

Finance and Enterprise

BUSINESS PLAN 2009-12

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2009 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 March 12, 2009 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.

Iris Evans, *Minister of Finance and Enterprise*
March 19, 2009

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 (Alberta Pensions Administration Corporation), Alberta Securities Commission, and ATB Financial, Credit Union Deposit Guarantee Corporation, Alberta Insurance Council, 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 and Regional Development, 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. These 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

Goal 1: Alberta will have a prosperous economy

Linked through:

- The Alberta Heritage Science and Engineering Research Endowment Fund
- Economic and Regional Development – 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 to improve their productivity and global competitiveness.
- 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.

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 long-term fiscal position, review existing economic and fiscal policy and develop direction, principles, priorities and tools to effectively and efficiently address the medium-term investment, economic and fiscal issues. Support the effective development and implementation of key sectoral strategies such as climate change strategies with sound economic and fiscal policy analysis.
- Strengthen Alberta's Fiscal Framework – Renew the Government of Alberta's fiscal framework to respond to current economic realities and to strengthen Alberta's long-term fiscal position.

Goal 5: Albertans will be healthy

Linked through:

- The Alberta Heritage Foundation for Medical Research Endowment Fund and the Alberta Cancer Prevention Legacy Fund.

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 ensures that Canada’s capital markets remain globally competitive.

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.
- Improve the effectiveness and capabilities of northern and regional economic development organizations.

Government of Alberta Priority

Finance and Enterprise supports the Government of Alberta Priority by working with the Ministries to *enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta’s economy.*

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

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

Challenges	Opportunities
<p>How do we ensure Alberta is competitive and improves its productivity in today’s global environment?</p> <p>Alberta competes in a global marketplace, where there is a growing awareness of the need to balance economic and environmental sustainability. Alberta business and industry must strive constantly to meet customer demands, find new markets and improve products and services. The Alberta government seeks to maintain a business climate that encourages and sustains economic growth. A critical element of economic sustainability will be Alberta’s ability to compete in the increasingly competitive global marketplace. There are challenges with the changing comparative advantages of living and doing business in Alberta. Northern and regional communities are also experiencing challenges in areas such as transportation, cyclical economic patterns and access to services.</p>	<p>Ensure sustained long-term economic growth</p> <p>The Ministry will revisit its economic and regional development strategies and policies to ensure they are aligned to help move Alberta’s economy forward and build a stronger Alberta. The best way to ensure Alberta’s growth and quality of life are sustainable over the long-term is to have a diversified, productive and competitive economy that is responsive to change and able to adjust and prosper under any economic conditions. Promoting collaboration and innovation to build on Alberta’s existing resource strengths, while developing and supporting a knowledge-based economy is essential to driving Alberta’s economic engine forward. The Ministry will encourage and expand development of chemical and refined products from Alberta bitumen, working to build a world class chemical cluster. There is also opportunity for improving the capabilities of regional economic organizations.</p>

Challenges	Opportunities
<p>How do we ensure fiscal sustainability in the face of revenue volatility?</p> <p>Increases in energy prices have contributed significantly to revenue growth for the Government of Alberta. The recent drop in the price of these resources and the associated government revenues shows that there are no guarantees that the historical growth in revenues will materialize in the future. A significant reduction in energy prices not only reduces revenues directly, but also causes a downturn in the Alberta economy affecting employment and personal and business income.</p> <p>The challenge is to ensure the underlying revenue trend necessary to support long-run program is not obscured by temporary swings in resource revenues, investment income and other transitory or cyclical factors. Fiscal sustainability requires that, over time, spending growth not exceed underlying revenue growth.</p>	<p>Long-term fiscal sustainability</p> <p>Although revenue volatility makes it difficult to assess the level of spending that is compatible, over time, with underlying revenue growth it also provides the opportunity to contribute to the fiscal sustainability of the province through appropriate investments at the appropriate time. The Ministry will make decisions around forecasting longer term revenue and cost pressures, a renewed savings strategy and will report to Albertans in a transparent fashion. Alberta will continue to be a leader in fiscal planning.</p>
<p>How do we ensure our pension plans are strong and sustainable for Albertans?</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>Strategic use of pensions partnered with long-term sustainability of pensions</p> <p>Long-term sustainability is achieved through effective governance and administration, including appropriate funding. The government will collaborate 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>

