Alberta

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Treasury Board

Annual Report
2010-2011

Government of Alberta

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Treasury Board Ministry

Annual Report

2010-2011

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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 24 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.

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

President’s Accountability Statement

The Ministry’s annual report for the year ended March 31, 2011, was prepared under my direction in accordance with the *Government Accountability Act* and the government’s accounting policies. All of the government’s policy decisions as at June 15, 2011 with material economic or fiscal implications of which I am aware has been considered in the preparation of this report.

[Original signed by Lloyd Snelgrove]

Lloyd Snelgrove
President of Treasury Board

Message from the President

In 2010-11 the Ministry of Treasury Board, consisting of the department of Treasury Board and Corporate Human Resources, worked with other government ministries to address fiscal and capital pressures while maintaining effective and efficient programs and a strong public service.

Corporate Human Resources (CHR) worked collaboratively with ministries to develop and engage the public service to deliver high quality programs and services to Albertans. An ongoing priority for CHR is the Alberta Public Service Workforce Plan which encompasses the areas of focus for corporate human resource programs, strategies and initiatives over the next three years. Although government remained in a hiring restraint, CHR continued the review of business processes for recruitment and selection as part of the long-term planning for future staff.

In 2010-11 there was success in strengthening leadership training, promoting employee career and learning development and acknowledging staff contributions.

Treasury Board continues to advance consistency within business processes and financial systems through planning, standardization and automation, which will result in more effective reporting and performance management processes to enhance executive decision support capabilities. We have also strengthened and improved government business planning and budgeting processes, creating more focused, concise, and streamlined documents so the public can more easily learn about government activities.

Treasury Board has strengthened risk management standards, essential to government for making informed decisions, and continued to make advances in internal audit capabilities for specialized forensics and information technology. We also continued to promote good agency governance through implementation of the Public Agencies Governance Framework.

Relating to the province's infrastructure, there was work done to complete the review of the capital planning guidelines, policies and processes. Alberta school and road public-private partnerships (P3s) projects have demonstrated value and P3s will continue to be part of Alberta's infrastructure development. Treasury Board developed new reference materials to provide consistent standards, policies and accountabilities for P3 projects across all ministries.

Responsible Actions, Alberta's 20-year strategic plan to address the environmental, social and economic issues and opportunities in the oil sands regions, is being implemented across government, with over 50 related projects and initiatives. A Comprehensive Regional Infrastructure Sustainability Plan (CRISP) was developed for the Athabasca Oil Sands Region to contribute toward setting capital priorities.

I'm very pleased with the efforts of the Treasury Board and Corporate Human Resources staff over the past year. Each initiative, large or small, is handled with professionalism and a high level of commitment to provide the best government possible and to build a better province.

[Original signed by Lloyd Snelgrove]

Lloyd Snelgrove
President of Treasury Board

Management's Responsibility for Reporting

The Ministry of Treasury Board consists of Treasury Board and Corporate Human Resources.

The executives of the Ministry have the primary responsibility and accountability for the Ministry. 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 financial statements and performance results for the Ministry rests with the President of Treasury Board. Under the direction of the President, we oversee the preparation of the Ministry's annual report, including financial statements and performance results. The financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The 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 agrees with the underlying data and the sources used to prepare it.
- Understandability and Comparability – Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – Performance measures and targets match those included in Budget 2010.

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, Treasury Board, the Minister of Finance and Enterprise and the President of Treasury Board any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

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

[Original signed by Grant Robertson]

Grant Robertson
Deputy Minister
June 15, 2011

[Original signed by Dale Silver]

Dale Silver
Public Service Commissioner
June 15, 2011

Results Analysis

Ministry Overview – Treasury Board

Vision
An open, accountable and fiscally responsible government.

Mission
Leadership in accountability, strategic advice and services.

The Department of Treasury Board includes the following areas:

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

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

Office of the Controller
The Office of the Controller is responsible for government accounting standards and financial reporting, financial management and control policies and performance planning and reporting. It is also responsible for the Government of Alberta consolidated annual financial statements and Measuring Up. The Office of the Controller also promotes good governance by supporting departments and agencies in their efforts to implement the Public Agencies Governance Framework.

