

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

e) DEATH BENEFITS

Death benefits are payable on the death of a member. If the member has at least two years of pensionable service, a surviving pension partner may choose to receive a survivor pension. For a beneficiary other than a pension partner, or where pensionable service is less than two years, a lump sum payment will be made.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

f) TERMINATION BENEFITS AND REFUNDS TO MEMBERS

Members who terminate with at least two years of membership and who are not immediately entitled to a pension may receive the commuted value for all years of membership, contributions paid in respect of optional service with interest, plus excess contributions if applicable, with the commuted value being subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with fewer than two years of membership receive a refund of their contributions and interest. These payments are included as Refunds to members on the Statement of Changes in Net Assets Available for Benefits.

g) OPTIONAL SERVICE AND RECIPROCAL TRANSFERS

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

h) COST-OF-LIVING ADJUSTMENTS

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds, which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Investment Management Corporation. 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.

b) VALUATION OF INVESTMENTS

Investments are recorded in the financial statements at fair value.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

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

iv) The fair value of private 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.

vi) The fair value of timberland investments is appraised annually by independent third party valuators.

c) INCOME RECOGNITION

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

d) FOREIGN EXCHANGE

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

e) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

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

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

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

f) VALUATION OF LIABILITY FOR ACCRUED BENEFITS

The value of liability for accrued benefits and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at the beginning of the year and then extrapolated to year-end. It 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 the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan's liability for accrued benefits, private investments, absolute return strategies, real estate and timberland investments. Uncertainty arises because:

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

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

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

Differences between actual results and expectations in the Plan's accrued benefits are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in liability for accrued benefits in the year when actual results are known.

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

NOTE 3 INVESTMENTS (SCHEDULES A TO E)

	2008 Fair Value ($ thousands)	%	2007 Fair Value ($ thousands)	%
Risk Matching				
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	**$ 223,908**	**1.7**	$ 330,358	2.1
Canadian Long Term Government Bond Pool (b)	**3,024,427**	**22.4**	3,207,047	20.6
Universe Fixed Income Pool (b)	**377,473**	**2.8**	625,025	4.0
Real Rate of Return bonds (c)	**721,456**	**5.4**	776,295	5.0
Private Mortgage Pool (d)	**704,268**	**5.2**	626,156	4.0
Currency Alpha Pool (e)	**31,315**	**0.2**	20,253	0.1
Fixed Income Overlay Strategy Pool (f)	**(336,834)**	**(2.5)**	-	-
Tactical Asset Allocation Pool	**9,896**	**0.1**	24,034	0.1
	4,755,909	**35.3**	5,609,168	35.9
Private Income Pools (g)	**478,221**	**3.5**	374,054	2.4
	5,234,130	**38.8**	5,983,222	38.3
Short Horizon				
Canadian Equities (Schedule B)				
Canadian Large Cap Equity Pool (h)	**868,910**	**6.4**	1,251,085	8.0
Canadian Small Cap Equity Pool (h)	**432,457**	**3.2**	598,763	3.9
Canadian Equity Enhanced Index Pool (i)	**567,588**	**4.2**	737,260	4.7
Private Equity Pool	**-**	**-**	8,392	0.1
Canadian Overlay Strategy Pool (f)	**132,480**	**1.0**	-	-
	2,001,435	**14.8**	2,595,500	16.7
United States Equities (Schedule C)				
U.S. Structured Equity Pool (j)	**118,550**	**0.9**	464,019	3.0
U.S. Small/Mid Cap Equity Pool (k)	**535,927**	**4.0**	644,193	4.1
Portable Alpha U.S. Equity Pool (l)	**462,527**	**3.4**	458,594	3.0
U.S. Overlay Strategy Pool (f)	**40,879**	**0.3**	-	-
	1,157,883	**8.6**	1,566,806	10.1
Non-North American Equities (Schedule D)				
EAFE Active Equity Pool (m)	**1,817,459**	**13.5**	2,277,375	14.6
Emerging Markets Equity Pool (n)	**56,503**	**0.4**	-	-
EAFE Structured Equity Pool (o)	**206,992**	**1.5**	103,844	0.7
Structured Transition Pool (p)	**7,699**	**0.1**	273,186	1.8
EAFE Overlay Strategy Pool (f)	**255,517**	**1.9**	-	-
	2,344,170	**17.4**	2,654,405	17.1
Absolute Return Strategy Pool (q)	**557,517**	**4.1**	702,939	4.5
	6,061,005	**44.9**	7,519,650	48.4
Long Horizon				
Private Real Estate Pool (r) (Schedule E)	**1,634,272**	**12.1**	1,605,600	10.3
Private equities (s)	**491,699**	**3.7**	385,825	2.5
Timberland Pool (t)	**71,960**	**0.5**	71,727	0.5
	2,197,931	**16.3**	2,063,152	13.3
Total investments	**$ 13,493,066**	**100.0**	$ 15,566,024	100.0