Challenges	Opportunities
<p>How do we ensure our system generates sufficient revenue?</p> <p>Alberta's significant natural resource revenue has enabled the province to have a competitive, low tax structure. Our structure draws on a narrower range of tax sources than other jurisdictions which increases our revenue risk.</p>	<p>Fair, efficient and effective tax system</p> <p>The Ministry has an opportunity to strengthen its proactive strategies for tax collection, compliance and encouraging voluntary compliance. Additionally, our low taxes give us a strong starting point to assess current and alternative revenue sources to ensure that the tax system is fair, effective and efficient while maintaining our competitiveness relative to other systems in Canada and internationally. Our low taxes give us a strong starting point.</p>
<p>How do we sustain and grow the government's income from investment funds?</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>Ensure good governance and sound investment strategies</p> <p>The Ministry will continue to ensure good governance practices are in place, using a broad framework of principles and policies, including risk tolerance. Albertans can expect that AIMCo will maximize the returns on dollars invested within the context of a policy framework agreed to by the Minister.</p>
<p>How do we ensure our Insurance and Financial Sectors are sound?</p> <p>The Ministry has a strong regulatory environment. There are nonetheless some challenges that we will face in the coming years. There are legal challenges on auto insurance legislation that may impact the stability of the automobile insurance system.</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 ensure the stability of the system.</p>	<p>Ensure stability in the Insurance and Financial Sectors</p> <p>Alberta will continue to leverage its opportunities to participate in inter-provincial initiatives to increase regulatory efficiency and maintain an appropriate balance between investor protection and a firm's ability to raise capital.</p> <p>Given recent consolidation in the Credit Union system, the Ministry will review the roles and responsibilities of participants to ensure they are appropriate.</p>
<p>How can we support Albertans towards saving for their future?</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>Encourage a "culture of savings" for Albertans</p> <p>It is timely to enhance Albertans' awareness of the importance of individual savings, and potentially to broaden the availability of pension plans and other savings vehicles. The Ministry will continue to work with Albertans, and with other governments exploring opportunities for future savings vehicles.</p>

STRATEGIC PRIORITIES 2009-12

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.

CREATING AND PROTECTING OUR OPPORTUNITIES

- 1. Sound economic and fiscal policy**

Linkage:
Goals 1, 2 and 3

The Ministry will strengthen the Government of Alberta's long-term fiscal position by:

 - reviewing existing economic and fiscal policy and develop direction, principles, priorities and tools to effectively and efficiently address medium-term investment, economic and fiscal issues;
 - reviewing the principles and elements of the fiscal framework;
 - developing demographic, fiscal and economic projections that underlie the budget;
 - working with other ministries to provide sound economic and fiscal policy advice through:
 - direct involvement in key sectoral strategies such as climate change strategies; and
 - assessing the implications of emerging cost pressures on government fiscal sustainability; and
 - providing policy advice on the fiscal and economic implications of demographic change on government programs.

- 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 Pensions (JEPPs) that will:

 - encourage pension plans sponsors to maintain existing plans;
 - make it more attractive for new types of plans to advance;
 - address funding issues for defined benefit plans;
 - ensure 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. Economic and regional development**

Linkage:
Goal 2 and 3

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

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

- 4. Adding value to our resources**
- Linkage: Goal 3**
- Encourage and expand development of chemical and refined products from Alberta bitumen to improve the long-run sustainability of the Alberta economy:
- through effective partnerships with municipalities, other governments 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. Strengthen Alberta's fiscal framework**
- Linkage: Goal 5**
- Renew the Government of Alberta's fiscal framework to respond to current economic realities and to strengthen Alberta's long-term fiscal position.
- 6. An effective and efficient securities regulatory system**
- Linkage: Goal 6**
- Work with other Canadian and international jurisdictions to maintain a securities regulatory system that protects Alberta investors and ensures that Canada's capital markets remain globally competitive.
- 7. An affordable, efficient and fair insurance system**
- Linkage: Goal 6**
- Engage stakeholders in monitoring the Alberta auto insurance system as the implications of the constitutional challenge unfold. Implement our TILMA obligations with respect to insurance by working with the Government of British Columbia to develop common standards for insurance contracts and consumer protection.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Fiscal planning and economic analysis

The Ministry of Finance and Enterprise provides economic, tax, and financial analysis to support fiscal sustainability and a healthy economy. The Ministry is responsible for the development of the fiscal, demographic and economic projections and analysis that underlie the budget and is responsible for the development of the provincial budget. As part of this, the Ministry takes the lead on providing options on the legislated fiscal framework that sets out the budget rules. The Ministry provides advice and options on the structure of the province's tax system and oversees legislative changes necessary to implement government tax policy. The Ministry works with the federal government and other provincial governments on fiscal transfers and monitors fiscal development in those jurisdictions and assesses their impacts and/or possible application to Alberta.

