Executive Council

Annual Report
2012-2013

Alberta

Executive Council

Annual Report
2012-13

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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 18 ministries.

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

On May 8, 2012, the government announced new ministry structures. The 2012-13 ministry annual reports and financial statements have been prepared based on the new ministry structure.

The Ministry of Executive Council is comprised of the departments of Executive Council and Corporate Human Resources, formerly in the Ministry of Treasury Board and Finance.

This annual report of the Ministry of Executive Council contains the minister'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 financial information relating to trust funds.

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2013, 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 19, 2013, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Original signed by

Alison Redford
Premier

Message from the Premier

In 2012-13, our government was focused on implementing the first phase of our Building Alberta Plan, to meet the needs of a rapidly growing province while keeping Alberta's finances on track.

Our government's Building Alberta Plan:

- Invests in families and communities, including the new roads, schools and health facilities our growing province needs;
- Ensures we live within our means, by challenging every dollar the government spends and making sure every program continues to deliver real results for people; and
- Builds new markets for all our resources so we get the fairest price and we protect the jobs and prosperity Albertans depend on.

Staff in my office and in Executive Council continued to focus our work on delivering on our plan. To position Alberta for the future, we must focus special attention on several critical areas. We must drive for excellence in primary health care, early childhood development, education and entrepreneurship, rebalancing the fiscal framework, an integrated resource management system, and expanded market access for our products. These focused agenda items fit entirely with our Building Alberta Plan and will guide our work going forward.

The committment of Executive Council staff has been vital in leading and changing how the public service works and how to best serve Albertans. We're engaging and empowering the public service to drive innovation, collaborate, and embrace creativity to reach new levels of achievement in their work. Our employees can be leaders at all levels of the organization, and Executive Council will continue to champion evolution in the public service through Reaching Our Full Potential.

Staff across Executive Council also provided support to implement new decision making processes, which were developed to promote enhanced alignment and coordination of policy proposals and regulation. In addition, Executive Council was active in transforming Alberta outside of government, providing leadership and communications support to efforts to promote Alberta across the world as a place to invest and do business.

I am continually impressed by the dedication, vision and creativity every member of the Executive Council team brings to their work every day. We have made incredible strides in the past year, and I look forward to continuing to work together to build an even stronger Alberta.

Original signed by

Alison Redford
Premier

Management's Responsibility for Reporting

The Ministry of Executive Council includes the departments of Executive Council and Corporate Human Resources.

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 Premier, President of Executive Council. Under the direction of the Premier, 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 2012.

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, and the President of Executive Council 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 of the individual entities within the Ministry.

Original signed by

Peter Watson
Deputy Minister of Executive Council
June 19, 2013

Original signed by

Dwight Dibben
Public Service Commissioner
June 19, 2013

Results Analysis

Ministry Overview

The Ministry of Executive Council includes the following areas:

Office of the Premier
- provides planning, communications and administrative support to the Premier's offices in Edmonton and Calgary

Deputy Minister's Office
- provides advice and support to the Premier on policy and organizational issues
- provides leadership to the Alberta Public Service

Cabinet Coordination Office
- provides organizational support and advice and serves as Secretariat to the Cabinet and its key committees
- oversees tracking and regular reporting on proposed government legislation up to the introduction of bills in the assembly
- provides advice and information to minister's office staff regarding routing of decision documentation, documentation required, timelines for various decision-making tables and records of decision

Policy Coordination Office
- supports long-term strategic planning and policy coordination for government
- promotes cross-ministry coordination, alignment and integration in the development and implementation of strategic priorities
- provides leadership and coordination for the policy excellence initiative to build policy capacity across government
- provides direction for regulatory reform within government and oversees the ongoing review of provincial regulation

Protocol Office
- plans and coordinates international visits and provincial government ceremonial events
- manages Government House operations

Alberta Order of Excellence
- supports the Alberta Order of Excellence Council, which reviews public nominations and selects individuals to receive the province's highest honour

Office of the Lieutenant Governor
- provides planning, communications and administrative support to the Lieutenant Governor

Public Affairs Bureau
- advances government communication with Albertans, develops communications for government's long-term strategic plans and priority initiatives, and supports internal government communications
- manages the Government of Alberta website and use of social media, provides technical support for government news conferences and distributes government news releases, coordinates government advertising, research and the corporate identity program
- promotes the province of Alberta as a destination of choice for immigration, investment, tourism and employment

Office of the Public Service Commissioner

- provides advice on human resource policy, legislation and administration to the Deputy Minister of Executive Council and to senior department managers on human resource matters
- manages a comprehensive human resource system for the Alberta Public Service (APS) which involves the development, administration, and implementation of human resource policies, programs and initiatives
- The *Public Service Act* establishes the authorities for the Public Service Commissioner and conditions of employment for APS employees

Corporate Human Resources

- provides strategic leadership in collaboration with ministries to identify and implement strategies and policy frameworks to attract, recruit and select talent to the APS, support workforce planning and analytics, enhance the Human Resource Community's skills and competencies, and to leverage the maintenance and development of human resource information systems
- provides a corporate search program to attract and recruit executive managers and senior officials and assists departments in facilitating internal and external moves
- provides consulting services to significant agencies, boards and commissions on recruitment of senior executives and board members
- develops human resource strategies and policy frameworks regarding compensation, job evaluation, benefits, labour relations and workplace health and manages employee benefit programs
- develops and supports learning and development programs for APS employees and managers
- develops policies, strategies and supports focused on renewing leadership, succession, learning and engagement practices and provides support to Reaching Our Full Potential

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as reviewed by the Office of the Auditor General in the Ministry of Executive Council's Annual Report 2012-2013. The reviewed performance measures are the responsibility of the ministry and are prepared based on the following criteria:

- Reliability – The 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 – The goals, performance measures and related targets match those included in the ministry's budget 2012.

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 measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the performance measures identified as reviewed by Office of the Auditor General in the ministry's annual report 2012-2013 are 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

May 6, 2013

Edmonton, Alberta

Performance measures reviewed by the Office of the Auditor General are noted with an (*) on the Performance Measures Summary Table

Performance Measures Summary Table

	Goals/Performance Measure(s)	Prior Years' Results				Target	Current Actual
1.	**Government policy and planning are coordinated and effective**						
1.a	Satisfaction of Policy Coordination Office Clients with Products and Services	85% 2008-09	81% 2009-10	93% 2010-11	90% 2011-12	**90%**	81% 2012-13
2.	**Government communications is coordinated and effective**						
2.a	Public Satisfaction with Government Communications	62% 2008-09	64% 2009-10	62% 2010-11	68% 2011-12	**71%**	64% 2012-13
2.b*	Public Satisfaction with Government of Alberta Home Page	84% 2008-09	84% 2009-10	85% 2010-11	84% 2011-12	**90%**	86% 2011-12
2.c*	Government Client Satisfaction with Communications Support and Services	90% 2008-09	94% 2009-10	93% 2010-11	94% 2011-12	**95%**	92% 2012-13
3.	**Skilled and engaged Alberta Public Service employees**						
3.a	Stakeholder agreement that overall, the APS has effective strategies to attract, develop and engage employees	57%** 2008-09	71%** 2009-10	64%** 2010-11	N/A	**70%**	66% 2012-13
3.b*	Stakeholder agreement that the Alberta Public Service has effective human resource policies	61%** 2008-09	72%** 2009-10	68%** 2010-11	N/A	**74%**	70% 2012-13

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

****** **Historical results have been revised to include four stakeholder groups**

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

- Enduring measures that best represent the goal,
- Measures for which new data is available, and
- Measures that have well established methodology.

Data Sources and Methodology – 2012-13 Annual Report

1a. Satisfaction of Policy Coordination Office Clients with Products and Services
From February 18 to March 8, 2013, a survey was conducted of clients of the Policy Coordination Office by a professional research firm. A total of 275 clients, which included Executive Team members from each Ministry and selected other Ministry staff that have direct contact with the Policy Coordination Office, were invited to participate in the web-based survey. 156 clients responded, for an overall participation rate of 57%. Respondents were asked to rate how satisfied they were with the products or services they had received over the past year by choosing from “very satisfied”, “somewhat satisfied”, “somewhat dissatisfied” or “very dissatisfied”. Results represent the total of “very” and “somewhat satisfied” responses.

