Treasury Board and Enterprise

Annual Report
2011-2012

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On October 12, 2011, the government announced new ministry structures. The 2011-12 ministry annual reports and financial statements have been prepared based on the October 12, 2011 ministry structure.

The October 12, 2011 Ministry of Treasury Board and Enterprise is comprised of Treasury Board; Enterprise (economic development responsibilities), formerly with the Ministry of Finance, and Corporate Human Resources.

This annual report of the Ministry of Treasury Board and Enterprise contains the president's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and financial information relating to trust funds.

On May 8, 2012, the government announced a Cabinet restructure. As a result, the Ministry of Treasury Board and Enterprise was restructured. The Ministry of Treasury Board and Enterprise and the Ministry of Finance were consolidated and are renamed as the Ministry of Treasury Board and Finance. In addition, the Ministry's responsibility for Enterprise and Corporate Human Resources were transferred to the Ministry of Enterprise and Advanced Education and to Executive Council respectively. This most recent restructuring will be reflected in the 2012-13 Ministry Annual Report.

President's Accountability Statement

The ministry's annual report for the year ended March 31, 2012, 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 at June 15, 2012 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by Doug Horner]

Doug Horner
President of Treasury Board and Minister of Finance

Message from the President

The Ministry of Treasury Board and Enterprise, which includes the department of Corporate Human Resources, was responsible for helping ensure Albertans receive good value for their tax dollars through effective and efficient government, disciplined spending and a strong public service. In addition, the ministry had a lead role in coordinating the province's economic development activities.

A key initiative in 2011-12 was the introduction of the *Results-Based Budgeting Act,* which outlines an enhanced budget process to guide future spending and decision-making. Over the next three years, Treasury Board and Finance will lead a comprehensive review of all programs and services to ensure government is effectively focusing its resources on meeting the current and future needs of the province. This includes a review of the 20-year Strategic Capital Plan. Program budgets will be reset to reflect the findings of the review, which will form the basis for future budget and policy decisions focused on achieving the best results for Albertans.

The introduction of the *Results-Based Budgeting Act* complemented the ongoing work of the ministry to enhance consistency within business processes and financial systems, while increasing the effectiveness of reporting and performance management.

Corporate Human Resources (CHR) works collaboratively with ministries to ensure the Alberta Public Service has a skilled workforce with the capacity to meet changing business needs and to continue to provide high quality programs and services to Albertans. CHR focuses on developing a work environment that fosters innovation and collaboration to achieve the best outcomes possible. In 2011-12 work focused on supporting employee growth and development, providing a quality work environment for employees and positioning the Government of Alberta as an attractive employer to ensure a strong public service that can deliver on government priorities today and in the future.

In October, I was very pleased to assume responsibility for provincial economic development following a government reorganization. The ministry made great strides in advancing and promoting economic activity, including hosting the Alberta Economic Development Summit in January 2012. For the first time, the event brought together representatives from 70 different organizations to discuss a common vision for Alberta's economic future and how we can work together effectively to make that vision a reality. That theme of partnership was also reflected in the successful Leading the North Conference, hosted in Fort McMurray by the Northern Alberta Development Council, which addressed issues such as economic growth, the oil sands and quality of life.

In May 2011, the Alberta Competitiveness Council identified 18 priority actions to make Alberta's economy more competitive in sectors such as agriculture, financial services, manufacturing and petrochemicals/chemicals. Work being done on these actions included the non-profit incorporation and continued support of Productivity Alberta to assist businesses in maximizing their efficiency and enhancing their competitiveness, efforts to address future labour shortages, and transportation planning for heavy loads to Alberta's oil sands projects. To further support entrepreneurship, Treasury Board and Enterprise also announced the establishment of eight new Rural Alberta Business Centres as a three-year pilot project that will support small business in rural communities across Alberta.

I congratulate employees of Treasury Board and Enterprise, Corporate Human Resources and all members of the public service on their professionalism and ability to adapt to new situations as changes occurred over the past year. Your ongoing, diligent work to create the best province possible through a reliable, accountable, and innovative government will benefit Alberta for years to come.

[Original signed by Doug Horner]

Doug Horner
President of Treasury Board and Minister of Finance

Management's Responsibility for Reporting

The Ministry of Treasury Board and Enterprise includes:

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the President of Treasury Board and Enterprise. Under the direction of the President, we oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability – the performance measure methodologies and results are presented clearly.
- Comparability – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – goals, performance measures and related targets match those included in the Ministry's Budget 2011.

In addition to program responsibilities, we are responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling our responsibilities for the ministry, we have relied, as necessary, on the executives within the ministry.

[Original signed by Annette Trimbee]

Annette Trimbee
Deputy Minister
June 15, 2012

[Original signed by Dale Silver]

Dale Silver
Public Service Commissioner
June 15, 2012

Results Analysis – Treasury Board and Enterprise

Department Overview

Mission
To ensure that Alberta has a strong and competitive economy and an efficient, effective and accountable government.

The Department of Treasury Board and Enterprise includes the following areas:

Enterprise

The Enterprise division is the lead economic development planning arm within the Government of Alberta. It leads the creation and implementation of economic development policies, initiatives and tools that facilitate productivity and enhance Alberta's global competitiveness. The division is responsible for industry development, and economic development policies, as well as regional development. The division serves as the liaison with the Alberta Economic Development Authority and the Northern Alberta Development Council. In partnership with key stakeholders, the Enterprise division strengthens the province by focusing on: enhancing the labour supply, facilitating entrepreneurship and productivity growth, and promoting value added and supply chain development.

Spending Management and Planning

Spending Management and Planning (SMP) is the primary contact with ministries for all program budgeting and spending issues. SMP consults with other ministries regarding all new programs and initiatives which have spending implications that require government consideration. As part of government's overall budgeting and fiscal planning process, SMP is responsible for developing ministry spending targets and providing advice and recommendations to Treasury Board Committee, Cabinet and Executive Council on program spending issues throughout the year.

Strategic Capital Planning

Strategic Capital Planning is responsible for leading the government's capital planning process, including developing the long term Strategic Capital Plan, developing ministry capital targets and providing advice to Treasury Board Committee, Cabinet and Executive Council on capital spending, planning and construction costs throughout the year. The Alternative Capital Financing Office identifies and analyzes alternatives for building and financing capital projects and assists in implementing public-private partnerships (P3s) where feasible. The Air Transportation Services provides air travel services.

Office of the Controller

The Office of the Controller is responsible for government accounting standards and financial reporting, financial management and control policies, performance planning and reporting and the business process reengineering initiative. It is responsible for the Government of Alberta consolidated annual financial statements and *Measuring Up* (performance measurement). The Office of the Controller also promotes good governance by supporting departments and agencies in their efforts to implement the Public Agencies Governance Framework. The Agency Governance Secretariat provides departments and agencies with information, training and resources, and one-on-one assistance related to the governance of public agencies. The Office of the Controller works with government departments and public agencies to facilitate the provincial government's coordinated approach to enterprise risk management. The office is also responsible for the business continuity of the ministry, with a plan in place to ensure that critical services and functions resume quickly should a disruption occur.

The ministry's intern program, coordinated by the Office of the Controller offers new post-secondary graduates an opportunity to rotate through various divisions to gain experience and exposure to government processes, legislation, research and policy.

Corporate Internal Audit Services

Corporate Internal Audit Services performs internal audits across government. This area helps ministries achieve their goals by bringing a systematic, disciplined approach to evaluating and improving risk management, control and governance processes.

Corporate Services

The Corporate Services division provides strategic support to program areas to achieve the department's goals and enhance its effectiveness. The division provides professional services and strategic advice on matters related to financial management, financial planning and reporting, human resources, communications, accommodations, information technology and records management.

Shared Services

Human Resource services and the Senior Financial Officer are shared functions between Treasury Board and Enterprise and Corporate Human Resources.

Performance Measures Summary Table

		Prior Years' Results		Target	Current Actual
1.	**Alberta has a Competitive and Productive Economy**				
1.a	Manufacturing and business service industry Gross Domestic Product (GDP): per cent change in the value of real GDP of manufacturing and business services	-6.2% $53.6 billion 2009	+3.9% $55.6 billion 2010	**+3%** $57.7 billion 2011-12	+6.3% $59.1 billion 2011
	• Manufacturing	$13.0 billion	$14.2 billion	$14.7 billion	$15.7 billion
	• Business Services	$40.5 billion	$41.4 billion	$43.0 billion	$43.4 billion
2.	**Effective and Efficient Government**				
2.a	Percentage of corporate internal audit recommendations implemented	86% 2009-10	89% 2010-11	**90%** 2011-12	88% 2011-12
3.	**Goal: Disciplined Government Spending**				
3.a	Sustainable operating spending growth (operating spending relative to population plus Consumer Price Index (CPI))*	Greater than 2009-10	Greater than 2010-11	**Operating Spending Growth is Equal-to or Less – than Population Plus CPI** 2011-12	Less than 2011-12
	Operating spending	4.4%	6.3%		2.7%
	Population plus CPI growth	1.8%(r)	2.4%(r)		4.3%

* 2011-12 this performance measure and target is shared with Alberta Finance.
r - revised

Results Analysis, Sources and Methodology

1a. **Manufacturing and business service industry Gross Domestic Product (GDP): per cent change in the value of real GDP of manufacturing and business services**

Results Analysis

The 6.3 per cent growth in the GDP of manufacturing and business services was above that targeted for 2011-12. A number of different factors account for the result:

- In part, the measure is still displaying some bounce back from the sharp recession that hit this sector in 2009 when GDP for the combined two sectors was down 6.2 per cent; for instance manufacturing GDP declined by 17.5 per cent in 2009 and rose by 9.1 per cent in 2010 and a further 10.9 per cent in 2011.
- Alberta's chemical sector (the largest manufacturing sub-industry on a GDP basis) grew strongly by 11 per cent after declining by one-third during the 2008-09 recession, as exports surged.
- Strong domestic demand in Alberta (total Alberta GDP was up 5.2 per cent in 2011), especially in the oil and gas sector, boosted output of the machinery (up 31.2 per cent in 2011) and fabricated metals (up 16.5 per cent) sectors and in the engineering sector (up 10 per cent). Oil and gas investment rose an estimated 16 per cent in 2011 in Alberta which had a large impact on these three industries.
- There was a continued economic expansion in the United States (Alberta's top market) as well as in the rest of Canada.
- There was also strong growth in local, Canadian and US markets for Alberta goods which resulted in strong growth of 6.6 per cent for Alberta's transportation sector, the largest sub-sector of business services. Growth was particularly strong in the trucking, air and rail transportation industries.

Source: The information for this performance measure is taken from the GDP by Industry table, published by Statistics Canada.

Methodology: GDP figures for eight industries are combined in this performance measure: manufacturing; information and cultural industries; professional, scientific and technical services; transportation and warehousing; arts, entertainment and recreation; accommodation and food services; finance and insurance; and administrative and support, waste management and remediation services.

GDP is the total market value of all goods and services produced during a given year. GDP is also referred to as economic output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. For this performance measure, GDP is measured in real dollars. Real GDP is a measure of the volume of production. To measure this concept, GDP expenditure-based components are adjusted to eliminate the effect of price change. This process is known as deflation.

2a. **Percentage of corporate internal audit recommendations implemented from engagements rated as significant**

Results Analysis

The ministry follows up on key recommendations made to other government departments. The primary reason the per cent of implemented recommendations was two per cent below the target for 2011-12 relates to recommendations in one area not being fully implemented. Progress is being made on implementing these particular recommendations; however, this is taking longer than anticipated because of the large amount of consultation required. In addition, one recommendation has been put on hold in consideration of an upcoming legislative review.

Source: Corporate Internal Audit Services Rating Guide

Methodology: The Corporate Internal Audit Services Rating Guide is used by Corporate Internal Audit Services (CIAS) in issuing its reports for work performed in departments. The main objectives of the rating guide are to highlight the more important recommendations for departments, identify which projects will be followed up on by CIAS, and serve as a guide in briefing the Internal Audit Committee. Follow-up occurs only on projects with key recommendations to determine if the recommendations have been implemented. The performance measure result is a calculation of the ratio of recommendations implemented to the number of recommendations in the original report. The performance measure is based on follow up reviews completed during the fiscal year.

3a. **Sustainable operating spending growth (operating spending relative to population plus Consumer Price Index (CPI)**

Results Analysis

As part of the government's overall budgeting process, Treasury Board and Enterprise worked with ministries to help ensure that programs and services were provided to Albertans in a cost effective and efficient manner. In 2011-12, the target for spending growth was met: growth in operating spending was less than the growth in population and inflation. The government's spending on programs and services was kept at a sustainable level. Government spending increased by 2.7 per cent while the population of the province and inflation increased by 4.3 per cent. To hold operating spending growth at 2.7 per cent, the government focused on in-year savings, pursued administrative reductions and effectively managed discretionary spending. Growth in operating spending was lower than in 2010-11. In 2010-11, operating expense increased by 6.3 per cent from 2009-10, primarily due to the six per cent increase in the base operating grant for Alberta Health Services (AHS) and the funding that was provided to eliminate the AHS 2009-10 deficit.

Source: Growth in operating expense is calculated by Treasury Board and Enterprise. Population and inflation are calculated by Alberta Finance using internal data.