Strong and sustainable government finances

What it means

Sound fiscal planning and prudent economic and revenue forecasting are required to meet today's priorities and sustain essential programs and services over the longer term. The legislated fiscal framework supports sound fiscal planning to help address with revenue volatility and to maintain balanced budgets.

The Ministry monitors global economic trends, provides demographic, economic and fiscal forecasts, develops fiscal policy options and coordinates and prepares the annual budget and quarterly budget updates to Albertans on the Government of Alberta's financial position.

Strategies

- 1.1 Renew the Government of Alberta's fiscal framework to respond to current economic realities and to strengthen Alberta's long-term fiscal position.
- 1.2 Investigate improvements in corporate income tax forecasting.
- 1.3 Strengthen budgeting and budget processes by:
 - strengthening pre-budget consultation processes with stakeholders;
 - analyzing Alberta's spending in comparison to other jurisdictions; and
 - providing timely economic information.
- 1.4 Evaluate implications of Public Sector Accounting Board proposals.

Performance Measures	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
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)	*Growth in operating spending: 2007-08 = 10.0% Population plus CPI growth: 2007-08= 8.1%	Operating spending growth equal to or less than population plus CPI growth	Operating spending growth equal to or less than population plus CPI growth	Operating spending growth equal to or less than population plus CPI growth

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

What it means

The tax system must be fair and promote self-reliance. The system must also be competitive with those in other provinces and countries in order to attract investment and skilled workers to Alberta. The government's policy of low tax rates promotes strong economic growth. Alberta has the lowest overall personal and corporate taxes of all provinces with a low single-rate personal income tax, low corporate tax rates and the lowest tax on gasoline. Alberta is the only province without a capital tax, general payroll or retail sales tax.

The Ministry assists other ministries to assess the economic and fiscal implications of alternative policy options and the alignment of these policies with overall government economic and fiscal policy.

Strategies

- 2.1 Review Alberta's tax competitiveness within Canada and globally and recommend options to improve the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system.
- 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 such as competitiveness, land use planning and climate change 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 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
2.a Provincial and municipal tax load as a percentage of the Canadian average (interprovincial rank)	Lowest in Canada	Lowest in Canada	Lowest in Canada	Lowest in Canada
2.b Provincial tax load on businesses	Lowest in Canada	Lowest in Canada	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 ensure Alberta has a globally competitive business climate.

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.

Strategies

- 3.1 Develop targeted policies, strategies and initiatives to enhance economic diversification in key value-added, resource upgrading, manufacturing and service sectors by:
 - supporting the development of a policy framework for bitumen upgrading and chemical cluster development in the province;
 - implementing targeted chemical cluster development strategies identified within the oil sands and energy strategies;
 - implementing strategic plans in targeted sectors including; aerospace, engineering and environmental services, machinery and equipment, and building and wood products; and
 - exploring opportunities to develop the financial services sector in Alberta.
- 3.2 Develop targeted policies and services that assist business and industry to maintain their global competitiveness and productivity by:
 - delivering business productivity services;
 - implementing a productivity policy framework;
 - preparing a new competitiveness strategy for Alberta;
 - providing timely business information and industry sector intelligence; and
 - addressing logistics barriers to moving Alberta products to markets.
- 3.3 Improve regulatory quality and reduce the burden on business and citizens by streamlining requirements and eliminating duplication and redundancy.
- 3.4 Facilitate effective regional and community economic development by:
 - supporting the partnership with Regional Economic Development Alliances; and
 - implementing the findings of the consultation process on regional development; and
 - supporting other economic development organizations such as The Business Link.
- 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 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
3.a Real Domestic Product of manufacturing and business and commercial services ^{1,2}				
• Billions	\$33.8	\$36.6	\$38.1	\$39.6
• Per cent change from previous year	2.5%	4.0%	4.0%	4.0%
3.b Manufacturing and service industry investment: the value of new capital expenditures on construction and machinery and equipment in Alberta's manufacturing and services industry ¹ (excludes utilities)				
• Billions	\$17.1	\$18.6	\$19.2	20.5
• Per cent change from previous year	+7.7%	+2.0%	+3.0%	+7.0%
	2007	2009	2010	2011

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.