Oil Sands Sustainable Development Secretariat
The Secretariat is mandated to address rapid growth issues in the oil sands regions of Alberta and to lead cross ministerial initiatives to develop and implement a long term strategic plan for responsible oil sands development. The Secretariat collaborates with ministries, industry, communities and stakeholders to address the social, infrastructure, environmental and economic impacts and opportunities of oil sands development. It acts as a main point of contact for inquiries from the public, industry and stakeholders on the government's plan for managing growth in the oil sands.

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

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

Performance Measures Summary Table

Core Business: Spending Management and Planning
Goal: Disciplined government spending

		Prior Years' Results		Target	Current Actual
1.*	Percentage change (difference) in actual government operating expense from authorized budget	0.4% decrease 2008-09	0.4% decrease 2009-10	**< 1%**	1.1% decrease 2010-11

Core Business: Strategic Capital Planning
Goal: Capital planning that supports Alberta's economy

		Prior Years' Results	Target	Current Actual
2.*	A policy in place to govern corporate capital planning processes for all ministries and a policy in place to govern capital asset management for existing owned and supported infrastructure	Paritally developed 2009-10	**Developed**	Alberta's Capital Planning Manual Developed 2010-11

Core Business: Accountability in Government
Goal: An accountable and financially well-managed government

		Prior Years' Results		Target	Current Actual
3.a*	Auditor General opinion on Government of Alberta Financial Statements	unqualified 2008-09	unqualified 2009-10	**unqualified**	unqualified 2010-11
3.b*	Percentage of corporate internal audit recommendations implemented from engagements rated as significant	100% 2008-09	86% 2009-10	**90%**	89% 2010-11

New Measure:
Core Business: Responsible Oil Sands Development
Goal: Lead and support strategic planning, policy development and government decision-making for Alberta's oil sands regions.
Performance Measure Under Development "New performance measures are under development that will measure accountability and implementation of the long-term oil sands strategic plan".

* Indicates measures not reviewed by the Office of the Auditor General.

Sources and Methodology for 2010-11 Performance Measures

1. Percentage change in actual government operating expense from authorized budget
   Source: 2010-11 Consolidated Financial Statements of the Government of Alberta

   Methodology: The percentage change in actual government operating expense from authorized budget is determined by subtracting the 2010-11 Budget number from the 2010-11 Actual number and then dividing this result by the 2010-11 Budget number.

2. A policy in place to govern the corporate capital planning processes for all ministries and a policy in place to govern capital asset management for existing owned and supported infrastructure
   Source: Work involved in producing Alberta's Capital Planning Manual

   Methodology: The manual was produced through a consultation process that included ministry stakeholders and other jurisdictions' research and best practices. Existing government documentation was also used in the research.

3a. Auditor General opinion on Government of Alberta Financial Statements
   Source: Auditor's Report included in the 2010-11 Consolidated Financial Statements of the Government of Alberta

   Methodology: The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board as authorized by the President of Treasury Board pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards, and of necessity include some amounts that are based on estimates and judgments. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts. The auditor's responsibility is to express an opinion on these financial statements based on his audit in accordance with Canadian generally accepted auditing standards. An unqualified opinion means the financial statements present fairly, in all material respects, the financial position and the results of operations of the government.

3b. Percentage of corporate internal audit recommendations implemented from engagements rated as significant
   Source: Corporate Internal Audit Services Rating Guide

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

Discussion, Analysis and Results

GOAL Linked to Core Business – Spending Management and Planning

Disciplined Government Spending

As part of the government's overall budgeting process, the Ministry of Treasury Board worked with other ministries to help ensure that programs and services were provided to Albertans in a cost effective and efficient manner. In-year program expense savings in excess of the budgeted $240 million were achieved, through administrative reductions, effective management of discretionary spending, hiring restraint and other initiatives. In addition, the ministry championed several reengineering initiatives across government to create significant efficiencies for targeted activities.