Methodology: Growth in operating expense is calculated based on data taken from the executive summary in the Government of Alberta Annual Report. The percentage change in actual operating expense is determined by subtracting the 2010-11 actual number from the 2011-12 actual number and then dividing this result by the 2010-11 actual number. Population growth is calculated by taking the annual change in population at the mid-point of the fiscal year (October 1). Inflation is the year over year growth in the average of the Alberta Consumer Price Index over the fiscal year (April to March).

Discussion, Analysis and Results

GOAL 1 Alberta has a Competitive and Productive Economy

Improving Competitiveness

In partnership with Executive Council, the department advanced efforts under the *Alberta Competitiveness Act*. The Alberta Competitiveness Council announced 18 priority actions in a May report, *Moving Alberta Forward*. The actions demonstrate a strong partnership between industry and government to sustain and improve the province's competitiveness in the global economy. Work on five actions is complete, while all other actions have been initiated and are at various stages of implementation.

Labour continues to be a significant issue impacting Alberta's competitiveness. Working closely with other Ministries and industry, the department supported training initiatives, conveyed industry's perspective to policy makers, and advanced efforts to ensure better workforce participation. The Alberta Economic Development Authority and the Northern Alberta Development Council focused on investigating and advancing initiatives that would raise the profile of development issues like labour supply and other concerns related to economic growth, competitiveness, and productivity.

Fostering Value-add and Innovation

Alberta established manufacturing technology adoption initiatives in the metal manufacturing, aerospace and building products sectors, offering industry improved entry points to production technologies and methods that increase employee and capital productivity. The department partnered with a number of organizations to launch programs like the Building Information Center for Modelling Excellence, Alberta Metal Fabrication Innovation Program, and the Alberta Industrial Alliance. These efforts support and encourage value-added activities in Alberta with a focus on sustainable, integrated approaches to economic diversification.

To further the value-add of natural gas, the department conducted a Petrochemical Feedstock Study which identified specific feedstocks for future petrochemical growth in Alberta. The department also investigated the rationale and opportunity to advance Alberta and western Canada as a natural gas and natural gas liquids hub.

The department also produced a number of information products to generate awareness and expand knowledge about the province's economic performance. In 2011, some of these reports included the *Highlights of Alberta Economy*, the *Alberta Small Business Profile*, the *Inventory of Major Alberta Projects*, and monthly economic reviews.

Enhancing Business Productivity

The department launched eight new Rural Alberta Business Centres as a three-year pilot project to support small business in rural communities across Alberta. These centres extend and expand on services available through The Business Link, a federal-provincial partnership to provide information and advice to Alberta's business community.

Additionally, Productivity Alberta transitioned from a government entity to a private, not-for-profit company with a strong industry board. Through this new structure, Productivity Alberta is able to deliver increased services and assistance that enables Alberta's firms to be increasingly competitive through access to productivity assessment tools and lean manufacturing practices.

The department provided resources and support to Executive Council and the Red Tape Reduction Task Force. This task force consulted with small business leaders and associations from across the province and supplemented this with research on Alberta's regulatory performance relative to other Canadian jurisdictions. The Red Tape Reduction Task Force has considered this input and developed recommendations for government to reduce regulatory burden affecting small businesses in Alberta.

GOAL 2 Effective and Efficient Government

Government Reengineering

Chart of Accounts
The ministry implemented the standardized Government of Alberta Chart of Accounts using leading best practices effective April 1, 2012. The government reengineering initiative will result in increased efficiency, data accuracy and consistency in financial data processing and reporting. The new Chart of Accounts provides the foundation to promote further use of the Enterprise Resource Planning system (IMAGIS) that is already in place with a focus on financial consolidations, financial reporting, capital assets and budgeting and forecasting.

Financial Policy Framework
The ministry completed an assessment to develop a financial policy framework and policy repository. The recommendations will be implemented in 2013-14 and will enhance consistency in the interpretation and application of financial policy across the Government of Alberta and reduce queries from ministries.

The Blue Book
An assessment of the production of the Details of Expenditure by Payee Report (Blue Book), which is manually intensive, was completed and opportunities for automation explored, which will result in reduced staff time and eliminate the use need for a separate database. The recommendations will be implemented in 2013-14.

Capital Asset Accounting System

The ministry commenced an assessment of the current asset management accounting systems and processes utilized across ministries to identify the current state, the ideal and future state based on leading best practices. The initiative will result in a standardized asset management accounting system which will provide government with the opportunity to streamline the integration of the various systems and processes; improve the government's financial management; and reduce manual effort related to asset accounting by adopting leading practices and utilizing IMAGIS across government.

Enhancing Accountability

In 2011, all ministry annual reports were published in June, three months earlier than they were in prior years. Numerous revisions will be made to department financial statements, which are included in ministry annual reports, to improve the readability of the statements and to make the presentation more consistent with the improvement made to budget estimates.

Agency Governance

The priority of the Agency Governance Secretariat is to promote good public agency governance through implementation of the Public Agencies Governance Framework. It provides departments and agencies with information, training and resources, and one-on-one assistance related to the governance of agencies. It also supports the Agency Inventory Database which is the most comprehensive source of information about public agencies and public members in Alberta. In 2011-12, over 300 people participated in training sessions on governance practices, agency reviews, and developing codes of conduct and mandate and roles documents. New courses were developed for future delivery. The subscription list for the Agency Update, a bi-weekly newsletter about governance information, quadrupled. The Agency Inventory Database was reprogrammed and fully supported by the ministry's Information Technology Unit.

GOAL 3 Disciplined Government Spending

20-Year Strategic Capital Plan

Consultation with ministries was undertaken to determine the progress made on short-term, medium-term and long-term projects identified in the 20-Year Strategic Capital Plan. Also in consultation with ministries, Treasury Board and Enterprise continued monitoring all capital projects to identify spending requirements and make adjustments as required through quarterly forecasts and the budget process. Regular review of major capital projects was coordinated through the Deputy Ministers' Oversight Committee to monitor capital project cost, schedule and scope.

Long-term Sustainability

To help ensure that programs and services were provided to Albertans in a cost effective manner, the ministry continued to work with Finance to achieve program expense savings of more than $240 million during 2011-12, through administrative reductions, effective management of discretionary spending and other initiatives.

The ministry improved its internal data management and collection processes for budget and fiscal information to allow for a much higher degree of automation in the production of public reports, in particular the supply votes and financial statement reports in the Government Estimates.

Projecting Future Program Spending Requirements

The ministry worked closely with other ministries on capital and operating issues and provided advice and recommendations to Treasury Board Committee, Cabinet and Executive Council. Prior to the annual budgeting process, Treasury Board and Enterprise met with all ministries to assess cost drivers and future spending requirements, which were followed by ministry budget submissions in the fall. In consultation with ministries, the ministry continued monitoring all capital projects to identify spending requirements and make adjustments as required through quarterly forecasts and the budget process. The ministry also coordinated the regular review of major capital projects through the Deputy Minister's Oversight Committee to identify issues related to capital project cost, schedule and scope.

Results Analysis – Corporate Human Resources

Department Overview

Mission
To ensure that the government has a strong public service to deliver high quality programs and services to Albertans.

Corporate Human Resources (CHR), as part of the Ministry of Treasury Board and Enterprise, is the central human resources department for the Government of Alberta managed by the Public Service Commissioner. CHR is the representative for the Government of Alberta in all dealings with the Alberta Union of Provincial Employees.

The Department of Corporate Human Resources includes the following areas:

Office of the Public Service Commissioner

The Public Service Commissioner provides advice on human resource policy, legislation and administration to the Minister and to senior department managers on human resource matters. The *Public Service Act* establishes the authorities for the Public Service Commissioner and conditions of employment for Alberta Public Service (APS) employees.

Labour and Employment Practices

In consultation with ministries, Labour and Employment Practices develops human resource strategies and policy frameworks to ensure terms and conditions of employment are effective in attracting and engaging APS employees within a fiscally responsible mandate. Labour and Employment Practices provides expert consulting and training to ministries relating to employee benefits, job evaluation, compensation, labour relations and workplace health. It also manages employee programs including health, dental, life insurance and long term disability plans, employee assistance programs and the Government of Alberta (GoA) Occupational Health and Safety program. In addition, Labour and Employment Practices represents the government in negotiating, interpreting and administering the collective agreement.

Workforce Development and Engagement

In collaboration with ministries, Workforce Development and Engagement provides strategic leadership to identify and implement strategies to develop and engage APS employees. It manages programs, provides specialized services and supports, and develops policies and guidelines to support and promote employee and management development, succession management, orientation, performance management and recognition. Workforce Development and Engagement leads the planning for workforce priorities, the Premier's Award of Excellence, the GoA Learning Centre, the Corporate Employee Survey, and a variety of development programs for employees and managers.

Attraction, Technology and Human Resource Community Development

In collaboration with ministries, Attraction, Technology and Human Resource Community Development provides strategic leadership to identify and implement strategies to attract talent to the public service, support workforce planning and leverage the development and implementation of human resources information systems including IMAGIS to support effective decision making. It manages programs and develops policies and guidelines to support recruitment and selection, and provides professional development and networking opportunities to enhance the capacity of the human resource community. It also manages the Government of Alberta Jobs website, leads the Ambassador Program, Human Resource Internship Program, and corporate recruitment. It also provides Corporate Human Resources with administration, information technology and financial services.

Executive Search

Executive Search provides a corporate search program to attract and recruit executive managers and senior officials and assists departments in facilitating internal and external moves. Consulting services are provided to significant agencies, boards and commissions on recruitment of senior executives and board members.

Shared Services

Human Resource services and the Senior Financial Officer are shared functions between Treasury Board and Enterprise and Corporate Human Resources.

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measure identified as “Reviewed by Auditor General” for Corporate Human Resources as part of the *Ministry of Treasury Board and Enterprise’s 2011-12 Annual Report*. The reviewed performance measure is the responsibility of the Ministry and is prepared based on the following criteria:

- Reliability - information used in applying performance measure methodology agrees with underlying source data for the current and prior years’ results.
- Understandability - the performance measure methodology and results are presented clearly.
- Comparability - the methodology for performance measure preparation is applied consistently for the current and prior years’ results.
- Completeness – the goal, performance measure and related target match those included in the Ministry’s Budget 2011.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measure in demonstrating Ministry progress towards the related goal.

Based on my review, nothing has come to my attention that causes me to believe that the “Reviewed by Auditor General” performance measure in the Ministry’s 2011-12 Annual Report is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

April 13, 2012

Edmonton, Alberta

Performance measure reviewed by the Auditor General is noted with an asterisk (*)

on the Performance Measures Summary Table

Performance Measures Summary Table

		Prior Years' Results		Target	Current Actual
4.	**Skilled and engaged Alberta Public Service employees**				
4.a*	Stakeholder agreement that the Alberta Public Service has effective human resource policies	76%** 2009-10	71%** 2010-11	**71%**	76% 2011-12
4.b	Stakeholder agreement that overall, the APS has effective strategies to attract, develop and engage employees	73%** 2009-10	67%** 2010-11	**67%**	61% 2011-12

* Indicates Performance Measures that have been reviewed by the Office of the Auditor General.

** Historical results have been revised to include two stakeholder groups.

The performance measure indicated with an asterisk was selected for review by ministry management based on the following criteria established by government:

1. Enduring measures that best represent the goal and mandated initiatives
2. Measures for which new data is available
3. Measures that have well established methodology

Sources and Methodology

4.a Stakeholder agreement that the Alberta Public Service has effective human resource policies
Source: 2011-12 CHR Stakeholder Survey

4.b Stakeholder agreement that overall, the APS has effective strategies to attract, develop and engage employees
Source: 2011-12 CHR Stakeholder Survey

Methodology: Stakeholder agreement data were gathered through an annual Stakeholder Survey by an independent survey organization. A census survey of Corporate Human Resources' (CHR) stakeholder groups (Deputy Ministers and Human Resource Directors) was conducted between January and February, 2012. A total of 30 surveys were completed both online and via telephone with an overall response rate of 75 per cent.

In 2011-12, given the close working relationships between Corporate Human Resources and Deputy Ministers and Human Resource Directors, CHR re-defined its survey stakeholders as these two groups. This provides more focus to the measures and feedback received. In prior years, CHR surveyed Deputy Ministers, Human Resource Directors, Assistant Deputy Ministers, and Human Resource community members.

Discussion and Analysis of Results

GOAL 4 Skilled and Engaged Alberta Public Service Employees

Corporate Human Resources (CHR) worked in partnership with ministry stakeholders to ensure Alberta has a strong public service that can deliver on government priorities. A strategic approach to human resource management ensures the Government of Alberta (GoA) is positioned to have skilled and engaged employees to meet current and future needs.

In 2011-12, achievement of targets and year-over-year results were impacted by a changing public service environment. In this changing environment, CHR worked in collaboration with ministry stakeholders to develop and promote effective implementation of cross-government human resource policies, programs and initiatives to support Alberta Public Service (APS) employees. Stakeholders provided input on an ongoing basis through several groups such as Deputy Ministers' Council, the Human Resource Directors Council and various steering and advisory teams. CHR also continued to focus on promoting the consistent interpretation and application of human resource policies and directives through communication, education and consulting. CHR supported these priorities through work in the following areas:

Promoting the Government of Alberta as a Positive Career Choice

CHR increased awareness of the Government of Alberta as a positive career choice to various audiences through the Ambassador Program, which included showcasing the diverse work done by employees and the opportunity to make a difference in the lives of Albertans at career fairs, career forums and a number of presentations. The Government of Alberta Jobs website, which is the main method of attracting new employees to the provincial government, was enhanced to include new resources that support applicants in the recruitment process. Executive Search continued to attract and recruit candidates as well as manage appointment processes for executive manager, senior official and board member roles in Alberta government departments, agencies, boards and commissions.