NOTE 3 INVESTMENTS (SCHEDULES A TO E) (continued)

The Plan's investments are classified into three broad categories which include risk matching, short and long horizon investments. Risk matching assets contain predictable cash flows to better match liability flows. Short horizon investments focuses on value-added returns against benchmarks over short time horizons. Long horizon investments include less liquid assets that produce expected returns with high risk premiums.

a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

b) The Canadian Long Term Government Bond Pool (CLGB) and the Universe Fixed Income Pool (UFIP) are managed with the objectives of providing competitive returns comparable to the total returns of the DEX Long Term All Government Bond Index and the DEX Universe Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The CLGB portfolio invests primarily in high quality fixed income instruments of the federal, provincial and municipal governments of Canada while the UFIP portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

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

d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans, provincial bond residuals and speciality mortgages. To limit investment risk, mortgage loans are restricted to first mortgage loans diversified by property usage and geographic location and a small portion of NHA insured loans.

e) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.

f) The Overlay Strategy Pools provide participants with a quick, effective and efficient way to gain interim exposure to a major asset class by altering the portfolio weights of broad asset classes using synthetic instruments. The asset classes that can be replicated in the overlay program include fixed income securities, Canadian equities, U.S. equities, EAFE equities, major foreign currencies and styles and sectors. At December 31, 2008, the overlay strategy pools consisted of cash and cash equivalents which support approximately 5% to 10% of the Pool's notional exposure through futures and swap contracts.

g) The Private Income Pools are managed with the objectives of providing investment returns comparable to the Consumer Price Index plus 6%. The Private Income Pools invest in infrastructure related projects that are structured to yield high current income. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single partnership.

h) The Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to invest in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

i) The Canadian Equity Enhanced Index Pool consists of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.

NOTE 3 INVESTMENTS (SCHEDULES A TO E) (continued)

j) The U.S. Structured Equity Pool is passively managed. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pool utilizes synthetic replication through futures, swaps and structured investments to obtain exposure to the benchmark. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

k) The U.S. Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities actively managed by an external manager with expertise in the U.S. small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility.

l) The Portable Alpha U.S. Equity Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the total return of the S&P 500 Index over a four-year period.

m) The EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded Non-North American equities. Portfolios are actively managed with European and Pacific Basin mandates. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.

n) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.

o) The EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The Pool provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

p) The Structured Transition Pool provides exposure to non-North American markets through the use of structured investments such as foreign equity index swaps.

q) The Absolute Return Strategy Pool is managed with the objective of providing investment returns comparable to the HFRX Global Investable Index. The pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.

r) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

s) Foreign Private Equity Pools are managed with the objectives of providing investment returns comparable to the Consumer Price Index plus 8%. The Foreign Private Equity Pool invests in institutionally sponsored international private equity pools managed by experienced advisors with proven records.

t) The Timberland Pool provides high current income and long investment horizons. The timberland investment is a partnership interest in forestry land and land held for higher and better use located in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0%.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term nominal and 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 Board of Trustees established a long-term policy asset mix of 38.5% risk matching, 44.5% short horizon and 17.0% long horizons.