In 2010-11, government strengthened and improved the business planning and budgeting processes. Ministry business plans are more focused and concise, easier to read and more effective in providing Albertans with ministry information. The Government Estimates have been streamlined to reduce duplication, increase readability and enhance presentation to be more consistent with other budget documents.

Throughout 2010-11 the ministry continued to work closely with other ministries on capital and operating issues as well as providing advice and recommendations to Treasury Board Committee, Cabinet and the Policy Coordination Office of Executive Council.

GOAL Linked to Core Business – Strategic Capital Planning

Capital Planning that Supports Alberta's Infrastructure Requirements

The 20-year Strategic Capital Plan was intended as a blueprint to guide future decisions about priority infrastructure projects. During 2010-11 most of the short term projects have been completed or are underway, as well as many of the medium term projects.

Treasury Board through the Strategic Capital Planning Division has completed its corporate review of the government's capital planning process. The result has been a finalized version of Alberta's Capital Planning Manual that establishes an overall capital planning process with the following objectives:

- Meet the priority needs of government;
- Base capital investment decisions on best information, alternatives and costs;
- Balance capital maintenance needs with the demands for new infrastructure;
- Use provincial capital funding effectively and efficiently.

It is recognized that the Capital Planning Process and Manual will continue to be dynamic as updates may be required to refine earlier guidelines in accordance with situational changes.

The Public Private Partnership (P3) approach was chosen by government as an innovative approach to new school construction. Treasury Board worked with other ministries on the Phase 1 Alberta Schools Alternative Procurement Project (ASAP 1) designed to deliver a total of 18 new Kindergarten to Grade 9 (K-9) schools and is the largest schools project in Canada. The schools, in the successful ASAP 1, were available for students in September 2010, two years earlier than with traditional methods and at a savings to taxpayers.

Work continued with other ministries to identify and analyze alternatives for building and financing capital projects and P3s. In 2010-11, Treasury Board updated Alberta's Public-Private Partnership Framework and Guideline to provide consistent standards, policies and accountabilities for P3 capital projects across all ministries.

Treasury Board negotiated and coordinated the amendments of various federal infrastructure programs that were developed to stimulate economic growth under Canada's Economic Action Plan. Federal support for infrastructure was received by Alberta for the Infrastructure Stimulus Fund, Knowledge Infrastructure Program, Renovation and Retrofit of Social Housing program, the top-up to the Communities Component Program, and the Base Funding and Major Infrastructure Component of the Building Canada Plan.

GOAL Linked to Core Business – Accountability in Government

Accountability in Government

In 2010-11, the Office of the Controller led a financial business process review designed to strengthen the government's central financial systems by adopting best practices and improving internal controls and risk management and delivering effective financial reporting. As a result, a Finance Business Process Reengineering Office was established to address inconsistencies within financial business processes through planning, standardization and automation. Projects completed during 2010-11 included streamlining the *Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly*, and streamlining the production of the government operational processes and standardizing accounting officer reviews.

The ministry also led the development of an effective, single corporate-wide enterprise risk management plan for the Government of Alberta that facilitates well-informed operational and strategic decisions. Treasury Board worked with departments and a number of public agencies to adopt the ISO 31000 enterprise risk management standard for the Government of Alberta and continued the integration of enterprise risk management into the government's strategic and business planning processes.

An interactive website featuring performance measures and targets from the government's business plan and key cross government initiatives using audio, video, text and graphics technology was developed and tested. The ministry is now completing a report on the pilot project with recommendations for next steps.

Treasury Board's Corporate Internal Audit Services Office continued to enhance its specialized forensics and information technology audit capability. In addition, the percentage of Corporate Internal Audit Services' recommendations implemented from the engagements followed up in 2010-11 was 89 per cent.