The Alberta government offers compensation and benefits that are competitive, flexible and responsive. A new non-taxable Health Spending Account benefit to complement employee group benefits programs and assist with eligible health and dental expenses was announced with implementation in 2012-13.

Ensuring a Skilled Workforce with the Capacity to Meet Changing Needs

A key focus for CHR this year was to ensure the APS has a skilled workforce to continue to provide quality programs and services for all Albertans. Opportunities to enhance knowledge, skills and competencies were available through a variety of learning and development options including courses, programs and services. This included over 15,000 registrations in 1,025 classroom sessions and e-learning opportunities offered through the GoA Learning Centre. Through cross-ministry collaboration, the GoA Learning and Development Leaders Team was formed to discuss learning and development opportunities to support Alberta government employees.

Promoting policy excellence in the APS continued through ongoing training and professional development including initiatives such as the Policy Internship Program, Policy Ambassadors, and Policy Essentials program.

To ensure the public service has the capacity to meet changing business needs, a comprehensive review of the APS competency model was initiated so that the APS will have the competencies required for future success.

Ensuring a capable and connected human resource community continued through a focus on internships, secondments, the ongoing development of the business partner role and professional development opportunities.

Building the capacity of the APS continues through a focus on career development supports, leadership initiatives and supervisory skill development. Career growth was supported to enable APS employees to pursue options that fit their skills, interests and professional development goals. Awareness of career resources, tools and supports continued through presentations, web resources and a new interactive Learning and Development Options tool. Leadership development initiatives included the development of an Executive Leader profile, an

Executive Succession process, a Leadership Development Map, online Supervisor Assessment tool and an online Management Development Program pilot in addition to enhancements to existing programs such as the Supervisor Certificate Program and Management Essentials.

Creating a Healthy, Safe, and Quality Work Environment

Promotion of a healthy, safe, and quality work environment provides a foundation for employees to do their best work. The Government of Alberta's Occupational Health and Safety (OH&S) program redefined its strategic direction to evaluate efficiencies and improvements in areas such as occupational health tracking, OH&S training and program implementation and evaluation. CHR worked in collaboration with departments to develop and implement a strategic plan for evaluating health and safety program implementation. Workplace wellness was promoted through initiatives such as Health Coaching, Health Screening, mental health awareness and personal health and well-being seminars. Early intervention strategies were encouraged through ongoing training, consulting and promotion of workplace health programs and services. Supports for employee engagement continued through employee recognition, the APS Vision and Values, flexible work arrangements, performance management and programs supporting organizational excellence. A comprehensive strategic planning exercise was also undertaken to focus and strengthen employee engagement initiatives.

Supporting Consistent Application of Human Resource Policies and Guidelines

CHR supported a common understanding of the intent and application of human resource policies and directives in areas such as staffing, classification, occupational health and safety, labour relations, and interpretation of the collective agreement through ongoing training, regular communication and consulting with stakeholders. A key focus area was ongoing learning through approaches such as training, information sessions, seminars, newsletters, bulletins and other communication vehicles.

Efficient business processes that support and enhance our efforts to recruit and select the best talent were promoted. New staffing resources were developed that support both timely hiring decisions and high quality hires, and ministries collaborated on a cross-government approach to staffing for common role positions. The Staffing Training Program for HR professionals and hiring managers was enhanced to incorporate the business partner relationship and a more strategic approach to staffing. CHR continued to increase the human resource community's resources and capacity to conduct and incorporate strategic workforce planning into HR practices through ongoing communication, research, and ensuring all ministries had the data, tools, and information required to make business decisions. A productive labour relations environment was promoted with the APS through strategic collective bargaining and relationship building with the Alberta Union of Provincial Employees. Quality assurance initiatives to maintain the management and non-management classification plans continued with the Senior Manager/Manager Review, the development of a classification tool relating to program services jobs, and the benchmarking of web related jobs.

Further information on work undertaken in 2011-12 to ensure the Government of Alberta has skilled employees to meet current and future needs is available in the final report on the Alberta Public Service Workforce Plan located at ***http://www.chr.alberta.ca/apsworkforceplan***.

Ministry Expense by Function

(in thousands)

	2012 Budget	2012 Actual	2011 Actual
Agriculture Resource Management and Economic Development	$ 13,037	$ 13,098	$ 13,174
Regional Planning and Development	4,515	5,284	8,285
General Government	63,186	37,478	36,512
	$ 80,738	$ 55,860	$ 57,971

Financial Highlights

The Ministry of Treasury Board and Enterprise includes the financial results of the department of Treasury Board and Enterprise and Corporate Human Resources.

The ministry's actual operating expenses for 2011-12 were $2.1 million lower than 2010-11 actual expenses. Approximately $1.3 million of this decrease was in Corporate Human Resources representing a reduction in the provision for the Government of Alberta's share of the Long Term Disability Income Continuance Plan liability due to favorable investment performance and long term disability experience. In addition, a $3.0 million decrease in Enterprise was primarily attributed to restructured funding for Regional Economic Development Authorities in the province whose role is to promote regional economic development collaboration. These decreases were offset by a $1.5 million increase in Air Transportation Services primarily due to a change in the estimated amortization of government planes. Also Ministry Support Services increased by $0.7 million due to expenses associated with the 2011-12 government reorganization.

The ministry's actual revenues for 2011-12 were $1.1 million higher than the 2010-11 actual revenues resulting from a $2.1 million special dividend provided by the Workers' Compensation Board offset by a $1.0 million decrease in prior year expenditure refunds. In 2010-11 the ministry's revenues included prior year expenditure refunds resulting from efforts made by the government to redeploy employees identified for separation payments in 2009-10.

The ministry's 2011-12 budget included $19.0 million for capital projects representing funding to plan future capital projects and to identify reengineering initiatives. This funding was transferred to other ministries upon the approval by Treasury Board Committee. Out of this total, $18.6 million was transferred to other ministries for capital planning and $0.4 million was retained by the ministry for finance related reengineering initiatives. In addition, the 2011-12 budget included $137.0 million for a provision for capital projects. Out of this total amount, $80.7 million was transferred to various ministries and the remaining funds were re-profiled to future years.

Excluding capital projects, the ministry's actual expense for 2011-12 was approximately $6.3 million lower than 2011-12 budget. Approximately $4.0 million of this decrease was in Corporate Human Resources due to a reduction in the provision for the government's share of the Long Term Disability Income Continuance Plan liability for reasons previously mentioned. Also within Corporate Human Resources, there was an additional $1.3 million decrease resulting from lower than anticipated participation in the Senior and Executive Manager Mobility Program. These decreases along with an additional $1.0 million decrease demonstrates the ministry's commitment to contribute to in-year savings expected of all ministries.

Increases in Air Transportation Services and Ministry Support Services between budget and actual for 2011-12 are for the same reasons mentioned above. Enterprise's actual expenses exceeded budget for 2011-12 primarily due to the introduction of the new Rural Alberta Business Centre Pilot Program that promotes small businesses in rural communities and to the provision of additional services to help start or grow small and medium sized businesses throughout Alberta.

Ministry of Treasury Board and Enterprise

Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Financial Statements
I have audited the accompanying financial statements of the Ministry of Treasury Board and Enterprise, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ministry of Treasury Board and Enterprise as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 8, 2012

Edmonton, Alberta

MINISTRY OF TREASURY BOARD AND ENTERPRISE
STATEMENT OF OPERATIONS
Year Ended March 31, 2012
(in thousands)

	2012		2011
	Budget (Schedule 2)	Actual	Actual (Restated see Note 3)
Revenues			
Other Revenue	$ -	$ 2,321	$ 1,221
Expenses - Directly Incurred (Note 2(b) and Schedule 2)			
Program (Schedules 1, 2 and Note 8)			
Ministry Support Services	2,573	3,126	2,428
Enterprise	17,552	18,382	21,459
Corporate Internal Audit Services	3,937	3,537	3,266
Office of the Controller	4,202	3,651	3,688
Spending Management and Planning	3,595	3,468	3,242
Strategic Capital Planning	3,722	1,888	1,937
Capital Projects	19,000	-	-
Air Services	5,288	6,140	4,687
Corporate Human Resources	20,869	15,668	17,264
	80,738	55,860	57,971
Net Operating Results	$ (80,738)	$ (53,539)	$ (56,750)

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

MINISTRY OF TREASURY BOARD AND ENTERPRISE
STATEMENT OF FINANCIAL POSITION
As at March 31, 2012
(in thousands)

	2012	2011 (Restated see Note 3)
Assets		
Accounts Receivable (Note 4)	$ 1,383	$ 108
Inventories (Note 5)	1,526	1,405
Tangible Capital Assets (Note 6)	18,156	19,655
	$ 21,065	$ 21,168
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 16,265	$ 21,391
Net Assets (Liabilities)		
Net Liabilities at Beginning of Year	$ (223)	$ (19,509)
Net Operating Results	(53,539)	(56,750)
Net Financing Provided from General Revenues	58,562	76,036
Net Assets (Liabilities) at End of Year	$ 4,800	(223)
	$ 21,065	$ 21,168

Contractual Obligations (Note 9).

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

MINISTRY OF TREASURY BOARD AND ENTERPRISE
STATEMENT OF CASH FLOWS
Year Ended March 31, 2012
(in thousands)

	2012	2011 (Restated see Note 3)
Operating Transactions		
Net Operating Results	$ (53,539)	$ (56,750)
Non-cash items included in Net Operating Results		
Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability	(1,653)	(390)
Provision for Vacation Pay	(137)	(52)
Amortization of Tangible Capital Assets and Consumption of Inventories	1,780	506
	(53,549)	(56,686)
Increase in Accounts Receivable	(1,275)	(52)
Decrease in Accounts Payable and Accrued Liabilities	(3,336)	(18,863)
Cash (Applied to) Provided by Operating Transactions	(58,160)	(75,601)
Capital Transactions		
Acquisition of Tangible Capital Assets and Inventory for Internal Use	(402)	(435)
Cash (Applied to) Provided by Capital Transactions	(402)	(435)
Financing Transactions		
Net Financing Provided from General Revenues	58,562	76,036
Cash Provided by Financing Transactions	58,562	76,036
Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	$ -	$ -

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

MINISTRY OF TREASURY BOARD AND ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2012

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Treasury Board and Enterprise operates under the authority of the *Government Organization Act*, Chapter G 10, Revised Statutes of Alberta 2000. The Ministry consists of the Department of Treasury Board and Enterprise and Corporate Human Resources.

Treasury Board and Enterprise's mission is to ensure that Alberta has a strong and competitive economy, and an efficient, effective and accountable government, with a vibrant and innovative public service. The Ministry's core businesses are:

- economic development planning and coordination;
- spending management and budget planning;
- strategic capital planning;
- strategic leadership of human resources management for the Alberta Public Service;
- accountability;
- industry and regional economic development;
- government air transportation services; and
- agency governance.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Ministry of Treasury Board and Enterprise for which the President of Treasury Board and Enterprise is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the President is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

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

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay and long term disability.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Inventories of the Ministry are valued at the lower of cost and net replacement costs.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

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

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of Long Term Disability Income Continuance Plan liability, which forms part of the Corporate Human Resources Directly Incurred Program Expenses. Uncertainty arises because the Plan’s actual experience may differ, perhaps significantly, from assumptions used in the valuation of the Plan’s liability.

While best estimates have been used in the valuation of Long Term Disability Income Continuance Plan liability, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Valuation of Financial Assets and Liabilities

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

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these investments.

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFER

(in thousands)

The Ministry of Treasury Board and Enterprise was established as a result of restructuring of government Ministries announced on October 12, 2011 and other transfer of responsibilities to and from other departments. Comparatives for 2011 have been restated as if the Ministry had always been assigned with its current responsibilities. Net assets on March 31, 2010 are made up as follows:

Net Liabilities as previously reported	$ (17,344)
Transfers from the Department of Finance	(2,671)
Transfers to the Department of Infrastructure	506
Net Liabilities as restated at March 31, 2010	$ (19,509)

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada	$ 1,183	$ -	$ 1,183	$ -
Other	200	-	200	108
	$ 1,383	$ -	$ 1,383	$ 108

Accounts Receivable are unsecured and non-interest bearing.