Investment risk is reduced through asset class diversification, diversification within each asset class; quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counter-party to a second counter-party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of the specified index.

Swap option contracts include the right but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

NOTE 5 DERIVATIVE CONTRACTS (continued)

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2008:

	2008					2007	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	%			($ thousands)		($ thousands)	
Forward foreign exchange contracts	**100**	**-**	**-**	**$ 1,891,040**	**$ (129,664)**	$ 1,911,124	$ 11,948
Equity index swap contracts	**87**	**13**	**-**	**1,090,828**	**30,486**	1,117,064	(18,648)
Futures contracts	**100**	**-**	**-**	**586,003**	**69,137**	396,514	12,457
Credit default swap contacts	**5**	**44**	**51**	**530,257**	**(10,193)**	670,734	(2,018)
Interest rate swap contracts	**13**	**50**	**37**	**172,748**	**(4,471)**	401,881	(1,763)
Cross-currency interest rate swaps	**17**	**61**	**22**	**118,650**	**(9,326)**	233,334	10,228
Bond index swap contracts	**100**	**-**	**-**	**25,699**	**676**	542,766	4,044
Swap option contracts	**-**	**-**	**-**	**-**	**-**	357,769	68
				$ 4,415,225	**$ (53,355)**	$ 5,631,186	$ 16,316

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

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6 CONTRIBUTIONS RECEIVABLE

	2008	2007
	($ thousands)	
Employers	**$ 21,928**	$ 18,057
Employees	**19,539**	16,057
	$ 41,467	$ 34,114

NOTE 7 LIABILITY FOR ACCRUED BENEFITS

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out in 2008 as at the opening of the year by Mercer (Canada) Limited and was then extrapolated to December 31, 2008.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $17,931,200 (2007: $16,771,200) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the investment rate of return, inflation rate and salary escalation rate.

The actuarial valuation for funding was used as the basis for the actuarial extrapolation for accounting purposes. The inflation rate and salary escalation rate assumptions for the accounting extrapolation differ from those assumptions previously established for funding.

The major assumptions used for accounting purposes were:

	2007 Valuation and 2008 Extrapolation	2006 Valuation and 2007 Extrapolation
	%	
Investment rate of return	6.30	6.55
Inflation rate		
Next 2 years	2.25	4.75
Thereafter	2.25	2.75
Salary escalation rate*		
Next 2 years	5.50	5.50
Thereafter	3.50	3.50

* In addition to merit and promotion.

The Board of Trustees' policy is to have an actuarial valuation of the Plan carried out every year. As a result, an actuarial valuation of the Plan as at December 31, 2008 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 2009.

b) NET EXPERIENCE LOSSES

Experience losses of $110,900 (2007: $125,400) arose from differences between the actuarial assumptions used in the valuation and actual results as follows:

	2008	2007
	($ thousands)	
Net experience losses		
Combined salary, YMPE increases and indexation were other than assumed	**$ 20,900**	$ 83,100
Retirement, termination, disability and mortality experiences were less favorable than assumed	**72,100**	13,500
Cost-of-living increase in pension benefit payments was other than expected, prior service data and other changes	**17,900**	28,800
	$ 110,900	$ 125,400

NOTE 7 LIABILITY FOR ACCRUED BENEFITS (continued)

c) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

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

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2008:

	Changes in Assumptions	Increase in Plan Deficiency	Increase in Cturrent Service Cost as a % of Pensionable Earnings *
	%	($ thousands)	
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0	1,212,200	0.8
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0	814,400	1.2
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0)	2,879,100	3.4

* The current service cost as a % of pensionable earnings as determined by the December 31, 2008 extrapolation was 13.31%.

