

Government of Alberta ■

# BUDGET 2010

*Striking the Right Balance*

Finance and Enterprise

BUSINESS PLAN 2010–13

Alberta ■

# Finance and Enterprise

BUSINESS PLAN 2010-13

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## ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2010 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of January 20, 2010 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

*Original signed by*

Ted Morton, *Minister of Finance and Enterprise*  
January 25, 2010

## THE MINISTRY

The Ministry of Finance and Enterprise includes the Department of Finance and Enterprise, Alberta Capital Finance Authority, Alberta Local Authorities Pension Plan Corporation, Alberta Pensions Services Corporation (formerly Alberta Pensions Administration Corporation), Alberta Securities Commission, ATB Financial, Credit Union Deposit Guarantee Corporation, Alberta Insurance Council, Automobile Insurance Rate Board, Alberta Investment Management Corporation, and their subsidiaries; as well as the following six regulated funds: Alberta Cancer Prevention Legacy Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Heritage Science and Engineering Research Endowment Fund, and the Alberta Risk Management Fund. The Ministry of Finance and Enterprise also includes the activities of the following companies: N.A. Properties and Gainers Inc.

The Department of Finance and Enterprise has the following core areas/functions: Budget and Fiscal Planning; Treasury Management; Risk Management and Insurance; Tax and Revenue Administration; Financial Sector Regulation and Policy; Enterprise including Industry Development, Regional Development, Economic Development Policy and Analysis; the Alberta Economic Development Authority and the Northern Development Council; Regulatory Review Secretariat; and Corporate Support.

The Finance and Enterprise Business Plan incorporates all the entities reporting to the minister into an integrated strategic plan that focuses on the key priorities for the ministry. The plan does not include the day-to-day activities of the ministry.

The ministry interacts with a number of key stakeholders in carrying out its mandate. In addition to Albertans and other consumers and policy holders utilizing Alberta's financial systems, these stakeholders encompass financial institutions, including banks, credit unions, trust companies, insurance companies and securities market participants; Alberta public sector pension funds and Alberta-based private pension plans; the business community, and in particular the manufacturing and secondary processing sectors, as well as all businesses that pay corporate and commodity taxes; the investment industry; a number of associations and federations that support and work with these stakeholders; other provincial and territorial governments; and the federal government.

## VISION

*Financial and economic leadership that strengthens Alberta.*

## MISSION

Provide expert economic, financial and fiscal policy advice to government and effective tax and regulatory administration to enhance Alberta's present and future prosperity.

## LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

### **Government of Alberta Goal 1: Alberta will have a prosperous economy.**

Linked through:

- The Alberta Heritage Science and Engineering Research Endowment Fund.
- Productivity and Competitiveness – Develop and implement policies, initiatives and tools to help Alberta businesses to improve their productivity and global competitiveness. Improve the effectiveness and capabilities of northern and regional economic development organizations.
- Reduce Regulatory Burden – Reduce the regulatory burden on business by reducing overlap, simplifying compliance requirements and revising or eliminating regulations.
- Adding Value to Our Resources – Through effective partnerships with municipalities and industry, create a competitive business climate for responsible industrial development. Achieve a broader slate of refined and finished products by leveraging cross-government initiatives related to the labour force, royalties, research and the environment.

### **Government of Alberta Goal 4: Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally.**

Linked through:

- Sound Economic and Fiscal Policy – As part of strengthening the Government of Alberta's economic and fiscal position, continue to regularly review existing economic and fiscal policy and develop direction, principles, priorities and tools, as appropriate, to effectively and efficiently address medium-term investment, economic and fiscal issues.

### **Government of Alberta Goal 5: Albertans will be healthy.**

Linked through:

- The Alberta Heritage Foundation for Medical Research Endowment Fund.

### **Government of Alberta Goal 7: Alberta will be a safe place to live, work and raise families.**

Linked through:

- Support for Savings by Individual Albertans – Develop options to introduce a supplemental pension plan for Albertans currently not covered by pension plans. Encourage retirement savings through pension plans and other vehicles; and promote Albertans' awareness of the importance of personal savings and the mechanisms available to them.

- An Effective and Efficient Securities Regulatory System – Work with other Canadian jurisdictions to maintain a securities regulatory system that protects Alberta investors and enables Canada’s capital markets to remain globally competitive.

**Government of Alberta Goal 9: Alberta will have strong and effective municipalities and self-reliant Aboriginal communities.**

Linked through:

- The Alberta Capital Finance Authority providing local authorities in the province with flexible funding for capital projects at the lowest possible cost.

## SIGNIFICANT OPPORTUNITIES AND CHALLENGES

The ministry has identified the following opportunities and challenges that could influence the ability to achieve the business plan goals.