NOTE 5 INVENTORIES

(in thousands)

Inventories consist of the following:

	2012	2011
Rotable and Consumable Aircrafts Parts and Supplies	$ 1,526	$ 1,405

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

	2012				2011
	Equipment[1]	Computer Hardware and Software	Other [2]	Total	Total
Estimated Useful Life	10 years	3-10 years	5-24 years		(Restated see Note 3)
Historical Cost					
Beginning of year	$ 111	$ 51	$ 26,567	$ 26,729	$ 26,407
Additions	-	6	156	162	321
Disposals	-	(41)	-	(41)	-
	$ 111	$ 16	$ 26,723	$ 26,850	$ 26,728
Accumulated Amortization					
Beginning of year	$ 33	$ 28	$ 7,012	$ 7,073	$ 6,692
Amortization expense	11	20	1,631	1,662	381
Effect of disposals	-	(41)	-	(41)	-
	$ 44	$ 7	$ 8,643	$ 8,694	$ 7,073
Net Book Value at March 31, 2012	$ 67	$ 9	$ 18,080	$ 18,156	
Net Book Value at March 31, 2011	$ 78	$ 23	$ 19,554		$ 19,655

(1) Equipment includes office equipment and furniture.
(2) Includes aircraft and aircraft equipment.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2012	2011 (Restated see Note 3)
Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability [a]	$ 10,764	$ 12,417
Separation Payment Accruals	157	607
Other Payables and Accruals	5,344	8,367
	$ 16,265	$ 21,391

(a) The Ministry has an obligation to recognize Government of Alberta's share in the liability for the Long-Term Disability Income Continuance Plans.

NOTE 8 VALUATION ADJUSTMENTS
(in thousands)

	2012 Budget	2012 Actual	2011 Actual (Restated see Note 3)
Provision for vacation pay	$ 46	$ (137)	$ (52)
Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability [(a)]	2,250	(1,653)	(390)
	$ 2,296	$ (1,790)	$ (442)

(a) The provision represents the change in the long term disability with a reduction in the liability of $1,653 in the current year (2011 – reduction in the liability of $390). The accrued benefit liability for the Long-Term Disability Income Continuance Plans at March 31, 2012 amounted to $10,764 (2011 – $12,417) and is included in accounts payable and accrued liabilities (Note 7).

NOTE 9 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011 (Restated see Note 3)
Obligations under Service Contracts and Programs	$ 12,967	$ 3,084
Obligations under Long-term Leases	-	81
	$ 12,967	$ 3,165

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Obligations under Service Contracts and Programs
2013	$ 4,806
2014	3,773
2015	1,868
2016	1,680
2017	840
Thereafter	-
	$ 12,967

NOTE 10 BENEFIT PLANS

(in thousands)

Multi-Employer Pension Plans

The Ministry participates in multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $5,281 for the year ended March 31, 2012 (2011 – $5,340). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087) the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – deficiency $2,067,151) and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $53,489 (2010 – deficiency $39,559).

Long-Term Disability Income Continuance Plans

The Ministry administers two multi-employer Long-Term Disability Income Continuance Plans. These plans are defined benefit plans to which participating employers contribute on a defined contribution basis.

For the Bargaining Unit plan, effective September 1, 2009, the employers contribute at a rate of 1.825 per cent of insurable salary. Long-term disability benefits are funded equally by the employer and employees of this plan. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 – deficiency of $4,141) of which $19,901 (2011 – $8,185) are unamortized gains that will be amortized over the employee average remaining service life expected under the Plan.

For the Management, Opted Out and Excluded plan, the employers contribute at a rate of 1.5 per cent of insurable salary. At March 31, 2012, Management, Opted Out and Excluded plan reported an actuarial surplus of $10,454 (2011 surplus – $7,020). Long term disability benefits are funded by the employers in this Plan.

At March 31, 2012, the Government of Alberta’s share of the estimated accrued benefit liability for these two plans amounting to $10,764 (2011 – $12,417) has been recognized in these financial statements (Note 7). This amount is actuarially determined as the cost of employee benefits earned net of employers’ contributions, interest expense on the accrued benefit obligation, expected return on the plan assets and amortization of deferred amounts using management’s best estimates and actuarial assumptions. The Ministry, together with other participating ministries, records their share of employer contributions as expenses in their respective financial statements.

NOTE 10 BENEFIT PLANS (continued)
(in thousands)

Group Life Insurance Plans

The Ministry also administers two multi-employer Group Life Insurance plans on behalf of the Government of Alberta. These plans are defined benefit plans to which participating employers contribute on a defined contribution basis.

The Basic Group Life Insurance and Accidental Death and Dismemberment Insurance are funded two-thirds by the employers and one-third by employees for the Bargaining Unit plan and the Management, Opted Out and Excluded plan. The Retiree Life Insurance is funded by the Basic Group Life premiums. All additional coverage is optional and funded by the employees for both plans.

At March 31, 2012, the Bargaining Unit plan reported an estimated surplus of $10,149 (2011 – $13,277) and the Management, Opted Out and Excluded plan reported an estimated surplus of $15,577 (2011 – $16,407). These amounts currently subsidize claim costs and stabilize premium rates for the plans. Management produced estimates based on available March 2011 data, which was reviewed by the actuary for reasonableness. The Ministry, together with other participating ministries, records their share of employer contributions as expenses in their respective financial statements.

Dental and Extended Medical Benefits and Prescription Drug Plan Trusts

Boards of Trustees administer the multi-employer Dental and Extended Medical Benefits and Prescription Drug Plan Trusts on behalf of the employees of Government of Alberta. These plans are defined benefit plans to which participating employers contribute on a defined contribution basis.

Premium rates are recommended by the trustees to the Government of Alberta. All additional coverage for the participating employees is optional and funded by the employees.

At December 31, 2011, the Government of Alberta Dental Plan Trust reported an actuarial surplus of $9,342 (2010 – $7,759) and the Government Employees' Group Extended Medical Benefits and Prescription Drug Plan Trust reported an actuarial surplus of $15,592 (2010 – $14,560). The trusts receive contributions from participating employers. Employers withhold contributions from employees and remit both employee and employer contributions to the Trusts. The Ministry, together with the participating ministries, records their share of employer contributions as expenses in their respective financial statements.

NOTE 11 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Ministry administers trust funds which are managed for the purpose of various trusts and employee benefit plans, over which the Legislature has no power of appropriation. Because the province has no equity in the funds, these amounts are not included in the Ministry's financial statements. As at March 31, 2012 trust funds under administration were as follows:

	2012			2011
	Total Assets	Total Liabilities	Net Assets / (Liabilities)	Net Assets / (Liabilities) (Restated see Note 14)
Long Term Disability Income Continuance Plans (1)**:**				
Bargaining Unit	$169,144	$ 160,008	$ 9,136	$ (4,141)
Management, Opted Out and Excluded	54,360	43,906	10,454	7,020
Group Life Insurance Plans (2)**:**				
Bargaining Unit	35,676	25,528	10,148	13,277
Management, Opted Out and Excluded	26,703	11,126	15,577	16,407
Government of Alberta Dental Plan Trust (3)	11,451	2,109	9,342	7,759
Government Employees' Group Extended Medical Benefits Plan Trust and Prescription Prescription Drugs (3)	20,091	4,499	15,592	14,560
	$317,425	$ 247,176	$ 70,249	$ 54,882

(1) Financial statements of these funds can be found in the supplementary Ministry Financial information section of the Ministry of Treasury Board and Enterprise 2011-12 annual report.
(2) This Group Life Insurance Plan is inclusive of Basic Group Life, Accidental Death and Dismemberment, Dependent Life, Enhanced Life. Critical Illness and Retiree Life Insurance Coverage.
(3) Trusts have a year ending December 31st.

NOTE 12 PAYMENTS UNDER AGREEMENT
(in thousands)

The Ministry has entered into agreements to deliver programs and services that are partially funded by Government of Canada. Costs under these agreements are incurred by the Ministry under authority in Section 25 of the Financial Administration Act. Accounts receivable includes $1,183 relating to payments under agreement.

NOTE 13 SUBSEQUENT EVENTS

On May 8, 2012, the government announced a cabinet restructure. As a result, the Ministry of Treasury Board and Enterprise was restructured. The Ministry of Treasury Board and Enterprise and the Ministry of Finance were consolidated and are renamed as the Ministry of Treasury Board and Finance. In addition, the Ministry's responsibility for Enterprise and Corporate Human Resources were transferred to the Ministry of Enterprise and Advanced Education and to Executive Council respectively.

NOTE 14 COMPARATIVES

Certain 2011 figures have been reclassified to conform to 2012 presentation.

NOTE 15 APPROVALS OF FINANCIAL STATEMENTS

The financial statements were approved by the Deputy Minister, Public Service Commissioner and the Senior Financial Officer.

Schedule 1

MINISTRY OF TREASURY BOARD AND ENTERPRISE
SCHEDULES TO FINANCIAL STATEMENTS
Expenses – Directly Incurred Detailed By Object
Year Ended March 31, 2012
(in thousands)

	2012 Budget	2012 Actual	2011 Actual (Restated see Note 3)
Salaries, Wages and Employee Benefits	$ 42,207	$ 39,440	$ 40,722
Supplies and Services	34,263	9,157	10,588
Supplies and Services from Support Service Arrangements with Related Parties [(a)]	241	606	392
Grants	2,750	4,700	5,572
Financial Transactions and Other [(b)]	247	177	190
Amortization of Tangible Capital Assets and Consumption of Inventories	1,030	1,780	507
	$ 80,738	$ 55,860	$ 57,971

(a) The Ministry receives business services from the Ministry of Service Alberta and insurance coverage from Risk Management Fund.
(b) Amount includes payments to elected officials for various committee memberships.

Schedule 2

MINISTRY OF TREASURY BOARD AND ENTERPRISE
SCHEDULES TO FINANCIAL STATEMENTS
Comparison of Directly Incurred Expense and Capital Investment by Element to Authorized Spending
Year Ended March 31, 2012
(in thousands)

	2011-12 Estimates	Authorized Supplementary	2011-12 Authorized Budget	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual	Unexpended (Over Expended)
Expense and Capital Investments							
1 Ministry Support Services							
1.1 Minister's Office	$ 478	$ -	$ 478	$ (1)	$ 477	$ 440	$ 37
1.2 Deputy Minister's Office	606	-	606	(1)	605	1,191	(586)
1.3 Corporate Services							-
- Expense	1,489	-	1,489	(33)	1,456	1,481	(25)
- Capital Investment	100	-	100	-	100	6	94
	$ 2,673	$ -	$ 2,673	$ (35)	$ 2,638	$ 3,118	$ (480)
2 Enterprise							
2.1 Program Development and Support	$ 2,842	$ -	$ 2,842	$ -	$ 2,842	$ 2,845	$ (3)
2.2 Alberta Economic Development Authority	619	-	619	-	619	579	40
2.3 Northern Alberta Development Council	2,261	-	2,261	-	2,261	2,260	1
2.4 Industry Development	7,315	-	7,315	-	7,315	7,439	(124)
2.5 Regional Development	4,515	-	4,515	-	4,515	5,445	(930)
	$ 17,552	$ -	$ 17,552	$ -	$ 17,552	$ 18,568	$ (1,016)
3 Corporate Internal Audit Services	$ 3,937	$ -	$ 3,937	$ (9)	$ 3,928	$ 3,483	$ 445
4 Office of the Controller [a]	$ 4,202	$ 400	$ 4,602	$ (9)	$ 4,593	$ 3,661	$ 932
5 Spending Management and Planning	$ 3,595	$ -	$ 3,595	$ (10)	$ 3,585	$ 3,470	$ 115
6 Strategic Capital Planning	$ 3,722	$ -	$ 3,722	$ (5)	$ 3,717	$ 1,883	$ 1,834
7 Capital Projects							
7.1 Capital Projects Development [a]	$ 19,000	$ (19,000)	$ -	$ -	$ -	$ -	$ -
7.2 Provision for Capital Projects							
- Capital Investment [b]	137,000	(80,710)	56,290	-	56,290	-	56,290
	$ 156,000	$ (99,710)	$ 56,290	$ -	$ 56,290	$ -	$ 56,290

Schedule 2 (continued)

MINISTRY OF TREASURY BOARD AND ENTERPRISE
SCHEDULES TO FINANCIAL STATEMENTS
Comparison of Directly Incurred Expense and Capital Investment by Element to Authorized Spending
Year Ended March 31, 2012
(in thousands)

	2011-12 Estimates	Authorized Supplementary	2011-12 Authorized Budget	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual	Unexpended (Over Expended)
Expense and Capital Investments							
8 Air Services							
- Expense	$ 5,288	$ -	$ 5,288	$ (1,008)	$ 4,280	$ 4,373	$ (93)
- Capital Investment	391	-	391	-	391	396	(5)
	$ 5,679	$ -	$ 5,679	$ (1,008)	$ 4,671	$ 4,769	$ (98)
9 Corporate Human Resources							
9.1 Public Service Commissioner's Office	$ 625	$ -	$ 625	$ -	$ 625	$ 637	$ (12)
9.2 Communications and Human Resources	313	-	313	-	313	324	(11)
9.3 Executive Search	689	-	689	-	689	697	(8)
9.4 Workforce Development and Engagement	7,200	-	7,200	-	7,200	5,839	1,361
9.5 Labour and Employment Practices	8,363	-	8,363	(2,250)	6,113	6,130	(17)
9.6 Attraction, Technology and Human Resources Community Development	3,679	-	3,679	-	3,679	3,693	(14)
	$ 20,869	$ -	$ 20,869	$ (2,250)	$ 18,619	$ 17,320	$ 1,299
Operating Expense	$ 80,738	$ (18,600)	$ 62,138	$ (3,326)	$ 58,812	$ 55,870	$ 2,942
Capital Investment	137,491	(80,710)	56,781	-	56,781	402	56,379
	$ 218,229	$ (99,310)	$ 118,919	$ (3,326)	$ 115,593	$ 56,272	$ 59,321

(a) Included in the Authorized Supplementary are transfers from Capital Projects Development approved on May 18, 2011, July 26, 2011 and September 14, 2011. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act.*
(b) $80.71 million from the Provision for Capital Projects was transferred to various ministries under Section 5 of the *Appropriation (Supplementary Supply) Act*, 2011 (No. 2), the remaining funds in this program lapsed.