NOTE 8 CONTRIBUTIONS

	2008	2007
	($ thousands)	
Current and optional service		
Employers	**$ 544,796**	$ 475,593
Employees (a)	**503,928**	437,352
Transfers from other plans	**22,003**	16,626
	$ 1,070,727	$ 929,571

a) Includes $18,669 (2007: $16,697) of optional service contributions.

NOTE 9 NET INVESTMENT (LOSS) INCOME

a) INVESTMENT (LOSS) INCOME

Net investment (loss) income is comprised of the following:

	2008	2007
	($ thousands)	
Investment (loss) income		
Net realized and unrealized (loss) gain on investments, including those arising from derivative transactions	**$ (2,882,425)**	$ 222,422
Interest income	**279,671**	293,889
Dividend income	**200,642**	160,794
Real estate income	**75,595**	66,254
Securities lending income	**14,483**	7,583
	(2,312,034)	750,942
Investment expenses	**(66,479)**	(57,616)
Net investment (loss) income	**$ (2,378,513)**	$ 693,326

The following is a summary of the Plan's proportionate share of net investment (loss) income by type of investments:

	2008	2007
	($ thousands)	
Private income	**$ 68,633**	$ 45,473
Real estate	**84,301**	291,216
Private equities	**(89,055)**	12,026
Fixed income securities	**14,073**	142,483
Timberland	**(10,564)**	28,544
Absolute return strategies	**(203,162)**	56,580
United States equities	**(447,422)**	(128,948)
Canadian equities	**(875,511)**	308,365
Non-North American equities	**(919,806)**	(62,413)
	$ (2,378,513)	$ 693,326

NOTE 9 NET INVESTMENT (LOSS) INCOME (continued)

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

	One Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Fifteen-Year Compound Annualized Return
Time-weighted rates of return*				
Overall actual (loss) gain	(15.1%)	3.7%	3.5%	6.9%
Benchmark (loss) gain**	(10.8%)	4.0%	3.5%	6.8%
Value (lost) added from active management	(4.3%)	(0.3%)	0.0%	0.1%

* 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).

** The policy benchmark return is a product of the weighted average policy sector weights and sector returns.

b) INVESTMENT EXPENSES

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

Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. Alberta Finance and Enterprise provides investment accounting and reporting for the Plan and treasury management services.

Investment expenses as a percentage of net assets and per member are provided below:

	2008	2007
	($ thousands)	
Total investment expenses	**$ 66,479**	$ 57,616
Investment expenses as a percentage of net assets	**0.49%**	0.37%
Investment expenses per member	**$ 361**	$ 332

NOTE 10 MEMBER SERVICE EXPENSES

	2008	2007
	($ thousands)	
General administration costs and process improvement costs		
Alberta Pensions Administration Corporation (APA)	**$ 18,642**	$ 15,385
Alberta Local Authorities Pension Plan Corp.	**2,099**	1,759
Actuarial fees	**404**	241
	21,145	17,385
Member service expenses per member	**$ 115**	$ 100

General administration costs and process improvement costs, including Plan Board costs were paid to Alberta Pensions Administration Corporation and Alberta Local Authorities Pension Plan Corp. on a cost-recovery basis.

The Plan's share of Alberta Pensions Administration Corporation's operating and plan specific costs was based on cost allocation policies approved by the Minister of Finance and Enterprise.