CHALLENGE	OPPORTUNITY
<p><b>How do we support Alberta in sustaining its competitiveness and continuing to develop a broader more diversified economic base?</b></p> <p>The success of the Alberta economy will depend on its ability to stay competitive in the global marketplace. Energy will continue to be the major driver of economic growth in Alberta; however, more sustainable economic growth potential lies in capturing more of the activity that takes place further along the value chains and supply chains. Other sectors where Alberta can demonstrate a true global competitive advantage need to be fostered and developed.</p> <p>Alberta business and industry must strive to constantly meet customer demands, find new markets and develop new products and services. Improving productivity growth will enhance Alberta’s global competitiveness, and attract capital investment. To improve our competitive position, Alberta must improve the key drivers of productivity growth which include innovation; investment in machinery, equipment and technology; education and skills training, and the provincial business and regulatory environment.</p>	<p><b>Foster an environment for stable and sustained long-term economic growth strategy for Alberta.</b></p> <p>With a high level of economic prosperity and rich endowment of natural resources, Alberta has the potential to continue to be a leader in economic growth in Canada. The ministry will work with the Alberta Economic Development Authority to review its industrial sector strategy and continue to look at ways of enhancing business competitiveness and productivity.</p> <p>The best way to support Alberta in sustaining its economic prosperity and quality of life over the long-term is to have a high value-added, diversified and competitive economy that is responsive to changing global market conditions. The ministry will encourage value-added activity and supply chain development in our energy sector, as well as support the development of clean energy technologies, green building products and other potential value added sectors.</p> <p>There is also opportunity for improving capabilities of regional economic development organizations.</p>
<p>There are also challenges with the changing comparative advantages of living and doing business in Alberta.</p> <p>Northern and regional communities are also experiencing challenges in areas such as transportation, cyclical economic environments, and access to services.</p>	

CHALLENGE	OPPORTUNITY
<p><b>How do we preserve fiscal sustainability in the face of revenue volatility?</b></p> <p>Volatility in energy prices and equity markets contributes to large swings in Alberta's fiscal position, not only in resource revenue and investment income, but also indirectly by impacting personal and corporate tax revenues.</p> <p>The challenge is managing spending plans in times of upswings so the fiscal plan remains sustainable in times of downswings as well.</p>	<p><b>A renewed emphasis on promoting fiscal sustainability.</b></p> <p>The ministry will continue to address the issue of fiscal sustainability by developing and communicating longer-term revenue and spending forecasts and pursuing a more stringent savings strategy during times of revenue upswings.</p> <p>The ministry will also continue to work with other ministries to assess the cost drivers underlying major government programs and services as a tool for more effective fiscal planning.</p>
<p><b>How do we minimize risks to our pension plans remaining strong and sustainable for Albertans?</b></p> <p>Recent significant investment losses and the current environment of low interest rates, prospects for moderate investment returns and an aging population with longer life expectancies are major components of the changing dynamics for pension funds. Pension funding rules must establish and maintain an appropriate balance between stable funding requirements and benefit security for members. These challenges create opportunities for strengthening governance of pension funds and looking at new strategies. Additionally, increasing workforce demands are driving a need to promote an attractive work environment in Alberta by providing opportunities for pension plan membership to more workers and making pension plans more flexible to encourage mature workers to remain in the workforce.</p>	<p><b>Strategic use of pensions partnered with long-term sustainability of pensions.</b></p> <p>Long-term sustainability is achieved through effective governance and administration, including appropriate funding. The government will continue to work with key stakeholders to support long-term pension stability, and work with public sector boards and stakeholders on improving governance structures for public sector pension plans, and update policies for regulation of registered private-sector pension plans. The government will review its policies with respect to public and private sector plans in light of the need to increase opportunities for plan membership and flexibility for mature workers.</p>
<p><b>How do we generate stable and sufficient revenue from our tax base?</b></p> <p>Alberta's significant natural resource revenue has enabled the province to have a competitive, low tax structure. Our system relies on a narrower range of tax bases than other jurisdictions, which reduces revenue diversification and increases revenue risk.</p>	<p><b>The government will continue to maintain a fair tax system that promotes self reliance.</b></p> <p>The government will continue to maintain a fair tax system that promotes self-reliance. The ministry will continue to monitor the competitiveness of our tax system within Canada and globally, and will continue to strengthen its proactive strategies for tax collection, compliance and encouraging voluntary compliance.</p>

CHALLENGE	OPPORTUNITY
<p><b>How do we maximize long-term return on the government’s investments to generate sustainable income to support the province’s financial position?</b></p> <p>Capital markets have a direct impact on the income of the government’s investment funds and market performance can vary significantly from year to year. While the ministry has a strong governance framework in place, the province is not insulated from volatile financial markets.</p>	<p><b>Sound investment policies and strategies.</b></p> <p>The ministry will continue to focus on good governance practices being in place, using a broad framework of principles and policies, including risk tolerance. With the combined expertise of the department and the new AIMCo organization on investment, the ministry is well-positioned in this regard. As well, the ministry will continue to focus on gaining access to a wide range of investment opportunities to strengthen investment performance.</p>
<p><b>How can we support the continued soundness of our Insurance and Financial Sectors?</b></p> <p>The ministry supports a strong and effective regulatory system that continues to evolve to promote best practices throughout the financial sector. A current potential challenge includes the proposal from the federal government to take control of securities regulation. The Alberta government is challenging the proposal in the Alberta Court of Appeal.</p> <p>The Credit Union system plays a key role in the landscape of Alberta’s financial services sector. With constant market changes, careful monitoring is critical to support the stability of the system.</p>	<p><b>A renewed emphasis on stability in the insurance and financial sectors.</b></p> <p>Alberta will continue to leverage its opportunities to participate in inter-provincial initiatives to improve the effectiveness of financial sector regulation, to increase regulatory efficiency nationally and to protect consumers.</p> <p>Given recent consolidation in the Credit Union system, the ministry will review the roles and responsibilities of participants to affirm they are appropriate.</p>
<p><b>How can we support Albertans towards saving for their future?</b></p> <p>There are many options open to Albertans to save for their future. Albertans may not be accumulating sufficient savings to sustain them in retirement. Many Albertans do not use the strategies and options available to them for personal savings. A high percentage of Albertans have little or no pension coverage.</p>	<p><b>Encourage a “culture of savings” for Albertans.</b></p> <p>It is timely to enhance Albertans’ financial literacy, including awareness of the importance of individual savings, and potentially to broaden the availability of pension plans and other savings vehicles.</p>