Schedule 3

MINISTRY OF TREASURY BOARD AND ENTERPRISE
SCHEDULES TO FINANCIAL STATEMENTS
Salary and Benefit Disclosure
Year Ended March 31, 2012
(in dollars)

	2012				2011
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Treasury Board and Enterprise					
Deputy Minister (4) (5)	$ 264,576	$ 144,601	$ 40,131	$ 449,308	$ 276,148
Controller (4) (5)	185,908	1,250	50,915	$ 238,073	$ 248,592
Chief Internal Auditor (6)	168,903	1,250	48,363	$ 218,516	$ 187,225
Assistant Deputy Ministers					
Enterprise (6)	168,835	17,234	45,240	$ 231,309	$ 268,689
Spending Management and Planning	185,472	1,250	50,968	$ 237,690	$ 229,196
Strategic Capital Planning	177,193	1,250	48,762	$ 227,205	$ 216,012
Corporate Human Resources					
Public Service Commissioner (7)	264,576	9,250	76,634	$ 350,460	$ 337,773
Assistant Commissioners					
Labour and Employment Practices (8)	185,472	1,250	51,487	$ 238,209	$ 187,402
Workforce Development and Engagement	154,446	1,250	59,392	$ 215,088	$ 204,939
Attraction, Technology and Human Resource Community Development (9)	168,462	1,250	45,716	$ 215,428	$ 178,347
Director, Executive Search	110,315	1,250	28,882	$ 140,447	$ 135,794
Chair, Operational Strategy Team	136,813	1,250	34,653	$ 172,716	$ 188,989
Treasury Board and Enterprise and Corporate Human Resources					
Senior Financial Officer	151,836	1,250	41,463	$ 194,549	$ 191,822
Human Resources Director	122,715	1,250	31,772	$ 155,737	$ 146,476

(1) Base Salary includes pensionable base salary.
(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2012 and 2011.
(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
(4) Automobile provided, no dollar amount included in other non-cash benefits.
(5) This position was occupied by two people in fiscal year 2012.
(6) This position was occupied by two people in fiscal year 2011.
(7) The other cash benefits includes modifier in lieu of car.
(8) Amount shown for fiscal year 2011 was from June 14, 2010 to March 31, 2011.
(9) This position was occupied by three people in 2011.

Schedule 4

MINISTRY OF TREASURY BOARD AND ENTERPRISE
SCHEDULES TO FINANCIAL STATEMENTS
Related Party Transactions
Year Ended March 31, 2012

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands) Other Entities	
	2012	2011
Receivable from Related Parties	$ 16	$ 45
Payable to Related Parties	$ -	$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 1. The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	(in thousands) Other Entities	
	2012	2011 (Restated see Note 3)
Revenues		
Internal Audit Services	$ 1,475	$ 1,572
Air Transportation Services	3,930	2,433
Government of Alberta Learning Centre	811	1,011
	$ 6,216	$ 5,016
Expenses — Incurred by Others		
Accommodation	$ 3,592	$ 4,079
Legal	418	327
Other Services	2,125	2,179
	$ 6,135	$ 6,585

Schedule 5

MINISTRY OF TREASURY BOARD AND ENTERPRISE
SCHEDULES TO FINANCIAL STATEMENTS
Allocated Costs
Year Ended March 31, 2012
(in thousands)

	2012					2011 (Restated see Note 3)
		Expenses - Incurred by Others				
Program	Expenses[1]	Accommodation Costs[2]	Other Services[3]	Legal Services[4]	Total Expenses	Total Expenses
Ministry Support Services	$ 3,126	$ 133	$ 123	$ 9	$ 3,391	$ 2,605
Enterprise	18,382	948	769	99	20,198	23,933
Corporate Internal Audit Services	3,537	173	155	19	3,884	3,599
Office of the Controller	3,651	160	147	32	3,990	4,035
Spending Management and Planning	3,468	173	155	2	3,798	3,574
Strategic Capital Planning	1,888	100	90	37	2,115	2,262
Capital Projects	-	-	-	-	-	-
Air Services	6,140	656	147	-	6,943	5,439
Corporate Human Resources	15,668	1,249	539	220	17,676	19,109
	$ 55,860	$ 3,592	$ 2,125	$ 418	$ 61,995	$ 64,556

(1) Expenses – Directly Incurred per the Statement of Operations.
(2) Costs shown for Accommodation in Schedule 4 are allocated to the Ministry by square footage.
(3) Other Costs includes the services the Ministry receives under contracts managed by Service Alberta (Schedule 4).
(4) Costs shown for Legal Services on Schedule 4 are allocated by the number of hours utilized by each program.

Long Term Disability Income Continuance Plan – Bargaining Unit

Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

I have audited the accompanying financial statements of the Long Term Disability Income Continuance Plan – Bargaining Unit which comprise the statements of financial position as at March 31, 2012 and 2011 and the statements of changes in net assets available for benefits and changes in benefit obligation for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Long Term Disability Income Continuance Plan – Bargaining Unit as at March 31, 2012 and 2011, and changes in net assets available for benefits and changes in benefit obligation for the years then ended in accordance with Canadian accounting standards for pension plans.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 6, 2012

Edmonton, Alberta

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
STATEMENTS OF FINANCIAL POSITION
As at March 31
(in thousands)

	2012	2011
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 166,131	$ 151,793
Contribution receivable		
Employer	733	5
Employee	733	5
Accounts receivable	1,547	1,317
Total Assets	169,144	153,120
Liabilities		
Accounts payable and accrued liabilities	2,047	1,420
Total liabilities	2,047	1,420
Net assets available for benefits	$ 167,097	$ 151,700
Benefit obligation and surplus		
Benefit obligation (Note 5)	157,961	155,841
Surplus (deficit) (Note 6)	9,136	(4,141)
Benefit obligation and surplus	$ 167,097	$ 151,700

The accompanying notes are an integral part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Years ended March 31
(in thousands)

	2012	2011
Increase in assets		
Contributions:		
Employers	$ 18,784	$ 18,047
Employees	18,788	18,044
Investment income (Note 7)	9,197	13,311
	46,769	49,402
Decrease in assets		
Benefit payments	27,410	26,057
Adjudication	1,755	1,590
Severance	726	400
Rehabilitation	534	432
Investment expenses (Note 8)	688	536
Administration expenses	259	316
	31,372	29,331
Increase in net assets	15,397	20,071
Net assets available for benefits at beginning of year	151,700	131,629
Net assets available for benefits at end of year	**$ 167,097**	**$ 151,700**

The accompanying notes are an integral part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
STATEMENTS OF CHANGES IN BENEFIT OBLIGATION
Years ended March 31
(in thousands)

	2012	2011
Increase in benefit obligation		
New claims	$ 35,637	$ 36,296
Interest accrued on benefits	7,278	6,510
Other net experience loss	-	10,457
Plan amendment: removal of benefit maximum	-	5,008
	42,915	58,271
Decrease in benefit obligation		
Benefit payments	27,410	26,057
Terminations	10,526	16,337
Other net experience gain	2,859	-
	40,795	42,394
Net increase in benefit obligation	2,120	15,877
Benefit obligation at beginning of year	155,841	139,964
Benefit obligation at end of year	$ 157,961	$ 155,841

The accompanying notes are an integral part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
NOTES TO THE FINANCIAL STATEMENTS
March 31

(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Long Term Disability Income Continuance Plan (the Plan) for bargaining unit employees is a summary only. For a complete description of the Plan, reference should be made to section 21 of the *Public Service Act,* the Long Term Disability Income Continuance Plan Regulation, section 98 of the *Financial Administration Act* and Treasury Board Directive 08/98, as amended.

a) GENERAL

The Plan provides disability benefits and ensures income continuance of eligible Government of Alberta employees included in an Alberta Union of Provincial Employee's (AUPE) bargaining unit. Management and employees opted out and excluded from an AUPE bargaining unit are covered under a separate plan.

b) FUNDING POLICY

Long term disability benefits are funded equally by employer and employee contributions at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2012 are 1.825 per cent (2011: 1.825 per cent) of insurable salary for employers and 1.825 per cent (2011: 1.825 per cent) for employees. The rates are to be reviewed at least once every three years by the Public Service Commissioner based on recommendations of the Plan's actuary and Advisory Committee.

c) LONG TERM DISABILITY BENEFITS

Benefits are payable when eligible plan members become disabled for 80 consecutive normal workdays as the result of bodily injury or illness, as determined by the Plan's adjudicator. Plan members are eligible for coverage after completion of three consecutive months of service without absence in a permanent position, or a full year in a temporary position. The Plan provides for benefits equal to 70 per cent of members' pre-disability salary. Effective May 2011, the maximum benefit payable of $1,839.08 biweekly for each member was eliminated. Reduced benefits are payable to eligible members who receive compensation from the Workers' Compensation Board, an automobile insurance plan, benefits under the Canada Pension Plan or any other group disability plan, vacation leave pay or employment income under a rehabilitation program.

No benefit is payable if the disability is the result of injuries suffered from participation in a criminal act or an act of war, or injury or illness which are self-inflicted intentionally. Disabled members who are not under the continuous care of a physician or who are confined in prisons are not eligible for benefits.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

Benefits terminate upon the earliest of the date the member resigns or is gainfully employed or is no longer disabled, three months after the adjudicator declares the member is suitable for gainful employment, or the date the member attains age 65 and is eligible for an unreduced public service pension. Benefits also terminate when a member's earnings under a rehabilitation program are the same as the member's pre-disability salary or after 24 months where the member is in a temporary position.

d) DECREASE IN ASSETS

Expenses of the Plan include benefits paid out, adjudication fees, rehabilitation expenses, administration expenses and severance payments for resignation of employment subsequent to disability leave. Adjudication fees include services performed by an independent agent in determining the eligibility of claims, the amounts of eligible benefits and the time period applicable for disability. Administration expenses include the cost of salaries and benefits incurred on behalf of the Plan by Corporate Human Resources of $238 (2011: $197).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or benefit obligation. These financial statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

The Accounting Standards Board (AcSB) issued revised Canadian accounting standards for pension plans. The Plan adopted the new standards under Canadian Institute of Chartered Accountants (CICA) Section 4600 Pension Plans on April 1, 2011 on a retrospective basis. There is no impact on the net assets available for benefits, the benefit obligation, or Plan deficit with the implementation of this new section. Additional disclosures have been made to derivative financial instruments (Note 3m) and investment risk management (Note 4) in accordance with IFRS 7, Financial Instruments.

Plan investments are held in pooled investment funds established and administered by Alberta Investment Management Corporation (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units. Pooled investment funds include financial instruments (including derivatives), investment receivables and liabilities, and cash.

b) VALUATION OF INVESTMENTS

Investments in units of pooled investment funds are recorded in the financial statements at fair value. The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations provided by AIMCo at the close of the 6th business day following the year end. Differences in valuation estimates provided to Alberta Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following year.

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

The fair value of the units is based on the fair value of the underlying investments in the pooled investment funds. Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The methods used by AIMCo to determine fair value of investments held by pooled investment funds are explained in the following paragraphs:

i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or average of the latest bid and ask prices quoted by an independent securities valuation company.

ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

ii) The fair value of real estate investments is reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.

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

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

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

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

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

c) INVESTMENT TRANSACTIONS, INCOME RECOGNITION AND TRANSACTION COSTS

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

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

d) FOREIGN EXCHANGE

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

e) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 3m) include equity index swaps, interest rate swaps, forward foreign exchange contracts, futures contracts, credit default swaps, cross-currency interest rate swaps, swap option contracts, rights and warrants. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

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

ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

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

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

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

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

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

f) VALUATION OF BENEFIT OBLIGATION

The value of the benefit obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method based on estimates of the Plan's Disabled Life Reserve and the Incurred But Unreported Reserve and management's best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

g) VALUATION OF ACCOUNTS RECEIVABLES, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

h) MEASUREMENT UNCERTAINTY

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

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

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

While best estimates have been used in the valuation of the Plan's benefit obligation and in the valuation of the Plan's private and alternative investments and real estate, management considers that it is possible, based on existing knowledge, that change in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations are disclosed as net experience gains or losses that change the value of the benefit obligation (see Note 5b).