In April 2010, the Agency Governance Secretariat (AGS) was integrated into the Office of the Controller. The priority of the AGS is to promote good agency governance through implementation of the Public Agencies Governance Framework. The majority of public agencies now have mandates, roles documents and codes of conduct that are available to the public through postings and links on the AGS website. Departments and agencies have access to best practice guidelines and training in areas such as governance models for public agencies, competency based recruitment and agency creation. A database has been developed as part of the process and is used as a central source for information on public agencies and all agency members appointed by government. Work on other Framework recommendations is underway including development of consistent policies on agency member remuneration.

GOAL Linked to Core Business – Responsible Oil Sands Development

Lead and Support Strategic Planning, Policy Development and Decision Making for Alberta's Oil Sands Regions

The implementation of Responsible Actions: A Plan for Alberta's Oil Sands continues through work being done across government, involving over 50 projects and initiatives. The 2010 Annual Progress Report was released in spring 2011.

Treasury Board, through the Oil Sands Sustainable Development Secretariat, continues to work with other government ministries to support sustainable growth in Alberta's three oil sands regions. This includes the release of commercial land and the development of Parsons Creek and Saline Creek in the Regional Municipality of Wood Buffalo, as well as the development of Comprehensive Regional Infrastructure Sustainability Plans (CRISP). These utilize a long-term approach towards planning future infrastructure development based on possible future oil sands production rates and associated population growth. The Cold Lake Oil Sands Area CRISP is underway.

Work is continuing on the Urban Development Reserve Project with several key Government of Alberta departments and the Regional Municipality of Wood Buffalo participating. Data is being gathered to determine the suitability of land for urban development. The plan will result in a process for the timely release of Crown land which will ultimately incorporate municipal development plans and CRISP. This will establish an adequate and secure supply of land for urban expansion that will assist with the orderly development of the oil sands. This initiative will help manage costs and create greater certainty.

To further support Alberta's leadership role in resource development and continue to maintain Alberta's strong commitment to environmentally responsible energy development, the regulatory system for upstream oil and gas and in situ oil sands has been further aligned and enhanced. The Regulatory Alignment Project (RAP) was a cross ministry project led by the Secretariat and initiated in early 2009 to increase the effectiveness, efficiency, and coordination in the current regulatory system. The RAP provided the foundation for the work being completed through the Regulatory Enhancement Project, which is currently underway and will ensure Alberta's regulatory system is modern, efficient, performance-based, and competitive. The RAP was completed in the winter 2010 and resulted in the following enhancements that will improve the operational components of the current regulatory system:

- The *Upstream Oil and Gas Authorizations and Consultation Guide* has been developed to provide industry with a central reference tool for upstream oil and gas development activities. It will assist companies to increase their understanding of Alberta's requirements.
- Regulatory enhancements were made to further support timeliness and certainty of remediation, abandonment, reclamation and reclamation certification for upstream oil and gas wells and well sites.
- Administrative procedures have been established to increase coordination of regulatory processes and sharing of information between the Energy Resources Conservation Board and Alberta Sustainable Resource Development for First Nations consultation.
- To create efficiency while maintaining environmental, safety and resource recovery standards, the current in situ oil sands regulatory authorization function was improved.

Ministry Overview – Corporate Human Resources

Vision
Alberta's Public Service – Proudly working together to build a stronger province for current and future generations.

Mission
Attract, develop and engage a strong Alberta Public Service to deliver high-quality programs and services for Albertans.

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

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

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

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

Attraction, Technology and Human Resource Community Development
In collaboration with ministries, provides strategic leadership to identify and implement strategies to attract talent to the public service and to leverage the development and implementation of human resources information systems including IMAGIS to support effective decision making. Manages programs and develops policies and guidelines to support recruitment and selection, and provides supports to enhance the capacity of the human resource community. Also manages the Government of Alberta Jobs Website, leads the Ambassador Program, internship programs, and corporate recruitment. Also provides CHR with administration, information technology and financial services.

Executive Search
Provides a corporate search program to attract and recruit executive managers and senior officials. Offers search consulting services to significant agencies, boards, and commissions to recruit senior executives and board members, assists departments in facilitating internal and external moves.