Core Business Three: Tax and revenue management

The Ministry of Finance and Enterprise is responsible for administering Alberta's provincial tax legislation. An efficient and effective tax administration contributes to an attractive business environment by promoting self-compliance and simplification of regulatory requirements. Monitoring compliance with the tax legislation also ensures 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 taxpayer self-compliance.

Strategies

- 4.1 Encourage voluntary compliance by improving public understanding of tax requirements and perceptions of fairness.

- 4.2 Proactively manage tax collections and taxpayer compliance.
- 4.3 Implement the Scientific Research and Experimental Development tax credit program.
- 4.4 Advance electronic commerce for Alberta's tax programs.
- 4.5 Maximize organizational effectiveness to respond proactively to Alberta's dynamic business environment.

Performance Measures	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
4.a Ratio of amounts added to net revenue to costs of administration (as a measure of efficiency) ¹	13:1	12:1	12:1	12:1
4.b Percentage of revenue obtained through self-compliance (as a measure of effectiveness) ²	94.2%	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 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 Tax and Revenue Administration'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.

Core Business Four: Investment, treasury and risk management

The Province of Alberta has annual cashflows that exceed \$500 billion. Finance and Enterprise is responsible for ensuring those cashflows are managed efficiently through effective banking and cash management practices. The Minister 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. This includes managing debt and other financial liabilities and risks of the province including loans and guarantees. The department of 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.

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GOAL FIVE **Sound investment, treasury and risk management**

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 Minister of Finance and Enterprise is responsible for the investment of the Alberta Heritage Savings Trust Fund, endowment funds and other government funds. The Minister also 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 Implement changes to government savings funds based on a new savings framework.
- 5.2 Ensure government funds are optimally invested through the establishment and ongoing review of investment policies.
- 5.3 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.
- 5.4 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 borrowing programs; and
 - providing financial and risk management expertise in the development and negotiation of Public Private Partnership (P3) transactions.
- 5.5 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 sustainable funding for liability exposure and the loss of public assets.

Performance Measures	Last Actual (year)	Target 2009-10	Target 2010-11	Target 2011-12
5.a The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5% ¹	Exceeded target by 3.8% (2007-08)	CPI plus 4.5%	CPI plus 4.5%	CPI plus 4.5%
5.b Value-added through active investment management, for the endowment and pension funds, annualized over a five year period ²	0.56% added through Active Management (2007-08)	1%	1%	1%

Performance Measures	Last Actual (year)	Target 2009-10	Target 2010-11	Target 2011-12
5.c Client satisfaction with the services provided by the Risk Management and Insurance Division (survey issued every two years) ³	86% (2006-07)	----	85%	----

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% annualized return added through active management in measure 5.b.
- 2 This measure is used to determine the impact of AIMCo active fund management on performance and is measured as the difference between actual returns and policy benchmark returns for each fund.
- 3 The 2006 – 07 survey result is unaudited.

Core Business Five: Financial sector and pensions

Finance and Enterprise regulates insurance, private sector pensions, and provincially-registered financial institutions, by administering Acts that set standards for products and services in those financial areas. The Department is the government contact point for the following financial sector 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 (Alberta Pensions Administration Corporation), ATB Financial and Alberta Securities Commission. The Department 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 regulation, Canada Pension Plan, ATB Financial, and the reporting entities.

GOAL SIX **6 Effective regulation of financial products and services**

What it means

The Ministry of Finance and Enterprise helps to reduce risks relating to financial products and services by regulating private sector pension plans, the insurance industry, credit unions, and loan and trust corporations in Alberta, and by providing policy advice regarding securities regulation.

The Ministry monitors the financial marketplace and develops rules and regulations that govern credit unions, loan and trust corporations, the insurance industry and pension plans. These rules and regulations facilitate services to deposit holders, policy holders, pension plan members and trust beneficiaries while maintaining a competitive environment in which companies can operate.

An effective, efficient and streamlined securities regulatory system is vitally important to investor protection, and vibrant and competitive national and local capital markets. It inspires investor confidence and supports competitiveness, innovation and growth in the economy.