Alberta Local Authorities Pension Plan Corporation costs include remuneration to senior officials and board members as follows:

	2008 ($ thousands)				2007
	Base Salary (a)	**Other Cash Benefits**	**Other Non-Cash Benefits (b)**	**Total**	Total
Corporation Board Chair (c)	$ -	$ 29	$ -	$ 29	$ 25
Corporation Board Members (excluding Chair) (c)	-	127	-	127	113
President & Chief Executive Officer (d)	210	63	50	323	265
Vice-President: Policy and Legal (d)	144	41	33	218	196
	$354	$260	$83	$697	$599

a) Base salary includes regular base pay.

b) Other non-cash benefits include the Corporation's share of all employees' benefits and contributions or payments made on their behalf including pension, health care, dental coverage, professional memberships and group life insurance.

c) Remuneration paid for the services of the Chair and 13 board members is classified under Board Meeting Fees and is paid in accordance with the fee structure approved by the Minister of Finance and Enterprise.

d) Other cash benefits include incentive pay (for the years 2007 and 2008), lump sum payments, vacation payouts and car allowance honoraria.

NOTE 11 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 9 (b) and member service expenses per Note 10 are $87,624 (2007: $75,001) or $476 (2007: $432) per member and 0.60% (2007: 0.48%) of net assets under administration.

NOTE 12 FUNDING OF ACTUARIAL DEFICIENCY

The Plan's deficiency is determined on the fair value basis for accounting purposes. However for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset value for funding valuation purposes amounted to $15,418,300 at December 31, 2008 (2007: $15,360,000).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 3.43% of pensionable earnings shared equally between employers and employees until December 31, 2020. The special payments have been included in the rates in effect at December 31, 2008 (see Note 1(b)).

NOTE 13 SUBSEQUENT EVENT – DECLINE IN FAIR VALUE OF INVESTMENTS

The fair value of the Plan's investment is subject to significant market volatility due to the current economic crisis in global markets. In the two months subsequent to December 31, 2008, the Plan's investments declined by approximately 5.7% to approximately $12,726,000 from $13,493,066 at December 31, 2008. To the extent that investments of the Plan may not recover these market related losses during the remaining ten months of 2009, the deficiency of the Plan would increase accordingly.

NOTE 14 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2008 presentation.

NOTE 15 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Alberta Finance and Enterprise, based on information provided by Alberta Pensions Administration Corporation, Alberta Local Authorities Pension Plan Corp, Alberta Investment Management Corporation and the Plan's actuary, and after consultation with the Local Authorities Pension Plan Board of Trustees.

Schedules

December 31, 2008

Schedule A
Schedule of Effective Net Investments in Fixed Income Securities

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and short-term securities	**$ 322,425**	$ 375,079
Fixed income securities (a) (b)		
Government of Canada, direct and guaranteed	**799,341**	1,405,971
Provincial		
Alberta, direct and guaranteed	**104**	187
Other Provincial, direct and guaranteed	**1,963,349**	1,984,612
Municipal	**70,202**	68,405
Corporate, public and private	**1,575,320**	1,728,298
	4,408,316	5,187,473
Receivable from sale of investments and accrued investment income	**41,188**	51,530
Accounts payable and accrued liabilities	**(16,020)**	(4,914)
	25,168	46,616
	$ 4,755,909	$ 5,609,168

a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Government of Canada bonds includes the notional amount of Canada bond futures contracts totalling $373,156 (2007: $nil).

b) Fixed income securities held as at December 31, 2008 had an average effective market yield of 5.4% per annum (2007: 6.0% per annum). The following term structure of these securities as at December 31, 2008 is based on the principal amount:

	2008	2007
	%	
under 1 year	**1**	1
1 to 5 years	**8**	6
6 to 10 years	**8**	19
11 to 20 years	**17**	18
over 20 years	**66**	56
	100	100

Schedule B
Schedule of Effective Net Investments in Canadian Equities

	Plan's Share 2008	2007
	($ thousands)	
Deposits and short-term securities	**$ 46,168**	$ 49,530
Public equities (a) (b)		
Consumer discretionary	**175,525**	209,342
Consumer staples	**88,275**	84,616
Energy	**427,025**	503,284
Financials	**412,933**	604,910
Health care	**19,582**	11,326
Industrials	**203,635**	259,573
Information technology	**57,777**	116,117
Materials	**235,864**	341,185
Telecommunication services	**90,514**	113,586
Utilities	**37,542**	32,516
	1,748,672	2,276,455
Pooled investment funds	**157,255**	246,931
Private equity pool	**-**	8,392
Receivable from sale of investments and accrued investment income	**87,996**	34,335
Accounts payable and accrued liabilities	**(38,656)**	(20,143)
	49,340	14,192
	$ 2,001,435	$ 2,595,500

a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of Canadian equity index swap and futures contracts totalling $99,736 (2007: $433).

b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index.