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measure identified as “Reviewed by Auditor General” for Corporate Human Resources as part of the Ministry of Treasury Board’s 2010-11 Annual Report. This performance measure is prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – Performance measures and targets match those included in Budget 2010.

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 my Office by the Ministry. My review was not designed to provide assurance on the relevance of this performance measure.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure.

Based on my review, nothing has come to my attention that causes me to believe that the “Reviewed by Auditor General” performance measure in the Ministry’s 2010-11 Annual Report is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of this performance measure.

[Original signed by Merwan N. Saher, CA]
Auditor General

May 9, 2011

Edmonton, Alberta

Performance Measures Summary Table

Core Business: Strategic leadership of human resource management in the Alberta Public Service

Goal: Effective cross-government human resource policies, programs, and initiatives

		Prior Years' Results		Target	Current Actual
1.a*	Stakeholder agreement that the Alberta Public Service has effective human resource policies	61% 2008-09	72% 2009-10	**74%**	68% 2010-11
1.b	Stakeholder satisfaction with working relationships with Corporate Human Resources	78% 2008-09	76% 2009-10	**78%**	77% 2010-11
1.c	Stakeholder agreement that the tools and supports for implementing cross-government human resource policies, programs and initiatives are useful	63% 2008-09	66% 2009-10	**69%**	67% 2010-11

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

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

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

Note: The CHR Stakeholder Survey used to collect performance measure data was launched in 2008.

Source and Methodology for 2010 Performance Measures

Measures for stakeholder agreement were gathered through an annual Stakeholder Survey by an independent survey organization. A census survey of our stakeholder groups (deputy ministers, assistant deputy ministers, human resource directors and human resource community) was conducted between November and December 2010. A total of 284 surveys were completed both online and via telephone with an overall response rate of 78 per cent.

Discussion and Analysis of Results

GOAL Linked to Core Business – Strategic leadership of human resource management in the Alberta Public Service

Effective cross-government human resource policies, programs and initiatives

As Corporate Human Resources (CHR) worked with ministry stakeholders to develop and implement effective human resource policies, programs and initiatives to support Alberta Public Service employees, the fiscal environment continued to present challenges. Achievement of targets and some year-over-year results were impacted by a variety of fiscal and human resource restraints that were in place throughout 2010-11. The measure on effectiveness of Alberta Public Service human resource policies had a four per cent decrease in year-over-year results. The remaining two measures dealing with CHR's working relationships with stakeholders and implementation tools and supports both had a one per cent year-over-year increase in results.

Despite the challenging environment, CHR continued to champion the development and implementation of human resource policies, programs and initiatives to ensure public service employees were positioned to provide quality programs and services for Albertans. CHR also continued its focus of promoting effective cross-government implementation through communication, education, consulting and direct service delivery.

CHR continued to develop and maintain effective human resource policies that support departments in achieving their business goals with a one-employer approach. Stakeholders provided input on an ongoing basis through several groups such as Deputy Ministers' Council, the Human Resource (HR) Director's Council and various steering teams and advisory teams.

CHR supported effective implementation and consistent application of human resource policies through regular, ongoing communication with stakeholders, and training provided to the human resource community. Tools and information to support implementation of cross-government HR policies were developed with input from stakeholder groups and shared through the CHR website, information sessions and other communication vehicles. Training was provided throughout the year to enhance awareness and ensure a common understanding of the intent and application of HR policies in such areas as staffing, classification, occupational health and safety and interpretation of the collective agreement.

A key focus for CHR this year was to ensure the Alberta Public Service had the skilled workforce able to provide quality programs and services for all Albertans. Opportunities to enhance knowledge, skills and competencies were available through a variety of development programs, training and courses such as those offered by the Government of Alberta Learning Centre. To support employees in pursuing career interests and opportunities, courses on career skills, online tools, and learning options were promoted. Leadership development focused on enhancing programs and supporting continuous learning by creating additional and more flexible program options, and improving supports for coaching. A focus on building policy capacity continued through training, professional development, and a policy internship program.