2a. Public Satisfaction with Government Communications
2012-13 results reflect telephone interviews with 1,007 adult Albertans conducted from February 21 to 27, 2013, by a professional research firm. Respondents were randomly selected from across the province. Respondents were first asked whether they heard or received any information about provincial government activities or programs. The 543 who answered “yes” were then asked to choose from “very satisfied”, “somewhat satisfied”, “somewhat dissatisfied” or “very dissatisfied”. Figures shown reflect the averaged results of multiple questions. “No” response replies are not included in the calculation of results. A sample of this size within the given population produces results that are reliable to within plus or minus 4.2%. Results represent the total of “very” and “generally satisfied” responses.

2b. Public Satisfaction with Government of Alberta Home Page
2012-13 results reflect telephone interviews with 1,007 adult Albertans conducted from February 21 to 27, 2013, by a professional research firm. Respondents were randomly selected from across the province. Respondents were first asked whether they had visited the Alberta government website in the past year. The 556 respondents who answered “yes” were then asked how useful they found the first page in helping them to locate the information they needed by choosing from “very useful”, “somewhat useful”, “not very useful” or “not at all useful”. “No” response replies are not included in the calculation of results. The margin of error on the sample of 556 is plus or minus 4.15% at the 95% confidence level. Results represent the total of “very” and “somewhat useful” responses.

2c. Government Client Satisfaction with Communications Support and Services
The 2012-13 survey was conducted by a professional research company. Communications Directors were asked to provide a list of all clients within their departments at the management level. 1,233 department staff were contacted via e-mail and provided with a link to a web address that allowed them to complete their surveys online. The survey was conducted from January 30 to February 15, 2013. Responses were received from 666 clients. Respondents were asked to rate how satisfied they were with the specific services they had received over the past year by choosing from “very satisfied”, “generally satisfied”, “generally dissatisfied” or “very dissatisfied”. Figures shown reflect the averaged results of multiple questions. “No” response replies are not included in the calculation of results. Results represent the total of “very” and “generally satisfied” responses.

3a. Stakeholder agreement that overall, the APS has effective strategies to attract, develop and engage employees

Stakeholder agreement data was gathered through an annual Stakeholder Survey by an independent survey organization. A census survey of Corporate Human Resources' (CHR) stakeholder groups (Deputy Ministers, Assistant Deputy Ministers, Human Resource Directors, and members of the Human Resource Community) was conducted between January and February, 2013. A total of 329 surveys were completed both online and via telephone with an overall response rate of 76%.

In 2012-13, CHR re-defined its survey stakeholders as these four groups to provide a broader perspective. In 2011-12, CHR surveyed Deputy Ministers and Human Resource Directors and these results are not reported in the Performance Measures Summary Table as they are not comparable.

3b. Stakeholder agreement that the Alberta Public Service has effective human resource policies

Stakeholder agreement data was gathered through an annual Stakeholder Survey by an independent survey organization. A census survey of Corporate Human Resources' (CHR) stakeholder groups (Deputy Ministers, Assistant Deputy Ministers, Human Resource Directors, and members of the Human Resource Community) was conducted between January and February, 2013. A total of 329 surveys were completed both online and via telephone with an overall response rate of 76%.

In 2012-13, CHR re-defined its survey stakeholders as these four groups to provide a broader perspective. In 2011-12, CHR surveyed Deputy Ministers and Human Resource Directors and these results are not reported in the Performance Measures Summary Table as they are not comparable.

Discussion and Analysis of Results

This year marked a refocusing of the government agenda on key priorities for Albertans, and a new path to achieving these goals. Executive Council staff led the public service in a renewed drive towards outcomes to achieve optimal results across government.

Executive Council played a vital role in building Alberta's reputation to open new markets for Alberta's resources through advocacy, advertising and promotional tool development.

Executive Council staff were instrumental in planning memorial services for former Premier Peter Lougheed and former Premier Ralph Klein. These events gave dignitaries and Albertans the opportunity to celebrate the lives and legacies of two pivotal Alberta figures.

GOAL 1

Government policy and planning are coordinated and effective

In 2012-13, the Policy Coordination Office (PCO) supported enhanced integration and coordination in policy development across government to make a difference in the lives of Albertans. To do this, PCO: identified, tracked, and coordinated policy and regulatory projects and priorities across government, ensuring alignment and a planned approach to the delivery of government's agenda; provided strategic advice and supported the development of integrated and well-informed policy through informed discussions at policy pods and ministerial groups; coordinated activities to build corporate strategic intelligence; and co-led, with Treasury Board and Finance, the development of the Government of Alberta Strategic Plan, which outlines government's focused agenda. PCO also led and coordinated a number of activities to strengthen the public service's capacity to develop robust evidence-based policy options, including through the delivery of a conference to broaden awareness of policy best practices.

The Regulatory Review Secretariat (RRS) continued to oversee the ongoing review of regulations to uphold quality standards and ensure alignment with policy objectives. The Regulatory Cost Model, a tool developed by the RRS to calculate the cost of complying with regulation, received national recognition and is being adapted by several jurisdictions across Canada. Support was also provided to the Red Tape Reduction Task Force to assess the regulatory burden on small business.

GOAL 2

Government communications are coordinated and effective

In the 2012-13 fiscal year, work continued on securing Alberta's economic future by creating effective communications products for a number of markets, including promotional videos for use on American Airlines flights, Alberta's Clean Energy Future fact sheets and a Mandarin language video and advertising for the Premier's Asia mission in Fall 2012.

Public Affairs Bureau staff also supported and promoted cross-ministry initiatives like the Canadian Energy Strategy, Budget 2013, the Social Policy Framework, the Economic Summit and the 10-year Plan to End Homelessness. Government-wide communications were also strengthened through coordinated research planning, conversations through social media and continued refining of the Government of Alberta website in response to user needs.

The development of advertising and corporate products ensured Albertans were well-informed about government programs, policies and services, including expanded pharmacy services, minimum wage increases, student aid opportunities, family violence prevention, and traffic safety. Albertans were also made aware of public consultations on a new single regulator for oil and gas, water, land use planning and the fiscal framework and budget.

GOAL 3

Skilled and engaged Alberta Public Service employees

For the Government of Alberta (GoA) to deliver on its priorities for Albertans, it requires a strong, empowered and responsive public service. Corporate Human Resources (CHR) works in partnership with ministry stakeholders to strategically lead human resources management in the Alberta Public Service (APS). Given the complexity and change inherent in the environment, a key focus for the APS, CHR and the human resource community this year has been organizational renewal and transformation through Reaching Our Full Potential (ROFP). Over 500 employees volunteered to be involved in ROFP task teams and developed actions, strategies and approaches and 18 provincial conversations in 11 locations across the province were held with almost 5,500 employees attending.

The GoA is seizing opportunities to make government more effective by reshaping the organization through responsible change and thoughtful decisions. Several large cross-government initiatives were undertaken this year to ensure the APS can deliver efficiently on government's priorities. A Deputy Minister People and Workforce Committee was created to provide a cross-government venue for the review and recommendations of workforce policies and practices to ensure a strategic, one enterprise approach to managing the APS. Also, in accordance with the GoA's Results-based Budgeting Act, Strategic Workforce Planning was reviewed this year to ensure the GoA is able to effectively forecast workforce demand and supply. In addition, a new Competency Model and Performance Excellence program were developed to ensure employees have the behavioural competencies needed as well as regular performance conversations to ensure efficient delivery of government's priorities.

In 2012-13, CHR continued to increase the capacity of the public service and human resource community through delivery of cross-government programs, services and effective human resource policies. Ongoing training and regular communication, consultation and engagement with stakeholders supported a common understanding of the intent and application of human resource policies, guidelines and directives in areas such as staffing, classification, occupational health and safety, labour relations, and interpretation of the collective agreement. CHR also renewed its focus on the public service's leadership, succession, learning and engagement practices. Additionally, the GoA implemented a new Health Spending Account for its employees to support the attraction and retention of APS employees.

CHR experienced a $5.8 million reduction to the Government of Alberta's liability for the Long Term Disability Income Continuance Plan due to favourable investment performance and long term disability experience as well as revised actuarial assumptions.