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

NOTE 3 INVESTMENTS

	($ thousands)			
	2012		2011	
	Fair Value	%	Fair Value	%
Interest bearing securities				
Deposits and short-term securities [a]	$ 4,198	2.5	$ 15,950	10.5
Bonds and mortgages [b]	44,457	26.8	38,309	25.2
	48,655	29.3	54,259	35.7
Equities and alternative investments				
Public equities				
Canadian [c]	27,658	16.6	19,630	12.9
Global developed [d]	68,561	41.3	57,645	38.0
Emerging markets [e]	891	0.5	341	0.2
Absolute return strategy hedge funds [f]	-	-	3,433	2.3
Foreign private equities [g]	2,409	1.4	1,825	1.2
Inflation sensitive and alternative investments				
Real estate [h]	10,916	6.6	9,338	6.2
Real return bonds [i]	-	-	45	-
Infrastructure [j]	4,921	3.0	3,760	2.5
Timberland [k]	2,120	1.3	1,517	1.0
	117,476	70.7	97,534	64.3
Total investments [l][m]	**$ 166,131**	**100.0**	**$ 151,793**	**100.0**

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the Minister of Finance. The Plan invests in units of pooled investment funds established and administered by AIMCo. The fair value of pool units (see Note 2b)) is based on the Plan's share of the net asset value of the pooled investment funds. Pooled investment funds have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and units of the pools within the ranges approved for each asset class (see Note 4).

a) Deposits and short-term securities includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of $4,198 (2011: $15,828) and units of pooled funds which hold short-term securities of nil (2011: $122). Terms to maturity and market yield at March 31, 2012 are reported in Note 4c.

b) Investments in bond and mortgage pooled funds include policy allocations to universe bonds totalling $37,161 (2011: $30,784) and mortgages totalling $7,296 (2011: $7,525). The pooled funds include investments in government direct and guaranteed bonds, mortgage-backed securities, corporate bonds, asset-backed securities, private debt issues, private mortgages, repurchase agreements, debt related derivatives and loans. Terms to maturity and market yield at March 31, 2012 are reported in Note 4c.

NOTE 3 INVESTMENTS (continued)

c) Canadian public equity pooled funds include directly held investments in Canadian public companies and indirect exposure to Canadian public equity markets through structured equity products using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index and S&P/TSX 60 Index.

d) The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's global developed public equity pooled funds invest in directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), emerging markets and Canada. The pooled funds also have indirect exposure to global developed markets and emerging markets through investments in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and MSCI Emerging Markets Free Net Index. A component of the pooled fund's global portfolio includes investments in North American concentrated equities (5% to 20% of mid-sized North American companies) and hedge funds.

e) Emerging markets pooled funds consist of publicly traded equities in countries in the process of rapid growth and industrialization such as Brazil, Russia, India and China. The pooled funds are actively managed by external managers with expertise in emerging markets.

f) During the year, assets from the Absolute Return Strategies hedge fund pool were moved into the global equities asset class.

g) Foreign private equity pooled funds hold private investments, including merchant banking investments. Merchant banking transactions include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

h) Real estate investments are held in Canadian real estate pooled funds. Real estate is held through intermediary companies, which issue common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. Real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities which provide diversification from the securities market with opportunities for high return.

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

j) Pooled funds invest in infrastructure partnerships totalling $4,471 (2011: $3,599) and private debt and loans totalling $450 (2011: $161). Infrastructure partnerships are structured to provide high returns plus inflation sensitivity with a long investment horizon. Investments may include transportation and logistic investments (e.g. toll roads, airports, ports and rail), power or energy investments (e.g. contracted power generation, power transmission pipelines) and utilities (e.g. water, waste water, natural gas networks). Private debt and loan investments are in Canada, U.S. and Europe. The debt will generally be unrated and if rated, would be non-investment grade (i.e., BB or lower). These investments may include senior secured loans, leveraged loans, mezzanine debt and convertible debt.

k) Timberland pooled funds invest in Canadian and foreign timberland properties, are inflation sensitive and long-duration. The Canadian timberland investment includes an interest in timber and related land located in the Province of British Columbia. The foreign investment primarily includes forestry and agricultural land in Australia.

l) The following table provides a summary of management's estimate of the relative reliability of data or inputs used by AIMCo to measure the fair value of the Plan's investments. The measure of reliability is determined based on the following three levels:

Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level three primarily includes real estate, hedge funds, private equities, timberland, infrastructure and private debt investments. For these investments trading activity is infrequent and fair values are derived using valuation techniques. Reasonably possible alternative assumptions could yield different fair value measures. As a result, a significant range of measurement uncertainty exists in the valuation of Level 3 investments.

NOTE 3 INVESTMENTS (continued)

Investment:		Level One	Level Two	Level Three *	Total
		($ thousands)			
Interest bearing securities		$ -	$ 41,359	$ 7,296	$ 48,655
Equities and alternative investments		61,600	28,153	27,723	117,476
2012	**- Total amount**	**$ 61,600**	**$ 69,512**	**$ 35,019**	**$ 166,131**
	- Percent	**37%**	**42%**	**21%**	**100%**
2011	- Total amount	$ 51,441	$ 69,684	$ 30,668	$ 151,793
	- Percent	34%	46%	20%	100%
Increase (decrease) during the year		**$ 10,159**	**$ (172)**	**$ 4,351**	**$ 14,338**

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

	2012	2011
	($ thousands)	
Balance, beginning of year	$ 30,668	23,263
Investment income	4,116	2,877
Purchases of Level 3 pooled fund units	11,392	9,728
Sale of Level 3 pooled fund units	(11,157)	(5,200)
Balance, end of year	**$ 35,019**	**$ 30,668**

m) Included in the fair value of the Plan's investments in various pooled funds, summarized in Note 3 by asset class, is the fair value of derivative contracts. A derivative is a financial contract with the following three characteristics: (1) its value changes in response to the change in a specified interest rate, equity or bond index price, foreign exchange rate or credit rating; (2) it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market; and (3) it is settled in the future. AIMCo uses various types of derivative contracts through pooled investment funds to gain access to equity markets and enhance returns, manage exposure to interest rate risk, currency risk, and credit risk and for asset mix purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party. At March 31, 2012, the net fair value of derivative related investments, including deposits in futures contracts margin accounts and deposits as collateral for derivative contracts, totalled $1,607, or 1.0 per cent of total investments (2011: $1,577 or 1.0 per cent of total investments).

Net derivative related receivables of $1,416 are comprised of net receivables from counterparties of $2,397 and net payables to counterparties of $981. The current credit exposure is represented by the amount of net receivables from counterparties. Cash flows associated with receivables and payables on derivative contracts is generally settled every three months.

At March 31, 2012, the value of equity replication derivatives includes amounts related to counterparties that are public service pension plans and Government of Alberta endowment funds managed by AIMCo. The net fair value of these contracts totalled $(47).

NOTE 3 INVESTMENTS (continued)

The following is a summary of the Plan's proportionate share of the notional amount and fair value for each class of derivative financial instrument included in the fair value of portfolio investments at March 31, 2012:

	($ thousands)						
	2012					**2011**	
	Maturity				**Net**		**Net**
	Under	**1 to 3**	**Over**	**Notional**	**Fair**	**Notional**	**Fair**
Purpose	**1 Year**	**Years**	**3 Years**	**Amount** [(a)]	**Value** [(b)]	**Amount** [(a)]	**Value** [(b)]
		%					
Equity replication derivatives [(c)]	91	9	-	$ 103,463	$ 1,627	$ 86,163	$ 302
Interest rate derivatives [(d)]	57	24	19	25,572	137	20,944	85
Foreign currency derivatives [(e)]	100	-	-	31,490	(68)	60,618	80
Credit risk derivatives [(f)]	33	18	49	22,730	(280)	19,340	(179)
Derivative related receivables, net					1,416		288
Deposits in futures margin accounts					141		1,289
Deposits as collateral for derivative contracts					50		-
Net derivative related investments					$ 1,607		$ 1,577

a) The notional amounts upon which payments are based are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable (positive fair value).
b) The method of determining the fair value of derivative contracts is described in Note 2e).
c) Equity replication derivatives provide for the Plan to receive or pay cash based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount. Equity derivatives primarily include equity index swaps, futures contracts and rights, warrants, and options.
d) Interest rate derivatives allow the Plan to exchange interest rate cash flows (fixed, floating and bond index) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross-currency interest rate swaps, bond index swaps, futures contracts and options.
e) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.
f) Credit risk derivatives include credit default swaps, allowing the Plan to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount, in exchange for a contingent payment, should a defined credit event occur with respect to the underlying security.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with its investment activities. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

The investment policies and procedures of the Plan are clearly outlined in the Statement of Investment Policies and Goals (SIP&G). The SIP&G is approved by the Minister of Finance. The purpose of the SIP&G is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. AIMCo manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 3m).

Actuarial liabilities of the Plan are primarily affected by the long term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities. In order to earn the best possible return at an acceptable level of risk, the Minister of Finance established the following asset mix policy ranges:

	%		
	Policy Benchmark	**Minimum**	**Maximum**
Interest bearing securities	**27**	**22**	**32**
Deposits and short-term securities	1	-	10
Bonds and mortgages	26	15	30
Equities and alternative investments	**73**	**68**	**78**
Public equities			
Canadian	17	13	23
Global developed	38	28	50
Emerging markets	-	-	5
Absolute return strategy hedge funds	3	1	8
Foreign private equities	2	1	5
Inflation sensitive and alternative investments			
Real estate	8	5	10
Real return bonds	-	-	-
Infrastructure	3	-	5
Timberland	2	-	5

a) CREDIT RISK

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Plan. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of the Plan's investments in debt securities are with counterparties considered to be investment grade.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

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

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Credit rating	Fair Value
Investment Grade (AAA to BBB-)	89%
Speculative Grade (BB+ or lower)	0%
Unrated	11%
	100%

The Plan's maximum credit risk in respect of derivative financial instruments is the fair value of all derivative-related receivables from counterparties (see Note 3m). The Plan can only transact with counterparties to derivative contracts with a credit rating of A+ or higher by at least two recognized ratings agencies. Provisions are in place to either transfer or terminate existing contracts when the counterparty has their credit rating downgraded. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

To generate additional income, the Plan participates in a securities-lending program. Under this program, the custodian may lend investments held in pooled funds to eligible third parties for short periods. Securities borrowers are required to provide collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) FOREIGN CURRENCY RISK

The Plan is exposed to foreign currency risk associated with the underlying securities held in pooled investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 41% of the Plan's investments, or $67 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (23%) and the euro (5%).

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.1% of total investments (2011: 4.6%). The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at March 31, 2012:

	($ millions)	
	2012	
Currency	**Fair Value**	**Sensitivity**
U.S. dollar	$ 36	$ (3.6)
Euro	9	(0.9)
Japanese yen	6	(0.6)
British pound	6	(0.6)
Australian dollar	3	(0.3)
Swiss franc	2	(0.2)
Other foreign currencies	5	(0.5)
Total foreign currency investments	$ 67	$ (6.7)

c) INTEREST RATE RISK

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in pooled investment funds managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss to the Plan would be approximately 1.6% of total investments (2011: 1.4%).

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

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

d) PRICE RISK

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pooled investment funds managed by AIMCo. The Plan's investments are recorded at fair value on the statements of financial position. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 6.2% of total investments (2011: 4.6%). Changes in fair value of investments are recognized in the statements of changes in net assets available for benefits.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

e) LIQUIDITY RISK

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in publicly-traded liquid assets traded in an active market that are easily sold and converted to cash. These sources of cash are used to pay disability benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the benefit obligation and exposure to net payables to counterparties (Note 3m).

NOTE 5 BENEFIT OBLIGATION

a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2011 by the Plan's actuary, Mercer (Canada) Limited and was then extrapolated to March 31, 2012.

The assumptions used in the valuation were developed as the best estimate of expected short and long term market conditions and other future events. These estimates were, after consultation with the Plan's actuary, adopted by the Public Service Commissioner.

The major assumptions used were:

	%	
	2012	**2011**
	Extrapolation	**Valuation**
Interest discount rate (net of investment and administration expenses)	5.1	5.1
Continuance rates		
Based on 1987 Commissioner's Group Disability Table	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of premiums	35	35

* The rates have been modified by both age and duration to reflect the Plan's adjudication practices and claims termination experience as of March 2009.

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 5.1 per cent (2011: 5.1 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who applied for Canada Pension Plan benefits but who have not yet been approved.

The Incurred But Unreported Reserve is an estimate of the value of the financial impact of claims that are either unreported or not approved at the fiscal year end, but which will ultimately be accepted for benefits. Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 35 per cent (2011: 35 per cent) of premiums was appropriate for estimating the reserve amount.

NOTE 5 BENEFIT OBLIGATION (continued)

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2012. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will effect the financial position of the Plan and will be accounted for as gains or losses in 2013.

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

As at March 31, 2012, based on the extrapolation performed from the December 31, 2011 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5 per cent decrease in the assumed interest discount rate would reduce the actuarial surplus of the Plan by $3.8 million.

NOTE 6 SURPLUS (DEFICIT)

	($ thousands)	
	2012	**2011**
Deficit at beginning of year	$ (4,141)	$ (8,335)
Increase in net assets available for benefits	15,397	20,071
Net increase in benefit obligation	(2,120)	(15,877)
Surplus (deficit) at end of year	$ 9,136	$ (4,141)

NOTE 7 INVESTMENT INCOME

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

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

	($ thousands)	
	2012	**2011**
Interest-bearing securities	$ 3,962	$ 2,592
Canadian public equities	(1,541)	3,497
Foreign public equities	3,682	5,152
Absolute return strategies	(148)	524
Foreign private equities	260	179
Real estate	2,298	1,017
Real return bonds	3	38
Infrastructure	355	217
Timberland	326	95
	$ 9,197	$ 13,311

NOTE 8 INVESTMENT EXPENSES

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income of the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by the Plan and its share of expenses through pool investment funds.

Investment services provided directly by AIMCo are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized. Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit.