The Ministry of Finance and Enterprise delivers this through a crown agent, the Alberta Securities Commission (ASC). The ASC is responsible for maintaining the efficiency and integrity of the capital market in Alberta through the administration of the *Securities Act*.

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 private sector pensions, 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 developing legislation with British Columbia, and possibly others, based on the Joint Expert Panel on Pension Standards (JEPPS) established by the Governments of Alberta and British Columbia findings.
- 6.4 Develop options to introduce a supplemental pension plan for Albertans currently not covered by pension plans.
- 6.5 As the implications of the constitutional challenge unfold, seek to maintain a balance between fair compensation for injured Albertans, affordable premiums for all Albertans and stability of the Alberta auto insurance system.
- 6.6 Lead and actively promote the development and implementation of an inter-provincial/territorial securities regulatory system, based on highly harmonized securities legislation that is 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 ensure that Alberta's securities regulation meets the needs of Alberta businesses and investors.

Performance Measures	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
6.a Percentage of private sector pension plans that meet minimum funding standards ¹	99%	100%	100%	100%
6.b Inter-provincial/territorial securities regulatory system	Amendments passed to enable Phase Two of the Passport System	Other provincial/territorial harmonization and streamlining initiatives	Other provincial/territorial harmonization and streamlining initiatives	Other provincial/territorial harmonization and streamlining initiatives

Note:

1 Current service cost and any required deficit payments within the timelines set by legislation.

What it means

Finance and Enterprise provides policy support to government as trustee and sponsor of several public sector pension plans. The Ministry is responsible for Alberta's Public Sector Pension Plans including the Local Authorities Pension Plan, the Special Forces Pension Plan, the Public Service Pension Plan and the Management Employees Pension Plan. Pension boards are responsible for setting pension contribution rates, establishing investment policies for their funds and for monitoring performance within defined objectives and constraints.

Sustainability of the public sector pension plans is achieved through effective governance and administration including appropriate funding.

As part of negotiations during 2007-08, the government and the Alberta Teacher's Association (ATA) agreed that the government would assume all of the pre-1992 pension liability for the Teachers' Pension Plan. Finance and Enterprise will be responsible for managing this liability and will work with Education to implement the changes.

Alberta Pensions Services Corporation (Alberta Pensions Administration Corporation) provides administrative services for public sector pension boards, employers, members and pensioners of seven different pension plans and two retirement plans. Alberta Local Authorities Pension Plan (LAPP) 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. Alberta takes part in a triennial review of the Canada Pension Plan.

Strategies

- 7.1 Work with public sector boards and stakeholders and lead the implementation of an improved governance structure that will strengthen public sector pension plans.
- 7.2 Implement the agreement with respect to the Teachers' Pension Plan pre-1992 unfunded liability.
- 7.3 Deliver effective pension administration services.

Performance Measure	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
7.a Improved pension plan governance	Governance review ongoing throughout the year	Recommendations from review implemented	Fully Implemented	n/a

Performance Measure Under Development for the 2010-2013 Alberta Finance and Enterprise Business Plan which will take into account new government policy, the Public Agencies Governance Framework. As well, another new measure is expected for the 2010-2013 Alberta Finance and Enterprise Business Plan, which will likely address the delivery of effective pension administration services.

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.

ACFA provides financing for capital projects to a variety of local authorities including municipalities, health authorities, school boards, post-secondary institutions and airport authorities throughout the province.

Strategies

- 8.1 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.
- 8.2 Where business powers are the same, ensure that the legislative and regulatory framework under which ATB Financial operates is comparable to that for other financial institutions.
- 8.3 Provide local authorities with flexible funding for capital projects at the lowest possible cost while maintaining the viability of the ACFA.

Performance Measures		Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
8.a	ATB Financial return on average assets	0.14%	0.53%	0.46 %	0.64%
8.b	Cost to Alberta local authorities of borrowing from ACFA compared to other municipality/aggregating agencies for a comparable loan	Met (in both cases compared)	Lowest of comparable cases	Lowest of comparable cases	Lowest of comparable cases