Ministry Expense by Function

($000)

	2012-13 Budget	2012-13 Actual	2011-12 Actual
General Government	$54,404	$42,135	$44,854
Total Expense by Function	$54,404	$42,135	$44,854

Financial Information

Financial Statements

March 31, 2013

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 Executive Council, which comprise the statement of financial position as at March 31, 2013, 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 Executive Council as at March 31, 2013, 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 5, 2013

Edmonton, Alberta

Statement of Operations

Year ended March 31, 2013

	2013		2012
	Budget (Schedule 2)	Actual	Actual Restated (Note 3)
	(in thousands)		
Revenues			
Other Revenue	$ -	$ 16	$ 2,134
Expenses - Directly Incurred (Note 2(b) and Schedule 7)			
Program (Schedules 1 and 3)			
Office of the Premier/Executive Council	12,702	12,705	11,990
Public Affairs	15,022	14,199	14,170
Promoting Alberta	5,000	2,562	3,463
Corporate Human Resources	21,680	12,669	15,231
	54,404	42,135	44,854
Net Operating Results	$ (54,404)	$ (42,119)	$ (42,720)

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

Statement of Financial Position

As at March 31, 2013

		2013		2012 Restated (Note 3)
		(in thousands)		
Assets				
Cash and Cash Equivalents	$	10	$	15
Accounts Receivable		279		202
Advances		2		1
Tangible Capital Assets (Note 6)		15		18
	$	306	$	236
Liabilities				
Accounts Payable and Accrued Liabilities (Note 4)	$	11,216	$	16,471
		11,216		16,471
Net Liabilities				
Net Liabilities at Beginning of Year		(16,235)		(19,666)
Net Operating Results		(42,119)		(42,720)
Net Financing Provided from General Revenues		47,444		46,151
Net Liabilities at End of Year		(10,910)		(16,235)
	$	306	$	236

Contractual obligations and contingent liabilities (Notes 7 and 8).

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

Statement of Cash Flows

Year ended March 31, 2013

	2013	2012 Restated (Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (42,119)	$ (42,720)
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	(5,801)	(1,653)
Amortization	3	3
	(47,917)	(44,370)
Decrease (Increase) in Accounts Receivable and Advances	(78)	(113)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	546	(1,667)
Cash Applied to Operating Transactions	(47,449)	(46,150)
Financing Transactions		
Net Financing Provided from General Revenues	47,444	46,151
Cash Provided by Financing Transactions	47,444	46,151
Increase (Decrease) in Cash and Cash Equivalents	(5)	1
Cash and Cash Equivalents at Beginning of Year	15	14
Cash and Cash Equivalents at End of Year	$ 10	$ 15

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

NOTE 1 AUTHORITY

The Ministry of Executive Council operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

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 Executive Council. This entity consists of the activities of the Office of the Premier/Executive Council, Public Affairs Bureau and Corporate Human Resources.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and 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

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

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, and
- 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, guarantees, indemnities and long term disability.

Incurred by Others
Services contributed by other entities in support of the ministry's operations are not recognized and are disclosed in Schedule 6 and allocated to programs in Schedule 7.

Cash and Cash Equivalents

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 department 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.

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 the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities

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 ministry 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 thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The Government of Alberta's share of the Long Term Disability Income Continuance Plan liability, as part of Accrued Liabilities, recorded as $4,963 in these financial statements, is subject to measurement uncertainty.

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.

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFER
(in thousands)

As a result of restructuring of government ministries announced on May 8, 2012 the responsibility for administering the services associated with the Cabinet Policy Committees were discontinued and responsibilities transferred to the Operations Policy Committee, under the Ministry of Executive Council.

Effective April 1, 2012, the responsibility for Corporate Human Resources was transferred to the Ministry from the Ministry of Treasury Board and Finance.

Comparatives for 2012 have been restated as if the Ministry had always been assigned with its current responsibilities. Net liabilities on March 31, 2012 are made up as follows:

Net Liabilities as previously reported at March 31, 2012	$ (3,483)
Transfer from the Ministry of Treasury Board and Finance	(12,752)
Restated Net Liabilities at April 1, 2012	$ (16,235)

NOTE 4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2013	2012 (Restated)
Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability[a]	$ 4,963	$ 10,764
Other Payables and Accruals	6,253	5,707
	$ 11,216	$ 16,471

(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 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

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 cash and cash equivalents, accounts receivable, advances, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

	2013		2012
	Budget	Actual	Actual (Restated)
Provision for vacation pay	$ -	$ 482	$ 17
Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability [a]	2,250	(5,801)	(1,653)
	$ 2,250	$ (5,319)	$ (1,636)

(a) The provision represents the change in the long term disability with a reduction in the liability of $5,801 in the current year (2012 – reduction in the liability of $1,653). The accrued benefit liability for the Long Term Disability Income Continuance Plans at March 31, 2013 amounted to $4,963 (2012 - $10,764) and is included in accrued liabilities (Note 4).

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

	Total Equipment [1]
Estimated Useful life	10 years
Historical Cost	
Beginning of Year	$ 26
Disposals	-
	$ 26
Accumulated Amortization	
Beginning of Year	8
Amortization Expense	3
	11
Net Book Value at March 31, 2013	$ 15
Net Book Value at March 31, 2012	$ 18

(1) Equipment includes office equipment and furniture

NOTE 7 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.

	2013	2012
		(Restated)
Obligations under contracts	$ 4,852	$ 2,435

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

	Obligations under Contracts
	(Restated)
2014	$ 2,069
2015	1,516
2016	1,267
Thereafter	-
	$ 4,852

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in one (2012 – no legal claims) claim of which the outcome is not determinable. This claim has specified amounts totalling $200 (2012: $0). The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 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, 2013 trust funds under administration were as follows:

	2013			2012
	Total Assets	Total Liabilities	Net Assets Available for Benefits	Net Assets Available for Benefits
				(Restated)
Long Term Disability Income Continuance Plans: (1)				
Bargaining Unit	$ 194,724	$ 544	$ 194,180	$ 167,097
Management, Opted Out and Excluded	60,778	183	60,595	53,724
	$255,502	$ 727	$ 254,775	$ 220,821

(1) Financial statements of these funds can be found in the supplementary Ministry Financial information section of the Ministry of Executive Council 2012-13 annual report.

	2013			2012
	Total Assets	Total Liabilities	Net Assets/ (Liabilities)	Net Assets / (Liabilities)
Short Term Benefit Plans				(Restated)
Group Life Insurance Plans: [(1)]				
Bargaining Unit	$ 33,762	$ 26,281	$ 7,481	$ 10,197
Management, Opted Out and Excluded	32,034	10,443	21,591	15,575
Government of Alberta Dental Plan Trust [(2)]	12,842	2,375	10,467	9,342
Government Employees' Group Extended Medical Benefits and Prescription Drugs Plan Trust[(2)]	22,985	4,178	18,807	15,592
Public Service Health Spending Account Plan [(3)]	8,530	8,530	-	-
	$ 110,153	$ 51,807	$ 58,346	$ 50,706

(1) 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.
(2) Trusts have a year ending December 31st.
(3) The Public Service Health Spending Account Plan was established as of April 1, 2012

NOTE 10 BENEFIT PLANS
(in thousands)

Multi-Employer Pension Plans

The ministry participates in the 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 $4,866 for the year ended March 31, 2013 (2012 – $4,511). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of $303,423 (2011 – deficiency $517,726), the Public Service Pension Plan reported a deficiency of $1,645,141 (2011 – deficiency $1,790,383) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $51,870 (2011 – deficiency $53,489).

Long Term Disability Income Continuance Plans

The ministry administers the 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, 2013, the Bargaining Unit Plan reported an actuarial surplus of $51,717 (2012 – surplus $9,136) of which $56,703 (2012 - $19,901) 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, 2013, the Management, Opted Out and Excluded plan reported an actuarial surplus of $18,327 (2012 – surplus $10,454). Long term disability benefits are funded by the employers of this Plan.

At March 31, 2013, the Government of Alberta's share of the estimated accrued benefit liability for these two plans amounting to $4,963 (2012 - $10,764) has been recognized in these financial statements (Note 4). This amount is actuarially determined as the cost of the employee benefits earned net of employer's 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.

Group Life Insurance Plans

The ministry also administers the 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. All additional coverage is optional and funded by the employees for both plans.

At March 31, 2013, the Bargaining Unit plan reported net assets of $7,481 (2012 - $10,197) and the Management, Opted Out and Excluded plan reported net assets of $21,591 (2012 - $15,575). These amounts currently subsidize claim costs and stabilize premium rates for the plans. Management produced estimates based on available March 2012 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 Group 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 the employer contributes 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, 2012, the Government of Alberta Dental Plan Trust reported net assets of $10,467 (2011 - $9,342) and the Government Employees' Group Extended Medical Benefits and Prescription Drug Plan Trust reported net assets of $18,807 (2011 - $15,592). The trusts receive contributions from participating employers. The employer withholds contributions from employees and remits 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.