Providing a quality work environment to support employees in doing their best work was another priority which CHR championed in partnership with all ministries. Promotion of a safe and healthy environment occurred through Occupational Health and Safety (OH&S) courses along with a Government of Alberta OH&S certificate program that was offered to employees. Health support programs were reviewed to ensure they meet the needs of the APS. Cross-government programs such as the Premier's Award of Excellence recognized employees for strong performance. Best practices and options for flexible work arrangements were also researched and adopted where possible to ensure a balance between individual needs and maintaining quality service for Albertans.

CHR also continued to position the Government of Alberta as a viable career choice through the Ambassador

Program and career fairs, and offering compensation and benefits that are competitive, flexible and responsive. In collaboration with the human resource community, CHR began working on implementing the recommendations from the comprehensive review of the government recruitment and selection process such as looking at long-term forecasting for ministry and APS workforce needs, and providing enhanced resources/supports for applicants. Executive Search continued to attract and recruit candidates, and managed appointment processes for executive manager, senior official and board member roles in Alberta government departments, agencies, boards and commissions. Quality assurance initiatives to maintain the management and non-management classification plans continued. In May 2010, the Alberta Union of Public Employees served notice to bargain, and negotiations took place with a tentative agreement reached on March 31, 2011.

Further information on work undertaken in 2010-11 to ensure the Government of Alberta has skilled employees to meet current and future needs is available in the final report on the Alberta Public Service Workforce Plan located at *http://www.chr.alberta.ca/apsworkforceplan*.

Ministry Expense by Function

(In thousands of dollars)	**2010-11 Budget**	**2010-11 Actual**	**2009-10 Actual**
Regional Planning and Development	$3,041	$2,541	$3,354
General Government	52,942	36,066	63,030
Total Expense by Function	$55,983	$38,607	$66,384

Financial Highlights

The Ministry of Treasury Board includes the financial results of the department of Treasury Board and Corporate Human Resources. In fiscal year 2010-11, the Ministry of Treasury Board continued to respond to the current environment of fiscal restraint by reducing discretionary spending; and where possible not filling vacant positions or keeping positions vacant for longer periods. In addition some capital planning and internal audit projects were deferred or cancelled based on the fiscal restraint and hiring freeze experienced by all ministries.

The Ministry's operating expenses for 2010-11 were $27.7 million lower than 2009-10 actual with $23.1 million of this decrease due to one time employee separation payments made in fiscal year 2009-10 as a result of the Government of Alberta restructuring and fiscal correction. Efforts to redeploy employees identified for separation payments in 2009-10 resulted in prior year expenditure refunds of approximately one million dollars in the current year which are reported as revenues in the Ministry's financial statements. Of the remaining decrease of $4.6 million between 2010-11 and 2009-10 actuals, approximately two million dollars is due to a reduction in the provision for the Government of Alberta's share of the long term disability income continuance plan liability resulting from favorable investment performance and long term disability experience. The remaining decrease of $2.6 million is primarily due to lower participation in the Senior and Executive Manager Mobility Program, higher number of vacant positions due to a hiring freeze and the Ministry's efforts to reduce discretionary spending.

The Ministry of Treasury Board's 2010-11 budget included $9.6 million for Capital Projects Development for planning future capital projects and for reengineering initiatives that will generate future efficiencies. This funding was earmarked to be transferred to other ministries upon the approval from Treasury Board Committee. Out of these funds, $6.3 million was transferred for capital planning and reengineering initiatives to other ministries and $650,000 was retained by Treasury Board for the Finance Business Process Reengineering project. The remaining $2.7 million lapsed.