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2009-10 Estimate	2010-11 Target	2011-12 Target
	2007-08 Actual	2008-09 Budget	2008-09 Forecast			
Fiscal Planning and Economic Analysis	4,974	5,286	5,286	5,404	5,405	5,405
Tax and Revenue Management	49,236	56,797	56,797	58,382	59,098	59,027
Investment, Treasury and Risk Management	596,195	660,540	645,284	674,356	722,810	768,957
Financial Sector and Pensions	655,707	730,690	679,238	826,596	929,612	967,709
Enterprise	22,370	38,133	24,133	24,117	23,221	22,123
MINISTRY EXPENSE	1,328,482	1,491,446	1,410,738	1,588,855	1,740,146	1,823,221

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2009-10 Estimate	2010-11 Target	2011-12 Target
	2007-08 Actual	2008-09 Budget	2008-09 Forecast			
REVENUE						
Internal Government Transfers	278,118	62,288	46,288	1,000	1,000	1,000
Personal and Corporate Income Taxes	12,966,156	12,388,353	12,389,211	11,005,899	11,441,067	12,267,459
Other Taxes	1,933,124	2,002,450	1,920,765	2,013,774	2,065,140	2,121,981
Transfers from Government of Canada	4,181	20,040	21,181	39,181	31,481	4,181
Investment Income	2,293,459	1,893,638	(1,973,800)	1,696,769	1,762,299	1,828,797
Premiums, Fees and Licences	53,613	53,191	53,861	60,532	63,996	66,123
Net Income from Commercial Operations	37,482	269,825	33,928	155,908	183,886	278,879
Other Revenue	155,748	188,050	178,258	210,436	223,466	231,713
MINISTRY REVENUE	17,721,881	16,877,835	12,669,692	15,183,499	15,772,335	16,800,133
EXPENSE						
Program						
Fiscal Planning and Economic Analysis	4,407	4,708	4,708	4,797	4,797	4,797
Tax and Revenue Management	46,611	52,129	52,129	53,540	54,250	54,175
Investment, Treasury and Risk Management	394,061	463,174	452,918	490,113	505,972	520,114
Financial Sector and Pensions	457,718	486,919	435,467	469,787	491,802	515,898
Enterprise	20,952	36,687	22,687	22,600	21,702	20,602
Teachers' Pre-1992 Pensions	197,233	243,000	243,000	356,000	437,000	451,000
Ministry Support Services	9,450	9,640	9,640	10,110	10,126	10,138
Valuation Adjustments and Other Provisions	(966)	1,005	1,005	1,000	1,000	1,000
Total Program Expense*	1,129,466	1,297,262	1,221,554	1,407,947	1,526,649	1,577,724
Debt Servicing Costs						
Department Voted	31,283	25,184	25,184	19,908	15,497	15,497
Department Statutory	167,733	169,000	164,000	161,000	198,000	230,000
Ministry Debt Servicing Costs	199,016	194,184	189,184	180,908	213,497	245,497
MINISTRY EXPENSE	1,328,482	1,491,446	1,410,738	1,588,855	1,740,146	1,823,221
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	16,393,399	15,386,389	11,258,954	13,594,644	14,032,189	14,976,912

* 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:

2,338,000	176,000	2,713,000	800,000	800,000	800,000
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CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2009-10 Estimate	2010-11 Target	2011-12 Target
	2007-08 Actual	2008-09 Budget	2008-09 Forecast			
Ministry Revenue	17,721,881	16,877,835	12,669,692	15,183,499	15,772,335	16,800,133
<i>Inter-ministry consolidation adjustments</i>	(356,399)	(144,441)	(128,082)	(83,672)	(90,746)	(97,733)
Consolidated Revenue	17,365,482	16,733,394	12,541,610	15,099,827	15,681,589	16,702,400
Ministry Program Expense	1,129,466	1,297,262	1,221,554	1,407,947	1,526,649	1,577,724
<i>Inter-ministry consolidation adjustments</i>	(107,589)	(121,718)	(118,229)	(125,012)	(126,169)	(128,919)
Consolidated Program Expense	1,021,877	1,175,544	1,103,325	1,282,935	1,400,480	1,448,805
Ministry Debt Servicing Costs	199,016	194,184	189,184	180,908	213,497	245,497
<i>Inter-ministry consolidation adjustments</i>	(60,648)	(66,262)	(66,278)	(68,215)	(72,627)	(75,572)
Consolidated Debt Servicing Costs	138,368	127,922	122,906	112,693	140,870	169,925
Consolidated Expense	1,160,245	1,303,466	1,226,231	1,395,628	1,541,350	1,618,730
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	16,205,237	15,429,928	11,315,379	13,704,199	14,140,239	15,083,670