Public Service Health Spending Account Plan

The ministry also administers the Public Service Health Spending Account Plan on behalf of the Government of Alberta. The Plan came into effect April 1, 2012. The Plan provides a non-taxable employee benefit in the form of an annual credit. Any unused credits will be carried forward for one fiscal year after the year in which the credits were allocated.

Contributions are funded by the employer at specified contribution rates per employee. The rates in effect April 1, 2012 are $950 per management, opted out and excluded employee and $750 per bargaining unit employee.

At March 31, 2013, the Public Service Health Spending Account Plan reported estimated net assets of $0. The Plan is designed such that contributions are sufficient to cover claims and expenses each plan year. There is insufficient plan experience available to make an estimate of net assets other than that reported.

NOTE 11 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the deputy minister.

Schedule to Financial Statements

Expenses – Directly Incurred Detailed by Object

Year ended March 31, 2013

Schedule 1

	2013 Budget	2013 Actual	2012 Actual (Restated)
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 41,261	$ 37,612	$ 36,575
Supplies and Services	10,742	9,703	9,718
Financial Transactions and Other [(1)]	2,401	(5,183)	(1,442)
Amortization of Tangible Capital Assets	-	3	3
	$ 54,404	$ 42,135	$ 44,854

(1) Includes statutory salaries and provision for the Government of Alberta's share of the Long Term Disability Income Continuance Plan liability and vacation liability.

Severance and termination payments amounting to $747 (Office of the Premier/Executive Council $268; Corporate Human Resources $479) for eligible executive management positions are included in salaries, wages and employee benefits and supplies and services.

Schedule to Financial Statements

Budget

Year ended March 31, 2013

Schedule 2

	2012-13 Estimates[1] [2] (Restated)	2012-13 Authorized Budget
	(in thousands)	
Revenues		
Other Revenue	$ -	$ -
Expenses - Directly Incurred		
Programs		
Office of the Premier/Executive Council	12,702	12,702
Public Affairs	15,022	15,022
Promoting Alberta	5,000	5,000
Corporate Human Resources	21,680	21,680
	54,404	54,404
Net Operating Results	$ (54,404)	$ (54,404)

(1) The 2012-13 Government Estimates on the Statement of Operations does not differentiate between amounts not required to be voted and voted expenses. Valuation adjustments are allocated to each program.

(2) Estimates have been restated to reflect the transfer of Corporate Human Resources and the responsibility for administering the services associated with the Cabinet Policy Committees which were discontinued and responsibilities transferred to the Operations Policy Committee (Note 3).

Schedule to Financial Statements

Lapse/Encumbrance

Year ended March 31, 2013

Schedule 3

		Voted Estimate (1) (a) (Restated)	Adjusted Voted Estimate	Actuals (2)	Unexpended (Over Expended)
			(in thousands)		
Program Operating					
Office of the Premier/Executive Council					
1.1	Office of the Premier / Executive Council	$ 12,188	$ -	$ 11,957	$ 231
1.2	Office of the Lieutenant Governor	514		547	(33)
		12,702		12,504	198
Public Affairs					
2.1	Corporate Services	2,406		2,457	(51)
2.2	Corporate Communications	12,616		11,731	885
		15,022		14,188	834
Promoting Alberta					
3.1	Promoting Alberta	5,000		2,562	2,438
		5,000		2,562	2,438
Corporate Human Resources					
9.1	Public Service Commissioner's Office	660		714	(54)
9.2	Communications and Human Resources	525		576	(51)
9.3	Executive Search	836		909	(73)
9.4	Workforce Development and Engagement	6,438		5,699	739
9.5	Labour and Employment Practices	6,932		6,199	733
9.6	Attraction, Technology and Human Resource Community Development	4,039		4,100	(61)
		19,430		18,197	1,233
Total		$ 52,154	$ -	$ 47,451	$ 4,703
Lapse/(Encumbrance)					$ 4,703

(1) As per 2012-13 Government Estimates Restated for Reorganization (voted expense by program).

(1a) Estimates have been restated to reflect the transfer of Corporate Human Resources and the responsibility for administering the services associated with the Cabinet Policy Committees which were discontinued and responsibilities transferred to the Operations Policy Committee (Note 3).

(2) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

Please note that the Voted Estimate and Actuals column will not agree to the Statement of Operations because it contains only the voted amounts whereas the Statement of Operations contains voted and non-voted amounts.

Schedule to Financial Statements

Comparison of Actual and Budget

Year ended March 31, 2013

Schedule 4

	Estimates [1] [2] (Restated)	Actual Voted	Actual Not Voted [3]	Actual Total	Difference
			(in thousands)		
Expenses					
Expense by program					
Office of the Premier/Executive Council	$ 12,702	$ 12,504	$ 201	$ 12,705	$ (3)
Public Affairs	15,022	14,188	11	$ 14,199	823
Promoting Alberta	5,000	2,562	-	$ 2,562	2,438
Corporate Human Resources	21,680	18,197	(5,528)	$ 12,669	9,011
	$ 54,404	$ 47,451	$ (5,316)	$ 42,135	$ 12,269
Expense by fiscal plan category					
Operating Expense	$ 54,404	$ 47,451	$ (5,319)	$ 42,132	12,272
Amortization of Tangible Capital Assets	-	-	3	3	(3)
	$ 54,404	$ 47,451	$ (5,316)	$ 42,135	$ 12,269

(1) As per pages 103 to 108 (Executive Council) and pages 303 to 309 (Treasury Board and Enterprise relevant to Program 9 Corporate Human Resources) of 2012-13 Government Estimates.

(2) Estimates have been restated to reflect the transfer of Corporate Human Resources and the responsibility for administering the services associated with the Cabinet Policy Committees which were discontinued and responsibilities transferred to the Operations Policy Committee (Note 3).

(3) These amounts are not included in any supply vote either because no cash disbursement is required or because the Legislative Assembly has already provided funding authority pursuant to a statute other than an appropriation act.

Salary and Benefits Disclosure

Year ended March 31, 2013

Schedule 5

	2013				2012
	Base Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Senior Officials					
Deputy Minister (4)	$342,631	$ -	$ 109,470	$ 452,101	$ 539,242
Chief of Staff (5) (6)	291,946	39,195	12,827	343,968	350,170
Public Service Commissioner (4) (7) (8)	272,321	25,596	83,796	381,713	350,460
Deputy Secretary to Cabinet (5) (9)	207,829	613	65,958	274,400	252,539
Principal Secretary (5) (10)	163,711	2,299	48,264	214,274	-
Director of Operations (5) (11)	148,850	20,266	10,034	179,150	-
Executive Director, Southern Alberta Office (4)	207,829	30,758	7,058	245,645	263,638
Director of Communications (5) (12)	129,425	1,012	36,768	167,205	219,298
Advisor to Premier and Legislative Affairs (13)	40,460	17,940	523	58,923	129,491
Executive Director, Policy (14)	23,755	9,867	210	33,832	95,459
Deputy Chief, Policy Coordination (4)	207,829	2,881	61,544	272,254	270,640
Managing Director, Public Affairs Bureau (4)	249,394	56,676	11,117	317,187	280,100
Executives					
Office of the Premier/Executive Council:					
Director of Strategic Communications (15)	102,759	13,461	7,736	123,956	-
Chief of Protocol	157,305	-	9,197	166,502	161,648
Public Affairs:					
Executive Director, Strategic Communications	157,305	-	41,942	199,247	192,910
Executive Director, Corporate Communications	157,305	-	41,967	199,272	192,910
Executive Director, Corporate Services	162,812	-	7,342	170,154	164,854
Corporate Human Resources: (8)					
Assistant Commissioner, Labour & Employment Practices (16)	59,281	-	17,689	76,970	238,209
Assistant Commissioner, Workforce Development & Engagement (17)	82,241	10,552	44,130	136,923	215,088
Assistant Commissioner, Attraction, Technology & Human Resource Community Development (18)	188,901	-	53,778	242,679	215,428
Director, Executive Search	120,071	150	32,016	152,237	140,447
Chair, Operational Strategy Team	145,993	-	38,970	184,963	172,716
Senior Financial Officer (19)	111,928	-	31,718	143,646	-
Human Resources Director	133,568	-	35,149	168,717	155,737