## STRATEGIC PRIORITIES

Through the ministry's review of environmental factors, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the ministry.

- 1. Sound economic and fiscal policy**

**Linkage:**  
**Goals 1, 2, 3 and 4**

The ministry will continue to provide advice and analysis to strengthen the Government of Alberta's fiscal position and economic growth:

  - Review existing economic and fiscal policy and develop direction, principles, priorities and tools to effectively and efficiently address medium-term investment, economic and fiscal issues;
  - Refine demographic, fiscal and economic projections with a view to communicating the implications for fiscal sustainability;
  - Provide sound economic and fiscal advice to support government initiatives;
  - Issue timely economic and fiscal forecasts to support budget planning; and
  - Continue to work with other ministries to develop the framework for assessing the macro cost drivers affecting the fiscal outlook.
  - Continue to ensure the viability of Alberta's Tax and Revenue programs through collections and compliance.
  
- 2. Support for savings by individual Albertans**

**Linkage:**  
**Goal 6**

Develop options to introduce a supplemental pension plan for Albertans currently not covered by pension plans.

Develop legislation and programs based on the findings and recommendations of the Joint Expert Panel on Pension Standards (JEPPs) that will:

  - Encourage pension plans sponsors to maintain existing plans;
  - Make it more attractive for new types of plans to be started;
  - Address funding issues for defined benefit plans;
  - Focus on flexibility to meet the needs of an aging workforce; and
  - Promote Albertans' awareness of the importance of personal savings and the mechanisms available to them.
  
- 3. Productivity and competitiveness**

**Linkage:**  
**Goals 2 and 3**

Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy:

  - Develop and implement policies, initiatives and tools to help Alberta businesses improve their productivity and global competitiveness;
  - Improve the effectiveness and capabilities of northern and regional economic development organizations; and
  - Reduce the regulatory burden on business by reducing overlap, simplifying compliance requirements and revising or eliminating regulations.

4. **Adding value to our resources** Encourage and expand development of chemical and refined products from Alberta bitumen to improve the long run sustainability of the Alberta economy:
- Linkage:**
- Goal 3**
- Through effective partnerships with municipalities and industry, create a competitive business climate for responsible industrial development;
  - Implement the value added strategies of the *Provincial Energy* and Oil Sands Strategies; and
  - Support and lead government initiatives that present opportunities for chemical cluster development.
5. **An effective and efficient securities regulatory system** Work with other jurisdictions to maintain a securities regulatory system that protects Alberta investors and supports Canada’s capital markets in remaining globally competitive.
- Linkage:**
- Goal 6**
6. **An affordable, efficient and fair insurance system** Engage stakeholders in monitoring the Alberta auto insurance system as implications of the constitutional challenge unfold. Implement the recent legislative changes respecting insurance contracts and enhanced consumer protection in cooperation with the Government of British Columbia.
- Linkage:**
- Goal 6**

## CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

### Core Business One: Fiscal planning and economic analysis

The Ministry of Finance and Enterprise provides economic, tax, and fiscal analysis to support fiscal sustainability and a healthy economy. The ministry is responsible for the fiscal and economic projections that underlie fiscal planning. The ministry provides advice and options on the structure of the province’s tax system and oversees the related legislation. The ministry also negotiates with the federal government and other provincial governments on a number of fiscal transfer programs

## GOAL ONE **1** Strong and sustainable government finances

**What It Means** Sound fiscal planning, backed by prudent economic and revenue forecasting, is required to evaluate the sustainability of programs and services both today, and over the medium to long-term.

The ministry monitors global economic trends, provides demographic, economic and fiscal forecasts, develops fiscal policy options and coordinates and prepares the published annual budget and quarterly budget updates.



- Strategies**
- 1.1 Regularly assess existing economic and fiscal policy and develop direction, principles, priorities and tools as appropriate to effectively and efficiently address medium-term investment, economic and fiscal issues.
  - 1.2 Regularly assess the ability of the Government of Alberta's fiscal framework to respond to current economic realities and to strengthen Alberta's fiscal position.
  - 1.3 Refine demographic, fiscal and economic projections, with a view to communicating longer-term forecasts and implications for fiscal sustainability.
  - 1.4 Investigate improvements to revenue forecasting tools and processes.
  - 1.5 Examine the impact of cost drivers on the government's fiscal position.
  - 1.6 Provide timely economic and fiscal information.
  - 1.7 Evaluate implications of Public Sector Accounting Board proposals.