Schedule C
Schedule of Effective Net Investments in United States Equities

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and short-term securities	**$ 23,909**	$ 32,545
Public equities (a) (b)		
Consumer discretionary	**103,260**	155,758
Consumer staples	**99,771**	121,336
Energy	**107,430**	159,033
Financials	**178,683**	266,101
Health care	**164,570**	204,957
Industrials	**146,374**	191,926
Information technology	**181,322**	249,791
Materials	**54,202**	79,981
Telecommunication services	**31,317**	42,311
Utilities	**55,305**	72,059
	1,122,234	1,543,253
Pooled investment funds	**2,606**	10,785
Receivable from sale of investments and accrued investment income	**22,227**	5,724
Accounts payable and accrued liabilities	**(13,093)**	(25,501)
	9,134	(19,777)
	$ 1,157,883	$ 1,566,806

a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in United States public equities includes the notional amount of US equity index swap and futures contracts totalling $601,774 (2007: $821,596).

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

Schedule D
Schedule of Effective Net Investments in Non-North American Equities

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and short-term securities	**$ 63,962**	$ 51,586
Public equities (a) (b)		
Consumer discretionary	**207,974**	300,672
Consumer staples	**257,138**	180,610
Energy	**221,287**	229,077
Financials	**435,048**	538,639
Health care	**251,076**	182,378
Industrials	**251,754**	394,156
Information technology	**133,721**	176,445
Materials	**140,854**	218,330
Telecommunication services	**226,334**	219,160
Utilities	**120,335**	122,706
	2,245,521	2,562,173
Pooled investment funds	**28,200**	57,320
Receivable from sale of investments and accrued investment income	**23,035**	13,774
Accounts payable and accrued liabilities	**(16,548)**	(30,448)
	6,487	(16,674)
	$ 2,344,170	$ 2,654,405

a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in non-North American public equities includes the notional amount of EAFE equity index swap and futures contracts totalling $458,535 (2007: $295,774).

b) The sector classification conforms to the Global Industry Classification Standard followed by Standard & Poor's. The following is a summary of the Plan's investment in Non-North American public equities by country based on the geographic location of the stock exchange on which stocks were purchased:

	Plan's Share	
	2008	2007
	($ thousands)	
Japan	**$ 539,912**	$ 461,560
United Kingdom	**455,166**	501,754
France	**257,741**	278,477
Germany	**189,491**	259,575
Switzerland	**177,852**	178,311
Spain	**102,197**	102,104
Australia	**96,570**	105,439
Netherlands	**75,774**	118,564
Italy	**75,028**	86,485
Hong Kong	**43,468**	53,215
Other	**232,322**	416,689
	$ 2,245,521	$ 2,562,173

Schedule E
Schedule of Investments in Real Estate

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and short-term securities	**$ 3,575**	$ 1,779
Real estate (a)		
Office	**735,532**	718,603
Retail	**473,067**	505,583
Industrial	**256,025**	231,952
Residential	**99,449**	88,831
	1,564,073	1,544,969
Pooled investment fund	**55,429**	58,088
Accrued income and accounts receivable	**11,195**	764
	$ 1,634,272	$ 1,605,600

a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2008	2007
	($ thousands)	
Ontario	**$ 801,877**	$ 833,774
Alberta	**592,631**	546,521
Quebec	**135,737**	132,404
British Columbia	**33,828**	32,270
	$ 1,564,073	$ 1,544,969

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