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes pensionable base pay.
(2) Other cash benefits include vacation payouts as well as payments in lieu of vehicles and pension. There were no bonuses paid in 2013.
(3) Other non-cash benefits include the 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/long term disability plans, health spending account, professional memberships and tuition fees.
(4) Automobile provided for full year, no dollar amount included in other non-cash benefits.
(5) Automobile provided for partial year, no dollar amount included in other non-cash benefits.
(6) This position was occupied from April 30, 2012 to March 31, 2013.
(7) This position was occupied by two people during fiscal 2012-13. Cash benefits includes a vacation payout.
(8) Corporate Human Resources was transferred to Executive Council effective April 1, 2012. Staff shown were included in the 2011-12 salary disclosure for Treasury Board & Enterprise.
(9) This position was occupied by two individuals at different times during fiscal 2012-13.
(10) This position was new for 2012-13 and was occupied from June 6, 2012 to March 31, 2013.
(11) This position was new for 2012-13 and was occupied from June 11, 2012 to March 31, 2013.
(12) This position was occupied from June 1, 2012 to February 22, 2013.
(13) This position was occupied from April 1 to May 31, 2012 and then discontinued. Cash benefits includes a vacation payout.
(14) This position was occupied from April 1 to May 14, 2012 and then discontinued. Cash benefits includes a vacation payout.
(15) This position was new for 2012-13 and was occupied from September 4, 2012 to March 31, 2013
(16) This position was vacant from May 7, 2012 to January 7, 2013.
(17) This position was vacant from July 3, 2012 to January 7, 2013.
(18) This position was occupied by two people with some overlap during fiscal 2012-13.
(19) This position was new for 2012-13 and was occupied from July 16, 2012 to March 31, 2013.

Related Party Transactions

Year ended March 31, 2013
(in thousands)

Schedule 6

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 key management personnel in the Ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses 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 Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2013	**2012 (Restated)**
Expenses - Directly Incurred		
Other Services	$ 509	$ 463
Receivable from Other Government Departments	$ 6	$ -

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 7.

	Other Entities	
	2013	**2012 (Restated)**
Revenues		
Government of Alberta Learning Centre	$ 994	$ 819
	$ 994	$ 819
Expenses - Incurred by Others		
Accommodation	$ 3,189	$ 2,879
Business Services	1,573	1,334
Legal Services	416	233
Air Transportation	1,070	1,108
	$ 6,248	$ 5,554

Schedule to Financial Statements

Allocated Costs

Schedule 7

Year Ended March 31, 2013

(in thousands)

	2013						2012
		Expenses - Incurred by Others					(Restated)
Program	**Expenses** (1)	**Accommodation Costs** (2)	**Business Services** (3)	**Legal Services** (4)	**Air Transportation** (5)	**Total Expenses**	**Total Expenses Restated (Note 3)**
Office of the Premier/Executive Council	$ 12,705	1,337	315	$ 128	$ 1,070	$ 15,555	$ 14,564
Public Affairs	14,199	468	497	30	-	15,194	15,030
Promoting Alberta	2,562	-	-	-	-	2,562	3,463
Corporate Human Resources	12,669	1,384	761	258	-	15,072	17,352
	$ 42,135	$ 3,189	$ 1,573	$ 416	$ 1,070	$ 48,383	$ 50,409

(1) Expenses - Directly Incurred as per Statement of Operations.

(2) Costs shown for Accommodation on Schedule 6, allocated by square footage.

(3) Business Services on Schedule 6, includes financial, administrative, technology services and executive vehicle services allocated by estimated costs incurred in each program.

(4) Costs for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

(5) The Department of Treasury Board and Finance provides a summary of Air Transportation costs as shown on Schedule 6.

Long Term Disability Income Continuance Plan – Bargaining Unit

Financial Statements

Year Ended March 31, 2013

Independent Auditor's Report

To the Premier of Alberta, President of Executive Council and the Minister Responsible for Corporate Human Resources

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 statement of financial position as at March 31, 2013, and the statements of changes in net assets available for benefits and changes in benefit obligation 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 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 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 Long Term Disability Income Continuance Plan—Bargaining Unit as at March 31, 2013, and the changes in its net assets available for benefits and changes in its benefit obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Original signed by Merwan N. Saher, FCA

Auditor General

May 30, 2013

Edmonton, Alberta

Statement of Financial Position

As at March 31, 2013

	($ thousands) 2013	2012
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 193,099	$ 166,131
Contributions receivable		
Employer	783	733
Employee	783	733
Accounts receivable	59	1,547
Total Assets	194,724	169,144
Liabilities		
Accounts payable and accrued liabilities	544	2,047
Total Liabilities	544	2,047
Net assets available for benefits	194,180	167,097
Benefit obligation and surplus		
Benefit obligation (Note 5)	142,463	157,961
Surplus (Note 6)	51,717	9,136
Benefit obligation and surplus	**$ 194,180**	**$ 167,097**

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

Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2013

	($ thousands) 2013	2012
Increase in assets		
Contributions:		
Employers	$ 20,076	$ 18,788
Employees	20,071	18,784
Investment income (Note 7)	20,062	9,197
	60,209	46,769
Decrease in assets		
Benefit payments	29,142	27,410
Adjudication	1,749	1,755
Severance	510	726
Rehabilitation	532	534
Investment expenses (Note 8)	737	585
Administration expenses	456	362
	33,126	31,372
Increase in net assets	27,083	15,397
Net assets available for benefits at beginning of year	167,097	151,700
Net assets available for benefits at end of year	**$ 194,180**	**$ 167,097**

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

Statement of Changes in Benefit Obligation

Year ended March 31, 2013

	($ thousands) 2013	2012
Increase in benefit obligation		
New claims	$ 37,272	$ 35,637
Interest accrued on benefits	7,373	7,278
Change in discount rate assumption	2,549	-
	47,194	42,915
Decrease in benefit obligation		
Benefit payments	29,142	27,410
Terminations other than expected	14,175	10,526
Change in claims termination rates assumption	15,955	-
Other net experience gain	3,420	2,859
	62,692	40,795
Net (decrease) increase in benefit obligation	(15,498)	2,120
Benefit obligation at beginning of year	157,961	155,841
Benefit obligation at end of year	$ 142,463	$ 157,961

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2013

(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, 2013 are 1.825 per cent (2012: 1.825 per cent) of insurable salary for employers and 1.825 per cent (2012: 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. 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.

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 $252 (2012: $238).

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.

b) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds (the pools). The pools are established by Ministerial Order 9/89, being the Pooled Fund Establishment and Maintenance Order, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Province of Alberta and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. Alberta Investment Management Corporation (AIMCo) controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

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 sixth business day following the year end. Differences in valuation estimates provided to Treasury Board and 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 period.

Investments in units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

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

c) INVESTMENT INCOME

Investment income includes the following:

i. Income distributions from the pools are recorded in the Plan's accounts and included in investment income on the Statement of Changes in Net Assets Available for Benefits (see Note 7). Income distributions are based on the Plan's pro-rata share of total units issued by the pools.

ii. Realized gains and losses on disposal of units and unrealized gains and losses on units are recorded in the Plan's accounts and included in investment income on the Statement of Changes in Net Assets Available for Benefits. Realized gains and losses on disposal of units are determined on an average cost basis.

iii. Investment income is recorded on an accrual basis.

d) INVESTMENT EXPENSES

Investment expenses include all amounts, including transaction costs, charged to the Plan by AIMCo (see Note 8). Investment expenses are recorded on an accrual basis.

e) 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.

f) 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.

g) MEASUREMENT UNCERTAINTY

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

Measurement uncertainty exists in the valuation of the Plan's benefit obligation, private investments, hedge funds, private 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, hedge funds, private real estate and timberland investments may differ significantly from the values that would have been used had a ready market existed for these investments.

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

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 in respect of the benefit obligation 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

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 Deputy Minister of Treasury Board and Finance. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools 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 Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]			2013	2012
	Level 1	Level 2	Level 3	Fair Value	Fair Value
Money market and fixed income					
Deposits and short-term securities	$ -	$ 6,252	$ -	$ 6,252	$ 4,198
Bonds and mortgages	-	40,619	7,936	48,555	44,457
	-	46,871	7,936	54,807	48,655
Equities					
Canadian	20,289	11,346	-	31,635	27,658
Foreign	57,961	16,207	9,856	84,024	69,452
Private	-	-	2,986	2,986	2,409
	78,250	27,553	12,842	118,645	99,519
Inflation sensitive and alternatives					
Real estate	-	-	12,321	12,321	10,916
Infrastructure	-	-	4,564	4,564	4,471
Timberland	-	-	2,105	2,105	2,120
Private debt and loans	-	-	657	657	450
	-	-	19,647	19,647	17,957
Total investments	$ 78,250	$ 74,424	$ 40,425	$ 193,099	$ 166,131

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

Note 3 INVESTMENTS (continued)

- ***Level 1*** - fair value is based on quoted prices in an active market. This level includes publicly traded listed equity investments totalling $78,250 (2012: $61,600).

- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes debt securities and derivative contracts not traded on a public exchange totalling $74,424 (2012: $69,512). For these investments, fair value is 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 3*** - fair value is estimated using inputs based on non-observable market data. This level includes private mortgages, private equities and all inflation sensitive investments totalling $40,425 (2012: $35,019).

Reconciliation of Level 3 Fair Value Measurements:

	($ thousands) 2013	2012
Balance, beginning of year	$ 35,019	$ 30,668
Investment income	4,422	4,116
Purchases of Level 3 pooled fund units	13,289	11,392
Sale of Level 3 pooled fund units	(12,305)	(11,157)
Balance, end of year	**$ 40,425**	**$ 35,019**

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Money market and fixed income*****:** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

- ***Equities:*** Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.

Note 3 INVESTMENTS (continued)

- ***Inflation sensitive and alternatives:*** The estimated fair value of private real estate investments is reported at the 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. The fair value of infrastructure investments is estimated by managers or general partners of infrastructure funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis. The fair value of timberland investments is appraised annually by independent third party evaluators. Private debt and loans is valued similar to private mortgages.

- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.

- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts and futures contracts are valued based on quoted market prices. 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. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. 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.

The investment policies and procedures of the Plan are clearly outlined in the SIP&G approved by the Deputy Minister of Treasury Board and 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. The Board 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 4b).

Note 4 INVESTMENT RISK MANAGEMENT (continued)

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Deputy Minister of Treasury Board and Finance has established the following asset mix policy ranges:

Asset Class	Target Asset Policy Mix	Actual Asset Mix					
		March 31, 2013			March 31, 2012		
		($ thousands)		%	($ thousands)		%
Money market and fixed income	25 - 50%	$	54,807	28.4	$	48,655	29.3
Equities	35 - 65%		118,645	61.4		99,519	59.9
Inflation sensitive and alternatives	7 - 20%		19,647	10.2		17,957	10.8
		$	193,099	100.0	$	166,131	100.0

a) Credit risk

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. 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 investments in debt securities are with counterparties with credit ratings considered to be investment grade.

The table below summaries these debt securities by counterparty credit rating at March 31, 2013:

Credit rating	2013	2012
Investment Grade (AAA to BBB-)	88%	89%
Speculative Grade (BB+ or lower)	2%	0%
Unrated	10%	11%
	100%	100%

ii. Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). The pools 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 net exposure in respect of favourable contracts with the same counterparty.

Note 4 INVESTMENT RISK MANAGEMENT (continued)

iii. Security lending risk

To generate additional income, the Plan participates in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. Securities borrowers are required to provide the 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 the pools 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 value of investments denominated in foreign currencies is 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 $79 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%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 4.2% (2012: 4.1%) of total investments.

The following table summarizes the Plan's exposure to foreign currency investments held in the pools at March 31, 2013:

	($ millions)			
	2013		2012	
Currency	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 46	$ (4.6)	$ 36	$ (3.6)
Euro	10	(1.0)	9	(0.9)
Japanese yen	6	(0.6)	6	(0.6)
British pound	6	(0.6)	6	(0.6)
Australian dollar	2	(0.2)	3	(0.3)
Swiss franc	3	(0.3)	2	(0.2)
Other foreign currencies	6	(0.6)	5	(0.5)
Total foreign currency investments	$ 79	$ (7.9)	$ 67	$ (6.7)

c) Interest rate risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in pools 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 in fair value to the Plan would be approximately 1.5% (2012: 1.6%) of total investments.

Note 4 INVESTMENT RISK MANAGEMENT (continued)

The following table summarizes the terms to maturity and effective market yield of the interest-bearing securities held in the pools at March 31, 2013:

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	3%	38%	59%	4.6%

d) Price risk

Price risk relates to the possibility that units will change in value due to future fluctuations in market prices of equities held in the pools 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 the pools managed by AIMCo. 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 in fair value to the Plan would be approximately 6.5% (2012: 6.2%) of total investments. Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

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 pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, timberland, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Plan’s future liabilities include the accrued pension benefits obligation and payables related to the purchase of units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	2013	2012
Contracts in favourable position (current credit exposure)	42	$ 2,354	$ 2,397
Contracts in unfavourable position	15	(907)	(981)
Net fair value of derivative contracts	57	$ 1,447	$ 1,416

i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $2,354 (2012: $2,397) were to default at once.

ii. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

iii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in the pools are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Note 4 INVESTMENT RISK MANAGEMENT (continued)

Types of derivatives used in pools	Plan's Indirect Share ($ thousands) 2013	2012
Structured equity replication derivatives	$ 1,392	$ 1,627
Foreign currency derivatives	(98)	(68)
Interest rate derivatives	234	137
Credit risk derivatives	(81)	(280)
Net fair value of derivative contracts	$ 1,447	$ 1,416

i. Structured equity replication derivatives: Equity index swaps are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity index swap. Rights, warrants, futures and options are also included as structured equity replication derivatives.

ii. Foreign currency derivatives: 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.

iii. Interest rate derivatives: Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv. Credit risk derivatives: Credit risk derivatives include credit default swaps allowing the pools 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.

v. Contractual maturities: Structured equity replication derivatives and foreign currency derivatives primarily mature within one year. For interest rate derivatives approximately 6% mature within one year; 22% between 1 and 3 years and 72% over 3 years. For credit risk derivatives approximately 32% mature within one year; 1% between 1 and 3 years and 67% over 3 years.

vi. Deposits: At March 31, 2013 deposits in futures contracts margin accounts totalled $700 (2012: $141) and deposits as collateral for derivative contracts totalled $306 (2012: $50).

NOTE 5 BENEFIT OBLIGATION

a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2012 by the Plan's actuary, Mercer (Canada) Limited and was then extrapolated to March 31, 2013.

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:

	%	
	2013	**2012**
	Extrapolation	**Valuation**
Interest discount rate (net of investment and administration expenses)	4.7	5.1
Continuance rates		
Based on Study on Canadian Group Long Term Disability Termination Experience (1988-1997)	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of experience rated premiums	30	35

* The rates have been modified by duration to reflect the Plan's adjudication practices and claims termination experience.

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 4.7 per cent (2012: 5.1 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who may be approved for Canada Pension Plan benefits in the future.

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 30 per cent (2012: 35 per cent) of experience rated premiums was appropriate for estimating the reserve amount.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2013. 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 2014.

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

As at March 31, 2013, based on the extrapolation performed from the December 31, 2012 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 $3.3 million.

NOTE 6 SURPLUS

	($ thousands) 2013	2012
Surplus (deficit) at beginning of year	$ 9,136	$ (4,141)
Increase in net assets available for benefits	27,083	15,397
Net decrease (increase) in benefit obligation	15,498	(2,120)
Surplus at end of year	$ 51,717	$ 9,136

NOTE 7 NET INVESTMENT INCOME

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

	($ thousands) 2013	2012
Money market and fixed income	$ 3,532	$ 3,962
Equities		
Canadian	2,620	(1,541)
Foreign	11,591	3,682
Private	295	260
Hedge funds	2	(148)
	14,508	2,253
Inflation sensitive and alternatives		
Real estate	1,637	2,298
Infrastructure	349	318
Timberland	(14)	326
Private debt and loans	50	37
Real return bonds	-	3
	2,022	2,982
	$ 20,062	$ 9,197

Investment income includes realized gains and losses from disposal of pool units, unrealized gains and losses on units and income distributions from the pools.

Income distributions from the pools is based on income earned by the pools determined on an accrual basis which includes interest, dividends, security lending income, realized gains and losses on sale of securities held by the pools, realized foreign exchange gains and losses, writedowns of securities held in the pools and income and expense earned on derivative contracts. Realized gains and losses are determined on an average cost basis. Impairment charges related to the writedown of securities held in the pools are indicative of a loss in value that is other than temporary.

NOTE 8 INVESTMENT EXPENSES

	($ thousands)	
Amount charged by:	2013	2012
AIMCo (a)	$ 725	$ 573
Alberta Treasury Board and Finance (b)	12	12
Total investment expenses	$ 737	$ 585
Average fair value of investments	$ 179,615	$ 158,962
Percent of investments at average fair value	0.41%	0.37%

a) For investment management services.
b) For investment accounting and Plan reporting services.