Performance Measures	Last Actual 2008-09	Target 2010-11	Target 2011-12	Target 2012-13
1.a Alberta's credit rating (blended credit rating for domestic debt)	AAA	AAA	AAA	AAA
1.b Sustainable operating spending growth (operating spending relative to population plus CPI) <sup>1</sup>	Operating and spending growth exceeded combined population and CPI growth by 4.73%		Operating and spending growth equal to or less than population plus CPI growth	

**Note:**

1 This is an unaudited result as it was a new measure introduced in 2008-09.

## GOAL TWO **2** Sound tax and economic policy

**What It Means** The tax system must raise sufficient revenues for government programs in a manner that is fair, economically efficient and effective. The system must also be competitive with those in other provinces and countries in order to attract the investment and skilled workers that will contribute to Alberta's future growth. Alberta has the lowest overall taxes of all provinces, with a low single-rate personal income tax, low corporate tax rates and the lowest tax on gasoline. Alberta does not levy a capital tax or general payroll like several other provinces do, and is the only province without a general sales tax.

The ministry assists other ministries in assessing the economic and fiscal implications of alternative policy options and alignment of these policies with overall government economic and fiscal policy.

- Strategies**
- 2.1 Monitor the competitiveness of Alberta's tax system, both nationally and internationally. Ensure the tax system is fair, efficient and effective by making recommendations where necessary.
  - 2.2 Provide scenarios of population growth and advice on economic factors in support of work with other ministries.

- 2.3 Work with other ministries to provide economic and fiscal policy advice for key sectoral strategies.
- 2.4 Work with other ministries on framework policies for effectively managing external partnerships.
- 2.5 Provide economic analysis to support the development of strategies, policies and actions to enhance Alberta's economic sustainability and global competitiveness.

Performance Measures	Last Actual 2008-09	Target 2010-11	Target 2011-12	Target 2012-13
2.a Provincial tax load for a family of four	Lowest in Canada		Lowest in Canada	
2.b Provincial tax load on businesses	Second Lowest in Canada		Lowest in Canada	

## Core Business Two: Enterprise

Finance and Enterprise provides leadership (including implementing major initiatives) and policy development towards maintaining a positive economic environment; diversifying the economic base and helping to build Alberta's Next Generation economy in value added sectors. The ministry works closely with the Alberta Economic Development Authority, the Northern Alberta Development Council, and Regional Economic Development Alliances to support economic development across Alberta. The Regulatory Review Secretariat leads the implementation of regulatory reform and provides oversight to the ongoing review of regulations that is undertaken by all ministries.

## GOAL THREE **3** Alberta has a competitive and productive economy

**What It Means** Alberta's economic future hinges on our ability to compete in a world marketplace. Alberta's business climate, competitive advantages and regional strengths must be continuously strengthened and improved. Using a partnership model, the ministry promotes strategic initiatives and delivers services that enhance sectoral and regional competitiveness, capacity, innovation and productivity. Achieving a standard of excellence for regulations creates the conditions for improved business productivity and sustainable prosperity, while protecting the public interest.

- Strategies**
- 3.1 Provide leadership and support to the development and implementation of targeted policies, strategies and initiatives to enhance economic diversification in key value-added, resource upgrading, manufacturing and service sectors.
  - 3.2 Lead the development and implementation of policies, strategies and services through Productivity Alberta and other ministry operations that assist business and industry to maintain or enhance their global competitiveness and productivity.
  - 3.3 Improve regulatory quality and reduce the burden on business and citizens by streamlining requirements and eliminating duplication and redundancy by:
    - Identifying regulatory barriers to productivity growth and economic sustainability;
    - Providing oversight to the ongoing review of regulations and working collaboratively with ministries to guide regulatory management processes.

- 3.4 Provide leadership to support effective, strategic regional and community economic development through partnerships with the Regional Economic Development Alliances and other economic development organizations, and the development of targeted policies and strategies that support strong economic development across Alberta.
- 3.5 Support the Northern Alberta Development Council to advance the development of Northern Alberta.
- 3.6 Support Alberta Economic Development Authority to provide government with long-term strategic advice on key economic issues.

Performance Measures	Last Actual 2008-09	Target 2010-11	Target 2011-12	Target 2012-13 <sup>2</sup>
<b>3.a Manufacturing and business service industry GDP:</b> the value of real Gross Domestic Product of manufacturing and business Services (in chained 2002 dollars) (% change) <sup>1, 2, 3</sup>	\$58.0 billion (+1.4%)	\$58.4 billion (2.5%)	\$60.8 billion (+4.0%)	\$63.2 billion (+4.0%)
<b>3.b Manufacturing and service industry investment:</b> the value of new capital expenditures on construction and machinery and equipment in Alberta's manufacturing and business services industry (% change) <sup>1, 3</sup>	\$13.2 billion (+10.6%)	\$12.3 billion (+3.0%)	\$13.2 billion (+7.0%)	\$14.1 billion (+7.0%)

**Notes:**

- 1 The targets are based on an annual per cent change. The targets are calculated by multiplying the unrounded targets from the previous year.
- 2 In November 2007, all real Gross Domestic Product (GDP) estimates were revised by Statistics Canada with the base year changing from 1997 to 2002. Statistics Canada typically changes the base year for real GDP estimates every five years and this leads to revisions in the real GDP dollar values.
- 3 Measures 3.a and 3.b have been revised to better reflect Government of Alberta and Finance and Enterprise sector priorities and to better align the GDP measure with the investment measure.