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

Investment expenses as a percentage of average fair value of investments are provided below:

	($ thousands)	
	2012	**2011**
Interest-bearing securities	$ 55	$ 33
Canadian public equities	30	19
Foreign public equities	198	131
Absolute return strategies	30	30
Foreign private equities	40	54
Real estate	41	36
Infrastructure	45	38
Timberland	11	6
Plan investment	238	189
Total investment expenses	$ 688	$ 536
Average fair value of investments	$ 158,962	$ 147,932
Percent of investments at average fair value	0.43%	0.36%

NOTE 9 INVESTMENT PERFORMANCE (net of investment expenses)

Estimated investment returns (net of investment expenses) shown below are provided for supplementary information purposes. The determination of the actual return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

	2012	2011 restated [d]	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Fifteen-Year Compound Annualized Return
Time weighted rates of return [a]			*in percent*		
Estimated return [b]	**5.5**	**10.1**	**2.9**	**5.1**	**5.1**
Estimated policy benchmark return [b]	*4.5*	*10.2*	*3.4*	*5.2*	*5.0*
Value added (lost) by investment manager	1.0	(0.1)	(0.5)	(0.1)	0.1
Expected value added [c]	0.5	0.5	0.5	0.5	0.5

(a) All investment returns are provided by AIMCo. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

(b) The overall return and benchmark is based on a proration of investment returns and benchmarks for each asset class. Investment returns for assets classified as Level 3 in the financial statements are based on estimates of fair value. Level 3 includes real estate, private equities, infrastructure, hedge funds and private debt. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Plan's financial statements, will be reflected in the next reporting period.

(c) For 2011, the investment manager was expected to deliver a return of 50 basis points, or 0.5 per cent, net of investment expenses, above the policy benchmark return on a continuous rolling four-year time horizon.

(d) The benchmark return reported for 2011 has been restated to conform with changes made by AIMCo subsequent to the completion of the 2011 financial statements. As a result, the benchmark return changed from 10.0% to 10.2%.

NOTE 10 CAPITAL

The Plan defines its capital as the funded status. The funded status is the same as accounting surplus of $9,136 (2011: deficit of $4,141) reported in Note 6.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer on June 6, 2012.

Long Term Disability Income Continuance Plan - Management, Opted Out and Excluded

Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements
I have audited the accompanying financial statements of the Long Term Disability Income Continuance Plan – Management, Opted Out and Excluded which comprise the statements of financial position as at March 31, 2012 and 2011, and the statements of changes in net assets available for benefits and changes in benefit obligation for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Long Term Disability Income Continuance Plan – Management, Opted Out and Excluded as at March 31, 2012 and 2011, and changes in net assets available for benefits and changes in benefit obligation for the years then ended in accordance with Canadian accounting standards for pension plans.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 6, 2012

Edmonton, Alberta

LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
STATEMENTS OF FINANCIAL POSITION
As at March 31
(in thousands)

	2012	2011
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 53,381	$ 50,722
Employer contribution receivable	429	359
Accounts receivable	550	18
Total Assets	54,360	51,099
Liabilities		
Accounts payable and accrued liabilities	636	416
Total liabilities	636	416
Net assets available for benefits	$ 53,724	$ 50,683
Benefit obligation and surplus		
Benefit obligation (Note 5)	43,270	43,663
Surplus (Note 6)	10,454	7,020
Benefit obligation and surplus	$ 53,724	$ 50,683

The accompanying notes are an integral part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – MANAGEMENT, OPTED OUT AND EXCLUDED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years ended March 31

(in thousands)

	2012	2011
Increase in assets		
Employer contributions	$ 10,027	$ 10,080
Investment income (Note 7)	3,035	4,589
	13,062	14,669
Decrease in assets		
Benefit payments	9,219	8,768
Adjudication	262	266
Rehabilitation	48	61
Severance	64	92
Investment expenses (Note 8)	276	243
Administration expenses	152	85
	10,021	9,515
Increase in net assets	3,041	5,154
Net assets available for benefits at beginning of year	50,683	45,529
Net assets available for benefits at end of year	$ 53,724	$ 50,683

The accompanying notes are an integral part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
STATEMENTS OF CHANGES IN BENEFIT OBLIGATION
Years ended March 31
(in thousands)

	2012	2011
Increase in benefit obligation		
New claims	$ 9,694	$ 10,997
Interest accrued on benefits	2,319	2,027
Other net experience loss	-	4,611
	12,013	17,635
Decrease in benefit obligation		
Benefit payments	9,219	8,768
Terminations	2,719	3,302
Other net experience gain	468	-
	12,406	12,070
Net (decrease) increase in benefit obligation	(393)	5,565
Benefit obligation at beginning of year	43,663	38,098
Benefit obligation at end of year	$ 43,270	$ 43,663

The accompanying notes are an integral part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
NOTES TO THE FINANCIAL STATEMENTS
March 31
(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Long Term Disability Income Continuance Plan (the Plan) for management, opted out and excluded employees is a summary only. For a complete description of the Plan, reference should be made to section 21 of the *Public Service Act*, the Provincial Court Judges and Masters in Chambers Compensation Regulation 176/98 and the Justice of Peace Regulation 6/99, the Long Term Disability Income Continuance Plan Regulation, the Long Term Disability Benefits Regulation *(Legislative Assembly Act)*, section 98 of the *Financial Administration Act* and Treasury Board Directive 09/98, as amended.

a) GENERAL

The Plan provides disability benefits and ensures income continuance of eligible Government of Alberta management, opted out and excluded employees, Members of the Legislative Assembly, Auditor General, Chief Electoral Officer, Ethics Commissioner, Freedom of Information and Privacy Commissioner, Ombudsman, Full-Time Justices of the Peace and Provincial Judges. Employees included in an Alberta Union of Provincial Employee’s bargaining unit are covered under a separate plan.

b) FUNDING POLICY

Long term disability benefits are funded by employer (Government of Alberta including Legislative Assembly and other Legislative Offices) contributions at a rate which is expected to provide for all benefits payable under the Plan. The rate in effect at March 31, 2012 is 1.5 per cent (2011: 1.5 per cent) of insurable salary of eligible employees with the exception of Provincial Judges with the rate of 2.05 per cent (2011: 2.05 per cent). The rates are to be reviewed at least once every three years by the Public Service Commissioner based on recommendations of the Plan’s actuary and Advisory Committee.

c) LONG TERM DISABILITY BENEFITS

Benefits are payable when eligible plan members become disabled for 80 consecutive normal workdays as the result of bodily injury or illness, as determined by the Plan’s adjudicator. Plan members are eligible for coverage after completion of three consecutive months of service without absence in a permanent position, or a full year in a temporary position. The Plan provides for benefits equal to 70 per cent of members’ pre-disability salary. Reduced benefits are payable to eligible members who receive compensation from the Workers’ Compensation Board, an automobile insurance plan, benefits under the Canada Pension Plan or any other group disability plan, vacation leave pay or employment income under a rehabilitation program.

No benefit is payable if the disability is the result of injuries suffered from participation in a criminal act or an act of war, or injury or illness which are self-inflicted intentionally. Disabled members who are not under the continuous care of a physician or who are confined in prisons are not eligible for benefits.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

Benefits terminate upon the earliest of the date the member resigns or is gainfully employed or is no longer disabled, three months after the adjudicator declares the member is suitable for gainful employment, or the date the member attains age 65 and is eligible for an unreduced public service pension. For Judges and Full-Time Justices of the Peace benefits terminate at age 70. Benefits also terminate when a member's earnings under a rehabilitation program are the same as the member's pre-disability salary or after 24 months where the member is in a temporary position.

d) DECREASE IN ASSETS

Expenses of the Plan include benefits paid out, adjudication fees, rehabilitation expenses, administration expenses and severance payments for resignation of employment subsequent to disability leave. Adjudication fees include services performed by an independent agent in determining the eligibility of claims, the amounts of eligible benefits and the time period applicable for disability. Administration expenses include the cost of salaries and benefits incurred on behalf of the Plan by Corporate Human Resources of $100 (2011: $80).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or benefit obligation. These financial statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

The Accounting Standards Board (AcSB) issued revised Canadian accounting standards for pension plans. The Plan adopted the new standards under Canadian Institute of Chartered Accountants (CICA) Section 4600 Pension Plans on April 1, 2011 on a retrospective basis. There is no impact on the net assets available for benefits, the benefit obligation, or Plan surplus with the implementation of this new section. Additional disclosures have been made to derivative financial instruments (Note 3m) and investment risk management (Note 4) in accordance with IFRS 7, Financial Instruments.

Plan investments are held in pooled investment funds established and administered by Alberta Investment Management Corporation (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units. Pooled investment funds include financial instruments (including derivatives), investment receivables and liabilities, and cash.

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

b) VALUATION OF INVESTMENTS

Investments in units of pooled investment funds are recorded in the financial statements at fair value. The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations provided by AIMCo at the close of the 6^{th} business day following the year end. Differences in valuation estimates provided to Alberta Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following year.

The fair value of the units is based on the fair value of the underlying investments in the pooled investment funds. Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The methods used to determine fair value of investments held by the Plan or by pooled investment funds are explained in the following paragraphs:

i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or average of the latest bid and ask prices quoted by an independent securities valuation company.

ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

iii) The fair value of real estate investments is reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.

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

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

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

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

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

c) INVESTMENT TRANSACTIONS, INCOME RECOGNITION AND TRANSACTION COSTS

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

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

d) FOREIGN EXCHANGE

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

e) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 3m) include equity index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps, cross-currency interest rate swaps, swap option contracts, rights and warrants. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

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

ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

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

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

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

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

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

f) VALUATION OF BENEFIT OBLIGATION

The value of the benefit obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method based on estimates of the Plan’s Disabled Life Reserve and the Incurred But Unreported Reserve and management’s best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

g) VALUATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

h) MEASUREMENT UNCERTAINTY

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan’s benefit obligation, private investments, absolute return strategies, real estate and timberland investments. Uncertainty arises because:

i) the Plan’s actual experience may differ, perhaps significantly, from assumptions used in the valuation of the Plan’s benefit obligation, and
ii) the estimated fair values of the Plan’s private investments, absolute return strategies, real estate and timberland investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the valuation of the Plan’s benefit obligation and in the valuation of the Plan’s private and alternative investments and real estate, management considers that it is possible, based on existing knowledge, that change in future conditions in the short term could require a material change in the recognized amounts.

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

Differences between actual results and expectations are disclosed as net experience gains or losses that change the value of the benefit obligation (see Note 5b).

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

NOTE 3 INVESTMENTS

	($ thousands)			
	2012		2011	
	Fair Value	%	Fair Value	%
Interest bearing securities				
Deposits and short-term securities [(a)]	$ 409	0.8	$ 3,241	6.4
Bonds and mortgages [(b)]	14,136	26.5	13,428	26.5
	14,545	27.3	16,669	32.9
Equities and alternative investments				
Public equities				
Canadian [(c)]	8,919	16.7	6,854	13.5
Global developed [(d)]	21,999	41.2	20,105	39.6
Emerging markets [(e)]	303	0.6	120	0.2
Absolute return strategy hedge funds [(f)]	-	-	1,203	2.4
Foreign private equities [(g)]	1,607	3.0	972	1.9
Inflation sensitive and alternative investments				
Real estate [(h)]	3,797	7.1	3,249	6.4
Real return bonds [(i)]	-	-	16	-
Infrastructure [(j)]	1,600	3.0	1,089	2.2
Timberland [(k)]	611	1.1	445	0.9
	38,836	72.7	34,053	67.1
Total investments [(l)(m)]	**$ 53,381**	**100.0**	**$ 50,722**	**100.0**

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the Minister of Finance. The Plan invests in units of pooled investment funds established and administered by AIMCo. The fair value of pool units (see Note 2b) is based on the Plan's share of the net asset value of the pooled investment funds. Pooled investment funds have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and units of the pools within the ranges approved for each asset class (see Note 4).

NOTE 3 INVESTMENTS (continued)

a) Deposits and short-term securities includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of $409 (2011: $3,199) and units of pooled funds which hold short-term securities of nil (2011: $42). Terms to maturity and market yield at March 31, 2012 are reported in Note 4c).

b) Investments in bond and mortgage pooled funds include policy allocations to universe bonds totalling $11,589 (2011: $10,801) and mortgages totalling $2,547 (2011: $2,627). The pooled funds include investments in government direct and guaranteed bonds, mortgage-backed securities, corporate bonds, asset-backed securities, private debt issues, private mortgages, repurchase agreements, debt related derivatives and loans. Terms to maturity and market yield at March 31, 2012 are reported in Note 4c).

c) Canadian public equity pooled funds include directly held investments in Canadian public companies and indirect exposure to Canadian public equity markets through structured equity products using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index and S&P/TSX 60 Index.

d) The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's global developed public equity pooled funds invest in directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), emerging markets and Canada. The pooled funds also have indirect exposure to global developed markets and emerging markets through investments in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and MSCI Emerging Markets Free Net Index. A component of the pooled fund's global portfolio includes investments in North American concentrated equities (5 to 20 per cent share of mid-sized North American Companies) and hedge funds.

e) Emerging market pooled funds consist of publicly traded equities in countries in the process of rapid growth and industrialization such as Brazil, Russia, India and China. The portfolio is actively managed by external managers with expertise in emerging markets.

f) During the year, assets from the Absolute Return Strategies hedge fund pool were moved into the global equities asset class.

g) Foreign private equity pooled funds hold private equity investments, including merchant banking investments. Merchant banking transactions include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

h) Real estate investments are held in Canadian real estate pooled funds. Real estate is held through intermediary companies, which issue common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. Real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities which provide diversification from the securities market with opportunities for high return.