NOTE 9 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND BENEFIT OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the benefit obligation and the per cent of benefit obligation supported by net assets.

	2013	2012	2011	2010	2009
			in per cent		
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return (loss) on investments	9.8	4.5	10.2	18.1	(15.9)
Value added return (loss) by investment manager	1.7	1.0	(0.1)	2.5	(4.0)
Total return (loss) on investments (a)	**11.5**	**5.5**	**10.1**	**20.6**	**(19.9)**
Other sources (b)	4.7	4.6	5.1	7.0	2.7
Per cent change in net assets (c)	**16.2**	**10.1**	**15.2**	**27.6**	**(17.2)**
Per cent change in obligation (c)	**(9.8)**	**1.4**	**11.3**	**2.4**	**4.4**
Per cent of obligation supported by net assets	**136**	**106**	**97**	**94**	**75**

a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 4.6% (PBR: 4.7%), ten years is 7.4% (PBR: 7.2%) and sixteen years is 5.6% (PBR: 5.3%).

b) Other sources includes employee and employer contributions and administration expenses.

c) The percentage increase in net assets and the benefit obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in benefit obligation.

NOTE 10 CAPITAL

The Plan defines its capital as the funded status. The Plan's definition of capital is unchanged from prior periods. The funded status is the same as accounting surplus of $51,717 (2012: surplus of $9,136) reported in Note 6.

NOTE 11 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2013 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer on May 30, 2013.

Long Term Disability Income Continuance Plan – Management Opted Out and Excluded

Financial Statements

Year Ended March 31, 2013

Independent Auditor's Report

To the Premier of Alberta, President of Executive Council and the Minister Responsible for
Corporate Human Resources

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 statement of financial position as at March 31, 2013, and the statements of changes in net assets available for benefits and changes in benefit obligation 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 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 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 Long Term Disability Income Continuance Plan—Management, Opted Out and Excluded as at March 31, 2013, and the changes in its net assets available for benefits and changes in its benefit obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Original signed by Merwan N. Saher, FCA

Auditor General

May 30, 2013

Edmonton, Alberta

Statement of Financial Position

As at March 31, 2013

	($ thousands)	
	2013	**2012**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 60,314	$ 53,381
Employer contributions receivable	464	429
Accounts receivable	-	550
Total Assets	60,778	54,360
Liabilities		
Accounts payable and accrued liabilities	183	636
Total liabilities	183	636
Net assets available for benefits	60,595	53,724
Benefit obligation and surplus		
Benefit obligation (Note 5)	42,268	43,270
Surplus (Note 6)	18,327	10,454
Benefit obligation and surplus	**$ 60,595**	**$ 53,724**

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2013

	($ thousands) 2013	2012
Increase in assets		
Employer contributions	$ 10,820	$ 10,027
Investment income (Note 7)	6,419	3,035
	17,239	13,062
Decrease in assets		
Benefit payments	9,525	9,219
Adjudication	357	262
Rehabilitation	78	48
Severance	-	64
Investment expenses (Note 8)	258	237
Administration expenses	150	191
	10,368	10,021
Increase in net assets	6,871	3,041
Net assets available for benefits at beginning of year	53,724	50,683
Net assets available for benefits at end of year	**$ 60,595**	**$ 53,724**

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

Statement of Changes in Benefit Obligation

Year ended March 31, 2013

	($ thousands) 2013	2012
Increase in benefit obligation		
New claims	$ 8,715	$ 9,694
Interest accrued on benefits	2,291	2,319
Change in discount rate assumption	2,292	-
Other net experience loss	204	-
	13,502	12,013
Decrease in benefit obligation		
Benefit payments	9,525	9,219
Terminations other than expected	2,457	2,719
Change in claim termination rates assumption	2,522	-
Other net experience gain	-	468
	14,504	12,406
Net (decrease) in benefit obligation	(1,002)	(393)
Benefit obligation at beginning of year	43,270	43,663
Benefit obligation at end of year	$ 42,268	$ 43,270

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

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, Child and Youth Advocate, Chief Electoral Officer, Ethics Commissioner, Freedom of Information and Privacy Commissioner, Ombudsman, Full-Time Justice 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, 2013 is 1.5 per cent (2012: 1.5 per cent) of insurable salary of eligible employees with the exception of Provincial Judges with the rate of 2.05 per cent (2012: 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.

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.

Note 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

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 $98 (2012: $100).

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.

b) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds (the pools). The pools are established by Ministerial Order 9/89, being the Pooled Fund Establishment and Maintenance Order, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Province of Alberta and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. Alberta Investment Management Corporation (AIMCo) controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

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 sixth business day following the year end. Differences in valuation estimates provided to Treasury Board and 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 period.

Investments in units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) INVESTMENT INCOME

Investment income includes the following:

i. Income distributions from the pools are recorded in the Plan's accounts and included in investment income on the Statement of Changes in Net Assets Available for Benefits (see Note 7). Income distributions are based on the Plan's pro-rata share of total units issued by the pools.

ii. Realized gains and losses on disposal of units and unrealized gains and losses on units are recorded in the Plan's accounts and included in investment income on the Statement of Changes in Net Assets Available for Benefits. Realized gains and losses on disposal of units are determined on an average cost basis.

iii. Investment income is recorded on an accrual basis.

d) INVESTMENT EXPENSES

Investment expenses include all amounts, including transaction costs, charged to the Plan by AIMCo (see Note 8). Investment expenses are recorded on an accrual basis.

e) 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.

f) 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.

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

g) MEASUREMENT UNCERTAINTY

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

Measurement uncertainty exists in the valuation of the Plan's benefit obligation, private investments, hedge funds, private 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, hedge funds, private 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 in respect of the benefit obligation 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

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 Deputy Minister of Treasury Board and Finance. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools 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 Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]			2013	2012
	Level 1	Level 2	Level 3	Fair Value	Fair Value
Money market and fixed income					
Deposits and short-term securities	$ -	$ 1,195	$ -	$ 1,195	$ 409
Bonds and mortgages	-	12,374	2,796	15,170	14,136
	-	13,569	2,796	16,365	14,545
Equities					
Canadian	6,273	3,508	-	9,781	8,919
Foreign	17,555	4,850	3,352	25,757	22,302
Private	-	-	1,861	1,861	1,607
	23,828	8,358	5,213	37,399	32,828
Inflation sensitive and alternatives					
Real estate	-	-	4,235	4,235	3,797
Infrastructure	-	-	1,479	1,479	1,443
Timberland	-	-	606	606	611
Private debt and loans	-	-	230	230	157
	-	-	6,550	6,550	6,008
Total investments	$ 23,828	$ 21,927	$ 14,559	$ 60,314	$ 53,381

Note 3 INVESTMENTS (continued)

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. This level includes publicly traded listed equity investments totalling $23,828 (2012: $19,634).
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes debt securities and derivative contracts not traded on a public exchange totalling $21,927 (2012: $21,075). For these investments, fair value is 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 3*** - fair value is estimated using inputs based on non-observable market data. This level includes private mortgages, private equities and all inflation sensitive investments totalling $14,559 (2012: $12,672).

Reconciliation of Level 3 Fair Value Measurements:

	(thousands) 2013	2012
Balance, beginning of year	$ 12,672	$ 10,715
Investment income	1,621	1,444
Purchases of Level 3 pooled fund units	4,652	4,360
Sale of Level 3 pooled fund units	(4,386)	(3,847)
Balance, end of year	**$ 14,559**	**$ 12,672**

b) **Valuation of Financial Instruments recorded by AIMCo in the Pools**

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Money market and fixed income:*** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- ***Equities:*** Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.

Note 3 INVESTMENTS (continued)

- ***Inflation sensitive and alternatives:*** The estimated fair value of private real estate investments is reported at the 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. The fair value of infrastructure investments is estimated by managers or general partners of infrastructure funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis. The fair value of timberland investments is appraised annually by independent third party evaluators. Private debt and loans is valued similar to private mortgages.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts and futures contracts are valued based on quoted market prices. 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. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. 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.

The investment policies and procedures of the Plan are clearly outlined in the SIP&G approved by the Deputy Minister of Treasury Board and 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. The Board 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 4b).