## Core Business Three: Tax and revenue management

The Ministry of Finance and Enterprise is responsible for administering Alberta's provincial tax and revenue programs. An efficient and effective administration contributes to an attractive business environment by promoting self-compliance and simplification of regulatory requirements. Monitoring compliance with the legislation also supports fairness for all Albertans by reducing revenue losses related to non-compliance, tax avoidance schemes, the underground economy, and illicit trade in taxable commodities.

# GOAL FOUR **4** Revenue programs are administered fairly, efficiently and effectively

**What It Means** In carrying out responsibility to administer tax and revenue laws, the Ministry of Finance and Enterprise designs tax and revenue programs, collects revenue owing to the province, makes payments of refunds and rebates, and provides information to stakeholders, taxpayers, and claimants.

Alberta's tax and revenue programs contribute to a fair and competitive tax environment in Alberta and Canada. Administering tax and revenue programs fairly means that all taxpayers and claimants are treated equally under the law and with respect. Through efficient operations Alberta obtains measurable value for money spent administering the programs. Effective administration increases revenues by improving self-compliance.

- Strategies**
- 4.1 Encourage voluntary compliance by improving public understanding of requirements and perceptions of fairness.
  - 4.2 Proactively manage collections and program compliance.
  - 4.3 Advance electronic commerce for Alberta's tax and revenue programs.
  - 4.4 Maximize organizational effectiveness to respond proactively to Alberta's dynamic business environment.

Performance Measures	Last Actual 2008-09	Target 2010-11	Target 2011-12	Target 2012-13
4.a Ratio of amounts added to net revenue to costs of administration (as a measure of efficiency) <sup>1</sup>	25:1 <sup>3</sup>	12:1	12:1	12:1
4.b Percentage of revenue obtained through self-compliance (as a measure of effectiveness) <sup>2</sup>	88% <sup>4</sup>	92%	92%	92%

**Notes:**

- 1 Through a combination of audit activities, collection of overdue accounts, and the revision of returns and claims, the Tax and Revenue Administration (TRA) Division recovers tax revenues that otherwise may be lost. This measure is calculated by dividing the total additional revenue obtained because of these efforts by TRA's operating budget. A declining target reflects increased compliance.
- 2 Voluntary compliance means that taxpayers accurately complete and submit their tax information. This measure is calculated by dividing the tax revenue obtained as a result of voluntary compliance by total tax revenue. Improved information and expanded audit coverage has improved self-compliance.
- 3 The ratio for the 2008-09 year was significantly higher than the previous year's results and the current target as a result of significant recoveries made by applying reassessment, made by Canada Revenue Agency (CRA) in a similar fashion in Alberta and by TRA's audit action on corporate tax avoidance schemes. For example, applying three very large reassessments made by CRA in the year to Alberta's tax returns led to incremental reassessments of over \$191 million. These reassessments are currently under objection. Removing the impact of these three reassessments result in a revised ratio of 18:1 for 2008-09.
- 4 Applying three very large reassessments made by CRA in the year to Alberta's tax returns led to incremental reassessments of over \$191 million. These reassessments are currently under objection. Removing the impact of these three reassessments result in a revised ratio of 92 per cent for 2008-09.

## Core Business Four: Investment, treasury and risk management

The Province of Alberta has annual cash flows that exceed \$500 billion. Finance and Enterprise is responsible for ensuring those cash flows are managed efficiently through effective banking and cash management practices. The ministry is also responsible for management of the province's financial assets and liabilities which includes investing in excess of \$40 billion held in the General Revenue Fund, the Alberta Heritage Fund and several other government funds and endowments. It also includes managing debt and other financial liabilities and risks of the province including loans and guarantees. Additionally, Finance and Enterprise provides banking, financial, risk management and capital markets advice and services to other government departments and provincial corporations.

The ministry is also responsible for management of the province's risk related to general and automobile liability and to property and other losses.

**What It Means** Under the *Financial Administration Act*, the Minister of Finance and Enterprise is responsible for managing the financial assets and liabilities of the province. This includes all borrowing and investing activities. In addition the ministry provides leadership and advice to other ministries with respect to sound financial management, financial decision making and risk management.

The ministry is responsible for the investment of the Alberta Heritage Savings Trust Fund, endowment funds and other government funds. The Minister of Finance and Enterprise ensures that investment policies are established for these funds, incorporating advice from the department and the Alberta Investment Management Corporation (AIMCo). The objective is to follow prudent practices that maximize returns with an appropriate level of risk.