Excluding the Capital Projects Development program, the Ministry of Treasury Board's actual expense for 2010-11 was $7.7 million lower than budget. Approximately $2.6 million of this decrease relates to a reduction in the provision for the Government of Alberta's share of the long term disability income continuance plan liability due to favorable investment performance and long term disability experience. The remaining savings of $5.1 million was largely due to the Ministry's efforts to reduce discretionary spending, an increased number of vacancies due to a hiring freeze, lower participation in the Senior and Executive Manager Mobility Program; and the deferral/cancellation of certain capital planning and internal audit projects.

The Ministry of Treasury Board's 2010-11 budget included $62.2 million for a Provision for Capital Projects. Out of these funds, $25.1 million was transferred to the Ministry of Solicitor General and Public Security for the First Responders Radio Communication System project. The remaining funds lapsed.

Ministry of Treasury Board

Financial Statements

Year Ended March 31, 2011

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Financial Statements

I have audited the accompanying financial statements of the Ministry of Treasury Board, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ministry of Treasury Board as at March 31, 2011, 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, CA]
Auditor General

June 6, 2011

Edmonton, Alberta

MINISTRY OF TREASURY BOARD
STATEMENT OF OPERATIONS
Year Ended March 31, 2011
(in thousands)

	2011 Budget (Schedule 2)	2011 Actual	2010 Actual Restated
Revenues			
Other Revenue	$ -	$ 1,067	$ 349
Expenses – Directly Incurred (Note 2(b) and Schedule 5)			
Voted (Schedules 1 and 2)			
Ministry Support Services	2,274	2,082	2,049
Oil Sands Sustainable Development Secretariat	3,037	2,466	3,329
Corporate Internal Audit Services	3,928	3,310	3,394
Office of the Controller	2,971	3,061	3,010
Agency Governance Secretariat	622	523	591
Spending Management and Planning	3,585	3,269	3,363
Strategic Capital Planning	3,767	1,939	2,040
Capital Projects	9,600	-	-
Air Services	5,280	4,704	4,566
Corporate Human Resources	18,619	17,612	42,010
	53,683	38,966	64,352
Statutory (Schedules 1 and 2)			
Valuation Adjustments (Note 8)	2,300	(359)	2,032
Net Operating Results	$ (55,983)	$ (37,540)	$ (66,035)

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

MINISTRY OF TREASURY BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31, 2011
(in thousands)

	2011	2010 Restated
Assets		
Accounts Receivable (Note 4)	$ 108	$ 56
Inventories (Note 5)	1,405	1,418
Tangible Capital Assets (Note 6)	19,632	19,690
	$ 21,145	$ 21,164
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 19,203	$ 38,508
Net Assets (Liabilities)		
Net Liabilities at Beginning of Year	(17,344)	(1,445)
Net Operating Results	(37,540)	(66,035)
Net Financing Provided from General Revenues	56,826	50,136
Net Assets (Liabilities) at End of Year	1,942	(17,344)
	$ 21,145	$ 21,164

Contractual obligations (Note 9)

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

MINISTRY OF TREASURY BOARD
STATEMENT OF CASH FLOWS
Year Ended March 31, 2011
(in thousands)

	2011	2010 Restated
Operating Transactions		
Net Operating Results	$ (37,540)	$ (66,035)
Non-cash items included in Net Operating Results		
Amortization of Tangible Capital Assets and Consumption of Inventories	505	740
Provision for Doubtful Accounts	-	(1)
Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability	(390)	1,666
Provision for Vacation Pay	31	367
	(37,394)	(63,263)
(Increase) Decrease in Accounts Receivable	(51)	119
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(18,946)	13,200
Cash Applied to Operating Transactions	(56,391)	(49,944)
Capital		
Acquisition of Tangible Capital Assets and Inventory for Internal Use	(435)	(192)
Cash Applied to Capital Transactions	(435)	(192)
Financing Transactions		
Net Financing Provided from General Revenues	56,826	50,136
Cash Provided by Financing Transactions	56,826	50,136
Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	$ -	$ -

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

MINISTRY OF TREASURY BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011
(all dollar values in thousands, unless otherwise stated)

NOTE 1 AUTHORITY AND PURPOSE

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

Treasury Board Department's mission is to promote efficient and effective government through strategic advice and services relating to the ministry's core businesses of accountability, budget and capital planning, responsible oil sands growth, agency governance and government air transportation services.