Note 4 INVESTMENT RISK MANAGEMENT (continued)

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Deputy Minister of Treasury Board and Finance has established the following asset mix policy ranges:

Asset Class	Target Asset Policy Mix	Actual Asset Mix					
		March 31, 2013			March 31, 2012		
			($ thousands)	%		($ thousands)	%
Money market and fixed income	35 - 55%	$	16,365	27.1	$	14,545	27.3
Equities	20 - 58%		37,399	62.0		32,828	61.5
Inflation sensitive and alternatives	7 - 20%		6,550	10.9		6,008	11.2
		$	60,314	100.0	$	53,381	100.0

a) Credit risk

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. 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 investments in debt securities are with counterparties with credit ratings considered to be investment grade.

The table below summaries these debt securities by counterparty credit rating at March 31, 2013:

Credit rating	2013	2012
Investment Grade (AAA to BBB-)	86%	88%
Speculative Grade (BB+ or lower)	2%	0%
Unrated	12%	12%
	100%	100%

ii. Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). The pools 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 net exposure in respect of favourable contracts with the same counterparty.

Note 4 INVESTMENT RISK MANAGEMENT (continued)

iii. Security lending risk

To generate additional income, the Plan participates in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. Securities borrowers are required to provide the 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 the pools 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 value of investments denominated in foreign currencies is 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 44% of the Plan's investments, or $26 million, are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar (25%) and the Euro (5%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 4.3% (2012: 4.2%) of total investments.

The following table summarizes the Plan's exposure to foreign currency investments held in the pools at March 31, 2013:

	($ millions)			
	2013		2012	
Currency	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 15	$ (1.5)	$ 12	$ (1.2)
Euro	3	(0.3)	3	(0.3)
Japanese yen	2	(0.2)	2	(0.2)
British pound	2	(0.2)	2	(0.2)
Australian dollar	1	(0.1)	1	(0.1)
Swiss franc	1	(0.1)	1	(0.1)
Other foreign currencies	2	(0.2)	1	(0.1)
Total foreign currency investments	$ 26	$ (2.6)	$ 22	$ (2.2)

c) Interest rate risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools 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 in fair value to the Plan would be approximately 1.5% (2012: 1.6%) of total investments.

Note 4 INVESTMENT RISK MANAGEMENT (continued)

The following table summarizes the terms to maturity and effective market yield of the interest-bearing securities held in the pools at March 31, 2013:

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%	38%	58%	4.5%

d) Price risk

Price risk relates to the possibility that units will change in value due to future fluctuations in market prices of equities held in the pools 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 the pools managed by AIMCo. 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 in fair value to the Plan would be approximately 6.5% (2012: 6.3%) of total investments. Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

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 pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, timberland, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Plan's future liabilities include the accrued pension benefits obligation and payables related to the purchase of units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

By counterparty	Number of counterparties	2013	2012
Contracts in favourable position (current credit exposure)	42	$ 712	$ 756
Contracts in unfavourable position	15	(279)	(310)
Net fair value of derivative contracts	57	$ 433	$ 446

Note 4 INVESTMENT RISK MANAGEMENT (continued)

i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $712 (2012: $756) were to default at once.
ii. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.
iii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in the pools are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	**2013**	**2012**
Structured equity replication derivatives	$ 425	$ 514
Foreign currency derivatives	(40)	(22)
Interest rate derivatives	72	41
Credit risk derivatives	(24)	(87)
Net fair value of derivative contracts	$ 433	$ 446

i. Structured equity replication derivatives: Equity index swaps are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity index swap. Rights, warrants, futures and options are also included as structured equity replication derivatives.
ii. Foreign currency derivatives: 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.
iii. Interest rate derivatives: Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.
iv. Credit risk derivatives: Credit risk derivatives include credit default swaps allowing the pools 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.
v. Contractual maturities: Structured equity replication derivatives and foreign currency derivatives primarily mature within one year. For interest rate derivatives approximately 7% mature within one year; 22% between 1 and 3 years and 71% over 3 years. For credit risk derivatives approximately 32% mature within one year; 1% between 1 and 3 years and 67% over 3 years.
vi. Deposits: At March 31, 2013 deposits in futures contracts margin accounts totalled $146 (2012: $43) and deposits as collateral for derivative contracts totalled $95 (2012: $17).

NOTE 5 BENEFIT OBLIGATION

a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2012 by the Plan's actuary, Mercer (Canada) Limited and was then extrapolated to March 31, 2013.

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:

	%	
	2013 Extrapolation	**2012 Valuation**
Interest discount rate (net of investment and administrative expenses)	4.4	5.9
Continuance rates		
Based on Study on Canadian Group Long Term Disability Termination Experience (1988-1997)	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of experience rated premiums	35	40

* The rates have been modified by duration to reflect the Plan's adjudication practices and claims termination experience.

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 4.4 per cent (2012: 5.9 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who may be approved for Canada Pension Plan benefits in the future.

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 (2012: 40 per cent) of experience rated premiums was appropriate for estimating the reserve amount.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2013. 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 2014.

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

As at March 31, 2013, based on the extrapolation performed from the December 31, 2012 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 $0.8 million.

NOTE 6 SURPLUS

	($ thousands) 2013	2012
Surplus at beginning of year	$ 10,454	$ 7,020
Increase in net assets available for benefits	6,871	3,041
Net decrease in benefit obligation	1,002	393
Surplus at end of year	$ 18,327	$ 10,454

NOTE 7 NET INVESTMENT INCOME

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

	($ thousands) 2013	2012
Money market and fixed income	$ 1,106	$ 1,297
Equities		
Canadian	800	(497)
Foreign	3,609	1,137
Private	207	148
Hedge funds	1	(49)
	4,617	739
Inflation sensitive and alternatives		
Real estate	569	799
Infrastructure	113	91
Timberland	(4)	95
Private debt and loans	18	13
Real return bonds	-	1
	696	999
	$ 6,419	$ 3,035

Investment income includes realized gains and losses from disposal of pool units, unrealized gains and losses on units and income distributions from the pools.

Income distributions from the pools is based on income earned by the pools determined on an accrual basis which includes interest, dividends, security lending income, realized gains and losses on sale of securities held by the pools, realized foreign exchange gains and losses, writedowns of securities held in the pools and income and expense earned on derivative contracts. Realized gains and losses are determined on an average cost basis. Impairment charges related to the writedown of securities held in the pools are indicative of a loss in value that is other than temporary.

NOTE 8 INVESTMENT EXPENSES

	($ thousands)	
Amount charged by:	2013	2012
AIMCo [(a)]	$ 246	$ 225
Alberta Treasury Board and Finance [(b)]	12	12
Total investment expenses	$ 258	$ 237
Average fair value of investments	$ 56,848	$ 52,052
Percent of investments at average fair value	0.45%	0.46%

a) For investment management services.
b) For investment accounting and Plan reporting services.

NOTE 9 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND BENEFIT OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the benefit obligation and the per cent of benefit obligation supported by net assets.

	2013	2012	2011	2010	2009
			in per cent		
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return (loss) on investments	9.8	4.5	10.2	18.1	(15.9)
Value added return (loss) by investment manager	1.8	1.2	(0.1)	2.9	(4.3)
Total return (loss) on investments [(a)]	**11.6**	**5.7**	**10.1**	**21.0**	**(20.2)**
Other sources [(b)]	1.2	0.3	1.2	6.3	4.4
Per cent change in net assets [(c)]	**12.8**	**6.0**	**11.3**	**27.3**	**(15.8)**
Per cent change in obligation [(c)]	**(2.3)**	**(0.9)**	**14.6**	**3.5**	**6.5**
Per cent of obligation supported by net assets	**143**	**124**	**116**	**120**	**97**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 4.6% (PBR: 4.7%), ten years is 7.4% (PBR: 7.2%) and sixteen years is 5.5% (PBR: 5.3%).

(b) Other sources includes employer contributions and administration expenses.

(c) The percentage increase in net assets and the benefit obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in benefit obligation.

NOTE 10 CAPITAL

The Plan defines its capital as the funded status. The Plan's definition of capital is unchanged from prior periods. The funded status is the same as accounting surplus of $18,327 (2012: surplus of $10,454) reported in Note 6.

NOTE 11 CONTINGENT LIABILITIES

The Plan is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Plan has been named in 1 (2012: nil) claim of which the outcome is not determinable, and as such, no amounts are accrued in these financial statement in respect of this claim. The claim has a specified amount of $1,500. The resolution of the claim may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 12 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2013 presentation.

NOTE 13 APROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer on May 30, 2013.

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