The ministry maximizes the total return to the Government of Alberta on its cash balances by consolidating those balances on a daily basis and investing the surplus funds. It also arranges for short and long-term financing for the government and provincial corporations at the lowest possible cost.

The ministry minimizes the cost of accidental loss or damage arising from property, automobile, liability and other risks. It does this through a combination of programs to identify, assess and control preventable losses. In addition, the ministry manages the claims settlement process and uses the Alberta Risk Management Fund, and where appropriate, excess commercial insurance to pay for losses.

- Strategies**
- 5.1 Focus government funds to be optimally invested through the establishment and ongoing review of investment policies.
  - 5.2 Within a broad framework of principles and policies, including risk tolerance, established by the government incorporating advice from the department and AIMCo, AIMCo will implement investment strategies to achieve optimal investment performance. AIMCo will set its investment policies and strategies to comply with the requirements of the broad framework.
  - 5.3 Provide leadership in cash and debt management by:
    - Managing cash flows on a centralized basis and assisting other ministries in implementing best practices in their revenue collection and/or payment systems;
    - Minimizing cost for provincial government and provincial corporations through efficient and effective borrowing programs; and
    - Providing financial and risk management expertise in the development and negotiation of public-private partnership (P3) transactions.
  - 5.4 Provide effective leadership in risk management by:
    - Promoting comprehensive risk awareness throughout government;
    - Participating in cross-government discussions on the impact of potential major risk events; and
    - Providing substantial funding for liability exposure and the loss of public assets.

Performance Measures	Last Actual 2008-09	Target 2010-11	Target 2011-12	Target 2012-13
5.a The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5% <sup>1</sup>	2.9% 3.5% below average		CPI plus 4.5%	
5.b Value added through active investment management, for the endowment and pension funds, annualized over a five-year period <sup>2</sup>	-0.5%	1%	1%	1%
5.c Client satisfaction with the services provided by the Risk Management and Insurance Division	80%	80%	n/a <sup>3</sup>	80%

**Notes:**

- 1 This measure is used to determine whether the long-term investment policy is achieving the returns expected based on long-term capital market assumptions. It is measured by comparing the return on the policy benchmark to the real return target. The total long term expected return on the Fund would also include the additional 1 per cent annualized return added through active management in measure 5.b.
- 2 This measure is used to determine the impact of AIMCo's active fund management on performance and is measured as the difference between actual returns and policy benchmark returns for each fund.
- 3 Survey issued every two years.

## Core Business Five: Financial sector and pensions

Finance and Enterprise provides regulatory oversight designed to help protect the interests and enhance the confidence of Albertans using financial, insurance, and pensions products and services. Specifically, the ministry regulates insurance, private sector pensions, and provincially-registered financial institutions, by administering acts that set standards for solvency, products, and services in those financial areas. The department is the government contact point for the following entities that report to the Minister of Finance and Enterprise: the Automobile Insurance Rate Board; Alberta Insurance Council; Credit Union Deposit Guarantee Corporation; Alberta Pensions Services Corporation (formerly Alberta Pensions Administration Corporation); ATB Financial; Alberta Securities Commission and the Boards of four public sector pension plans: Public Service, Local Authorities, Special Forces and Management Employees. The ministry provides policy analysis and support to the minister relating to its regulatory areas of responsibility, as well as in respect of public sector pension plans, securities and insurance market regulation, Canada Pension Plan, ATB Financial, and the reporting entities. The department also focuses on financial products and services being made accessible to Albertans.

## GOAL SIX **6** Policy and regulatory oversight for the financial, insurance and pensions sectors that is effective, fair and in the interests of Albertans

**What It Means** The Ministry of Finance and Enterprise protects the interests and economic well-being of Albertans by helping to reduce risks in the financial marketplace through regulating private sector pension plans, the insurance industry, credit unions, and loan and trust corporations in Alberta. The department provides policy advice and support to the Minister relating to its regulatory areas of responsibility, including private pension plans, securities regulation (Alberta Securities Commission), Canada Pension Plan, ATB Financial, and the reporting entities, as well as in its role as trustee and sponsor of several public sector pension plans.

The ministry helps to reduce risks to Albertans by monitoring the effectiveness of the financial marketplace and developing rules and regulations that govern credit unions, loan and trust corporations, the insurance industry and pension plans. These types of rules and regulations facilitate services to deposit holders, policyholders, pension plan members and trust beneficiaries while supporting competitiveness, innovation, investor confidence and economic growth. An effective, efficient and streamlined securities regulatory system is vitally important to investor protection, and vibrant and competitive national and local capital markets.

Alberta Pensions Services Corporation (formerly Alberta Pensions Administration Corporation) provides administrative services for public sector pension boards, employers, members and pensioners of seven different pension plans and two supplementary retirement plans. Alberta Local Authorities Pension Plan Corporation (ALAPP Corporation) provides strategic guidance and support to the Local Authorities Pension Plan Board. The ministry also provides advice in relation to Alberta's role as one of the joint stewards of the Canada Pension Plan.