NOTE 3 INVESTMENTS (continued)

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

j) Pooled funds invest in infrastructure partnerships totalling $1,443 (2011: $1,033) and private debt and loans totalling $157 (2011: $56). Infrastructure partnerships are structured to provide high returns plus inflation sensitivity with a long investment horizon. Investments may include transportation and logistic investments (e.g. toll roads, airports, ports and rail), power or energy investments (e.g. contracted power generation, power transmission pipelines) and utilities (e.g. water, waste water, natural gas networks). Private debt and loan investments are in Canada, U.S. and Europe. The debt will generally be unrated, and if rated, would be non-investment grade (i.e., BB or lower). These investments may include senior secured loans, leveraged loans, mezzanine debt and convertible debt.

k) Timberland pooled funds invest in Canadian and foreign timberland properties, are inflation sensitive and long-duration. The Canadian timberland investment includes an interest in timber and related land located in the Province of British Columbia. The foreign investment primarily includes forestry and agricultural land in Australia.

l) The table below provides a summary of management's estimate of the relative reliability of data or inputs used by AIMCo to measure the fair value of the Plan's investments. The measure of reliability is determined based on the following three levels:
Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.
Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.
Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level three primarily includes real estate, hedge funds, private equities, timberland, infrastructure and private debt investments. For these investments trading activity is infrequent and fair values are derived using valuation techniques. Reasonably possible alternative assumptions could yield different fair value measures. As a result, a significant range of measurement uncertainty exists in the valuation of level 3 investments.

NOTE 3 INVESTMENTS (continued)

Investment:		Level One	Level Two	Level Three *	Total
		($ thousands)			
Interest bearing securities		$ -	$ 11,998	$ 2,547	$ 14,545
Equities and alternative investments		19,634	9,077	10,125	38,836
2012	**- Total amount**	**$ 19,634**	**$ 21,075**	**$ 12,672**	**$ 53,381**
	- Percent	**37%**	**39%**	**24%**	**100%**
2011	- Total amount	$ 17,954	$ 22,053	$ 10,715	$ 50,722
	- Percent	35%	44%	21%	100%
Increase (decrease) during the year		**$ 1,680**	**$ (978)**	**$ 1,957**	**$ 2,659**

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

	($ thousands) 2012	2011
Balance, beginning of year	$ 10,715	7,608
Investment income	1,444	963
Purchases of Level 3 pooled fund units	4,360	3,754
Sale of Level 3 pooled fund units	(3,847)	(1,610)
Balance, end of year	**$ 12,672**	**$ 10,715**

m) Included in the fair value of the Plan's investments in various pooled funds, summarized in Note 3 by asset class, is the fair value of derivative contracts. A derivative is a financial contract with the following three characteristics: (1) its value changes in response to the change in a specified interest rate, equity or bond index price, foreign exchange rate or credit rating; (2) it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market; and (3) it is settled in the future. AIMCo uses various types of derivative contracts through pooled investment funds to gain access to equity markets and enhance returns, manage exposure to interest rate risk, currency risk, and credit risk and for asset mix purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party. At March 31, 2012, the net fair value of derivative related investments, including deposits in futures contracts margin accounts totalled $506, or 0.9 per cent of total investments (2011: $552 or 1.1 per cent of total investments).

Net derivative related receivables of $446 are comprised of net receivables from counterparties of $756 and net payables to counterparties of $310. The current credit exposure is represented by the amount of net receivables from counterparties. Cash flows associated with receivables and payables on derivative contracts is generally settled every three months.

At March 31, 2012, the value of equity replication derivatives includes amounts related to counterparties that are public service pension plans and Government of Alberta endowment funds managed by AIMCo. The net fair value of these contracts totalled $(14).

NOTE 3 INVESTMENTS (continued)

The following is a summary of the Plan's proportionate share of the notional amount and fair value for each class of derivative financial instrument included in the fair value of portfolio investments at March 31, 2012:

	($ thousands)						
	2012					2011	
	Maturity				Net		Net
	Under	1 to 3	Over	Notional	Fair	Notional	Fair
Purpose	1 Year	Years	3 Years	Amount [(a)]	Value [(b)]	Amount [(a)]	Value [(b)]
		%					
Equity replication derivatives [(c)]	91	9	-	$ 33,545	$ 514	$ 30,082	$ 105
Interest rate derivatives [(d)]	57	24	19	8,084	41	7,329	30
Foreign currency derivatives [(e)]	100	-	-	10,047	(22)	21,133	27
Credit risk derivatives [(f)]	33	18	49	7,090	(87)	6,785	(63)
Derivative related receivables, net					446		99
Deposits in futures margin accounts					43		453
Deposits as collateral for derivative contracts					17		-
Net derivative related investments					$ 506		$ 552

(a) The notional amounts upon which payments are based are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable (positive fair value).

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

(c) Equity replication derivatives provide for the Plan to receive or pay cash based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount. Equity derivatives primarily include equity index swaps, futures contracts and rights, warrants, and options.

(d) Interest rate derivatives allow the Plan to exchange interest rate cash flows (fixed, floating and bond index) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross-currency interest rate swaps, bond index swaps, futures contracts and options.

(e) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(f) Credit risk derivatives include credit default swaps, allowing the Plan to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount, in exchange for a contingent payment, should a defined credit event occur with respect to the underlying security.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with its investment activities. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

The investment policies and procedures of the Plan are clearly outlined in the Statement of Investment Policies and Goals (SIP&G). The SIP&G is approved by the Minister of Finance. The purpose of the SIP&G is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. AIMCo manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 3m).

Actuarial liabilities of the Plan are primarily affected by the long term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities. In order to earn the best possible return at an acceptable level of risk, the Minister of Finance established the following asset mix policy ranges:

	%		
	Policy Benchmark	**Minimum**	**Maximum**
Interest bearing securities	**27**	**22**	**32**
Deposits and short-term securities	1	-	10
Bonds and mortgages	26	15	30
Equities and alternative investments	**73**	**68**	**78**
Public equities			
Canadian	17	13	23
Global developed	38	28	50
Emerging market	-	-	5
Absolute return strategy hedge funds	3	1	8
Foreign private equities	2	1	5
Inflation sensitive and alternative investments			
Real estate	8	5	10
Real return bonds	-	-	-
Infrastructure	3	-	5
Timberland	2	-	5

a) CREDIT RISK

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Plan. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of the Plan's investments in debt securities are with counterparties considered to be investment grade.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

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

Credit rating	Fair Value
Investment Grade (AAA to BBB-)	88%
Speculative Grade (BB+ or lower)	0%
Unrated	12%
	100%

The Plan's maximum credit risk in respect of derivative financial instruments is the fair value of all derivative-related receivables from counterparties (see Note 3m). The Plan can only transact with counterparties to derivative contracts with a credit rating of A+ or higher by at least two recognized ratings agencies. Provisions are in place to either transfer or terminate existing contracts when the counterparty has their credit rating downgraded. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

To generate additional income, the Plan participates in a securities-lending program. Under this program, the custodian may lend investments held in pooled funds to eligible third parties for short periods. Securities borrowers are required to provide collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) FOREIGN CURRENCY RISK

The Plan is exposed to foreign currency risk associated with the underlying securities held in pooled investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 42% of the Plan's investments, or $22 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (24%) and the euro (5%).

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.2% of total investments (2011: 4.8%). The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at March 31, 2012:

	($ millions)	
	2012	
Currency	**Fair Value**	**Sensitivity**
U.S. dollar	$ 12	$ (1.2)
Euro	3	(0.3)
Japanese yen	2	(0.2)
British pound	2	(0.2)
Australian dollar	1	(0.1)
Swiss franc	1	(0.1)
Other foreign currencies	1	(0.1)
Total foreign currency investments	$ 22	$ (2.2)

c) INTEREST RATE RISK

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in pooled investment funds managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss to the Plan would be approximately 1.6% of total investments (2011: 1.5%).

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

Asset Class	**< 1 year**	**1 - 5 years**	**Over 5 years**	**Average Effective Market Yield**
Deposits and short term securities	91%	9%	-	1.3%
Bonds and mortgages	4%	45%	51%	4.5%
Real return bonds	12%	1%	87%	0.5%

d) PRICE RISK

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pooled investment funds managed by AIMCo. The Plan's investments are recorded at fair value on the statements of financial position. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 6.3% of total investments (2011: 4.8%). Changes in fair value of investments are recognized in the statements of changes in net assets available for benefits.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

e) LIQUIDITY RISK

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in publicly-traded liquid assets traded in an active market that are easily sold and converted to cash. These sources of cash are used to pay disability benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the benefit obligation and exposure to net payables to counterparties (Note 3m).

NOTE 5 BENEFIT OBLIGATION

a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2011 by the Plan's actuary, Mercer (Canada) Limited and was then extrapolated to March 31, 2012.

The assumptions used in the valuation were developed as the best estimate of expected short and long term market conditions and other future events. These estimates were, after consultation with the Plan's actuary, adopted by the Public Service Commissioner.

The major assumptions used were:

	%	
	2012 Extrapolation	**2011 Valuation**
Interest discount rate (net of investment and administrative expenses)	5.9	5.9
Continuance rates		
Based on the 1987 Commissioner's Group Disability Table	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of premiums	40	40

* The rates have been modified by both age and duration to reflect the Plan's adjudication practices and claims termination experience as of March 2009.

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 5.9 per cent (2011: 5.9 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who applied for Canada Pension Plan benefits but who have not yet been approved.

NOTE 5 BENEFIT OBLIGATION (continued)

The Incurred But Unreported Reserve is an estimate of the value of the financial impact of claims that are either unreported or not approved at the fiscal year end, but which will ultimately be accepted for benefits. Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 40 per cent (2011: 40 per cent) of premiums was appropriate for estimating the reserve amount.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2012. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will effect the financial position of the Plan and will be accounted for as gains or losses in 2013.

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

As at March 31, 2012, based on the extrapolation performed from the December 31, 2011 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5 per cent decrease in the assumed interest discount rate would reduce the actuarial surplus of the Plan by $0.9 million.

NOTE 6 SURPLUS

	($ thousands)	
	2012	2011
Surplus at beginning of year	$ 7,020	$ 7,431
Increase in net assets available for benefits	3,041	5,154
Net decrease (increase) in benefit obligation	393	(5,565)
Surplus at end of year	$ 10,454	$ 7,020

NOTE 7 INVESTMENT INCOME

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

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

	($ thousands)	
	2012	2011
Interest-bearing securities	$ 1,297	$ 888
Canadian public equities	(497)	1,220
Foreign public equities	1,137	1,799
Absolute return strategies	(49)	183
Foreign private equities	148	38
Real estate	799	354
Real return bonds	1	13
Infrastructure	104	65
Timberland	95	29
	$ 3,035	$ 4,589

NOTE 8 INVESTMENT EXPENSES

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income of the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by the Plan and its share of expenses through pool investment funds.

Investment services provided directly by AIMCo are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized. Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit.

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

Investment expenses as a percentage of average fair value of investments are provided below:

	($ thousands)	
	2012	**2011**
Interest-bearing securities	$ 18	$ 11
Canadian public equities	10	6
Foreign public equities	67	48
Absolute return strategies	10	9
Foreign private equities	20	18
Real estate	14	12
Infrastructure	15	11
Timberland	3	2
Plan investment	119	126
Total investment expenses	$ 276	$ 243
Average fair value of investments	$ 52,052	$ 49,770
Percent of investments at average fair value	0.53%	0.49%

NOTE 9 INVESTMENT PERFORMANCE (net of investment expenses)

Estimated investment returns (net of investment expenses) shown below are provided for supplementary information purposes. The determination of the actual return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

	2012	2011 restated [d]	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Fifteen-Year Compound Annualized Return
Time weighted rates of return [a]			*in percent*		
Estimated return [b]	**5.7**	**10.1**	**2.9**	**5.1**	**5.1**
Estimated policy benchmark return [b]	*4.5*	*10.2*	*3.4*	*5.2*	*5.0*
Value added (lost) by investment manager	1.2	(0.1)	(0.5)	(0.1)	0.1
Expected value added [c]	0.5	0.5	0.5	0.5	0.5

(a) All investment returns are provided by AIMCo. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

(b) The overall return and benchmark is based on a proration of investment returns and benchmarks for each asset class. Investment returns for assets classified as Level 3 in the financial statements are based on estimates of fair value. Level 3 includes real estate, private equities, infrastructure, hedge funds and private debt. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Plan’s financial statements, will be reflected in the next reporting period.

(c) For 2011, the investment manager was expected to deliver a return of 50 basis points, or 0.5 per cent, net of investment expenses, above the policy benchmark return on a continuous rolling four-year time horizon.

(d) The benchmark return reported for 2011 has been restated to conform with changes made by AIMCo subsequent to the completion of the 2011 financial statements. As a result, the benchmark return changed from 10.0% to 10.2%.

NOTE 10 CAPITAL

The Plan defines its capital as the funded status. The funded status is the same as accounting surplus of $10,454 (2011: surplus $7,020) reported in Note 6.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer on June 6 ,2012.