- Strategies**
- 6.1 Develop and update policies and procedures to:
    - Regulate and supervise registered private-sector pension plans, the insurance industry, loan and trust corporations and the province's credit union system; and
    - Monitor and provide oversight and policy input to provincial agents that report to the Minister of Finance and Enterprise.
  - 6.2 Work with the Government of British Columbia and other stakeholders on the application of the Trade, Investment and Labour Mobility Agreement (TILMA) to insurance and financial institutions.
  - 6.3 Work with other jurisdictions to harmonize, where appropriate, and strengthen consumer protection and regulation, including:
    - Financial sector legislation and regulatory processes; and
    - Private sector pension regulation, including the development of new pension standards legislation based on recommendations from the Joint Expert Panel on Pension Standards (JEPPS) for introduction in 2011. This will include working with the Government of British Columbia to harmonize both provinces' legislation.
  - 6.4 Develop options to introduce a supplemental pension plan for Albertans currently not covered by pension plans.
  - 6.5 Monitor and regulate the insurance marketplace to maintain available, accessible and affordable insurance products while ensuring a competitive, fair and sustainable industry.
  - 6.6 Lead and actively promote the development and implementation of an inter-provincial/ territorial securities regulatory system, based on highly harmonized securities laws that are streamlined, simple, effective and efficient.
  - 6.7 Develop strategies to address the federal government's efforts to establish a federal securities regulator and a single federal securities act.
  - 6.8 Revise legislation to continue to support Alberta's securities regulation in meeting the needs of Alberta businesses and investors.
  - 6.9 Work with public sector pension boards and stakeholders and lead the implementation of an improved governance structure that will strengthen public sector pension plans.

- 6.10 Implement the Memorandum of Agreement with respect to the Teachers' Pension Plan pre-1992 unfunded liability.

**Performance Measure under Development:**

A new performance measure is under development that will describe regulatory and policy actions in terms of their effectiveness in managing risks associated with the financial, insurance and pensions sectors.

GOAL SEVEN **7 Accessible financial services for Albertans**

**What It Means** Alberta's dynamic economy and entrepreneurial spirit requires readily accessible and technologically advanced financial services and products. In addition to private sector financial institutions, the Alberta Treasury Branches (ATB Financial) and the Alberta Capital Finance Authority (ACFA) make financial services and products available to Albertans and local authorities.

ATB Financial is a full-service financial institution, with the largest branch network in the province. It provides financial services to individuals, businesses and the agriculture sectors across Alberta.

Backed by Alberta's AAA credit rating, ACFA provides local authorities with flexible funding for capital projects at the lowest possible cost while maintaining the viability of the ACFA. Local authorities include municipalities, health authorities, school boards, post-secondary institutions and airport authorities throughout the province.

- Strategies**
- 7.1 ATB Financial will continue to operate on sound financial institution and business principles with the objective of earning a fair return on financial services offered across Alberta.
  - 7.2 Where business powers are the same, focus the legislative and regulatory framework under which ATB Financial operates on being comparable to that for other financial institutions.
  - 7.3 Maintain appropriate lending, funding and risk management policies for ACFA.

Performance Measures	Last Actual 2008-09	Target 2010-11	Target 2011-12	Target 2012-13
7.a ATB Financial return on average assets	0.03%	0.46%	0.64%	0.70%
7.b Cost to Alberta local authorities of borrowing from ACFA compared to other municipality/ aggregating agencies for a comparable loan		Lowest of comparable cases		



## EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2010-11 Estimate	2011-12 Target	2012-13 Target
	2008-09 Actual	2009-10 Budget	2009-10 Forecast			
Fiscal planning and economic analysis	4,502	5,404	4,835	5,150	5,151	5,151
Tax and revenue management	59,907	58,382	63,678	47,611	47,685	51,677
Investment, treasury and risk management	619,082	674,356	650,491	756,114	787,922	790,472
Financial sector and pensions	640,398	826,596	683,175	779,114	832,651	884,146
Enterprise	25,486	24,117	23,495	22,106	21,009	21,009
<b>MINISTRY EXPENSE</b>	<b>1,349,375</b>	<b>1,588,855</b>	<b>1,425,674</b>	<b>1,610,095</b>	<b>1,694,418</b>	<b>1,752,455</b>

## MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2010-11 Estimate	2011-12 Target	2012-13 Target
	2008-09 Actual	2009-10 Budget	2009-10 Forecast			
<b>REVENUE</b>						
Internal Government Transfers	57,107	1,000	800	1,000	1,000	1,000
Personal and Corporate Income Taxes	12,960,269	11,005,899	11,233,070	11,760,663	13,060,720	14,509,040
Other Taxes	1,913,848	2,013,774	1,972,989	2,032,886	2,097,658	2,170,053
Transfers from Government of Canada	19,755	39,181	41,036	31,757	4,457	4,457
Investment Income	(2,017,883)	1,708,760	3,391,211	1,896,903	1,885,098	1,989,343
Premiums, Fees and Licences	62,320	60,532	60,779	63,913	69,842	74,256
Net Income from Commercial Operations	14,630	155,908	152,275	138,177	244,937	312,528
Other Revenue	175,224	198,445	173,421	186,930	187,986	190,595
<b>MINISTRY REVENUE</b>	<b>13,185,270</b>	<b>15,183,499</b>	<b>17,025,581</b>	<b>16,112,229</b>	<b>17,551,698</b>	<b>19,251,272</b>
<b>EXPENSE</b>						
<b>Program</b>						
Fiscal Planning and Economic Analysis	3,882	4,797	4,260	4,509	4,509	4,509
Tax and Revenue Management	55,092	53,540	59,035	42,553	42,619	46,611
Investment, Treasury and Risk Management	432,871	490,113	452,213	464,447	467,098	472,111
Financial Sector and Pensions	397,927	469,787	326,408	341,260	380,795	420,290
Enterprise	23,937	22,600	22,057	20,504	19,404	19,404
Teachers' Pre-1992 Pensions	241,645	356,000	356,000	437,000	451,000	463,000
Ministry Support Services	10,326	10,110	9,587	10,680	10,700	10,700
Valuation Adjustments and Other Provisions	891	1,000	1,000	1,000	1,000	1,000
<b>Total Program Expense*</b>	<b>1,166,571</b>	<b>1,407,947</b>	<b>1,230,560</b>	<b>1,321,953</b>	<b>1,377,125</b>	<b>1,437,625</b>
<b>Debt Servicing Costs</b>						
Department Voted	25,167	19,908	19,908	15,500	11,810	8,700
Department Statutory	157,637	161,000	175,206	272,642	305,483	306,130
<b>Ministry Debt Servicing Costs</b>	<b>182,804</b>	<b>180,908</b>	<b>195,114</b>	<b>288,142</b>	<b>317,293</b>	<b>314,830</b>
<b>MINISTRY EXPENSE</b>	<b>1,349,375</b>	<b>1,588,855</b>	<b>1,425,674</b>	<b>1,610,095</b>	<b>1,694,418</b>	<b>1,752,455</b>
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
<b>NET OPERATING RESULT</b>	<b>11,835,895</b>	<b>13,594,644</b>	<b>15,599,907</b>	<b>14,502,134</b>	<b>15,857,280</b>	<b>17,498,817</b>

\* Subject to the *Fiscal Responsibility Act*. Expense includes cash payments towards unfunded pension liabilities, which will be eliminated under a separate, legislated plan. Expense excludes annual changes in unfunded pension obligations, which are a non-cash expense and which do not affect borrowing requirements. Annual increases in the Department's unfunded obligations for its pension plans (including the teachers' pre-1992 plan) are estimated to be:

1,821,000	800,000	(666,000)	475,000	475,000	475,000
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## CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable					
	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Ministry Revenue	13,185,270	15,183,499	17,025,581	16,112,229	17,551,698	19,251,272
<i>Inter-ministry consolidation adjustments</i>	(143,299)	(83,672)	(77,325)	(94,120)	(107,416)	(117,863)
<b>Consolidated Revenue</b>	<b>13,041,971</b>	<b>15,099,827</b>	<b>16,948,256</b>	<b>16,018,109</b>	<b>17,444,282</b>	<b>19,133,409</b>
Ministry Program Expense	1,166,571	1,407,947	1,230,560	1,321,953	1,377,125	1,437,625
<i>Inter-ministry consolidation adjustments</i>	(219,234)	(239,288)	(230,692)	(239,510)	(241,337)	(242,380)
<b>Consolidated Program Expense</b>	<b>947,337</b>	<b>1,168,659</b>	<b>999,868</b>	<b>1,082,443</b>	<b>1,135,788</b>	<b>1,195,245</b>
Ministry Debt Servicing Costs	182,804	180,908	195,114	288,142	317,293	314,830
<i>Inter-ministry consolidation adjustments</i>	(70,610)	(68,215)	(63,241)	(76,038)	(84,998)	(94,716)
<b>Consolidated Debt Servicing Costs</b>	<b>112,194</b>	<b>112,693</b>	<b>131,873</b>	<b>212,104</b>	<b>232,295</b>	<b>220,114</b>
<b>Consolidated Expense</b>	<b>1,059,531</b>	<b>1,281,352</b>	<b>1,131,741</b>	<b>1,294,547</b>	<b>1,368,083</b>	<b>1,415,359</b>
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
<b>CONSOLIDATED NET OPERATING RESULT</b>	<b>11,982,440</b>	<b>13,818,475</b>	<b>15,816,515</b>	<b>14,723,562</b>	<b>16,076,199</b>	<b>17,718,050</b>

## CAPITAL INVESTMENT BY PROGRAM

(thousands of dollars)

	Comparable					
	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Fiscal Planning and Economic Analysis	46	-	-	-	-	-
Tax and Revenue Management	2,042	2,082	2,082	2,292	2,082	2,082
Investment, Treasury and Risk Management	4,928	1,810	16,350	15,000	16,300	3,700
Financial Sector and Pensions	2,132	8,105	7,714	14,571	3,410	4,422
Ministry Support Services	345	180	180	180	180	180
<b>MINISTRY CAPITAL INVESTMENT</b>	<b>9,493</b>	<b>12,177</b>	<b>26,326</b>	<b>32,043</b>	<b>21,972</b>	<b>10,384</b>