Corporate Human Resources' mission is to ensure that the government has a strong public service to deliver high quality programs and services to Albertans. Its core business is strategic leadership of human resource management for the Alberta Public Service.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

(a) Reporting Entity

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

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

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

<u>Directly Incurred</u>

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

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

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

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

Incurred by Others

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

Assets

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

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

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

Liabilities

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

Net Assets/Net Liabilities

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

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.

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

Measurement uncertainty exists in the valuation of Long Term Disability Income Continuance Plan liability. Uncertainty arises because the Plan's actual experience may differ, perhaps significantly, from assumptions used in the valuation of the Plan's liability.

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

Valuation of Financial Assets and Liabilities

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

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

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFER

(in thousands)

Agency Governance Secretariat was transferred from the Ministry of Executive Council on April 1, 2010. The Agency Governance Secretariat promotes continuous improvement in good governance by supporting departments and agencies guided by the Public Agencies Governance Framework. Comparatives for the year ended March 31, 2011 are based on the new structure with the financial statements of prior years restated as if the Ministry had always been assigned with its current responsibilities. Net Liabilities on March 31, 2010 as restated are made up as follows

Net Liabilities as previously reported	$ (17,283)
Transfers from Ministry of Executive Council	(61)
Net Liabilities as restated at March 31, 2010	$ (17,344)

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2011			2010
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 108	$ -	$ 108	$ 56

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 INVENTORIES
(in thousands)

	2011	2010
Inventories consist of the following:		
Rotable and Consumable Aircraft Parts and Supplies	$ 1,405	$ 1,418

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment(1)	Hardware	Other(2)	2011 Total	2010 Total
Estimated Useful Life	10 years	3-10 years	5-24 years		
Historical Cost					
Beginning of year	$ 171	$ 20	$ 26,185	$ 26,376	$ 26,296
Additions	-	-	321	321	80
Disposals	-	-	-	-	-
	$ 171	$ 20	$ 26,506	$ 26,697	$ 26,376
Accumulated Amortization					
Beginning of year	$ 28	$ 20	$ 6,638	$ 6,686	$ 6,181
Amortization expense	17	-	362	379	505
Effect of disposals	-	-	-	-	-
	$ 45	$ 20	$ 7,000	$ 7,065	$ 6,686
Net Book Value at March 31, 2011	$ 126	$ -	$ 19,506	$ 19,632	
Net Book Value at March 31, 2010	$ 143	$ -	$ 19,547		$ 19,690

1 Equipment includes furniture.

2 Other consists of aircraft and major enhancements which includes work-in-progress of $138.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2011	2010 Restated
Government of Alberta's share of the Long Term Disability Income Continuance Plan liability [a]	$ 12,417	$ 12,807
Separation payment accruals	607	19,685
Other payables and accruals	6,179	6,016
	$ 19,203	$ 38,508

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

NOTE 8 VALUATION ADJUSTMENTS

(in thousands)

	2011	**2010** Restated
Provision for vacation pay	$ 31	$ 367
Provision for doubtful accounts	-	(1)
Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability [a]	(390)	1,666
	$ (359)	$ 2,032

a) The provision represents the change in the long term disability liabilities with a reduction in the liability of $390 in the current year (2010 – increase in the liability of $1,666). The accrued benefit liability for the Long Term Disability Income Continuance Plans at March 31, 2011 amounted to $12,417 (2010 – $12,807) and is included in accounts payable and accrued liabilities (Note 7).

NOTE 9 CONTRACTUAL OBLIGATIONS

(in thousands)

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

	2011	**2010**
Service contracts	$ 3,384	$ 3,948
Long term Leases	81	162
	$ 3,465	$ 4,110

NOTE 9 CONTRACTUAL OBLIGATIONS (continued)

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

	Contracts	Leases	Total
2012	$ 1,840	$ 81	$ 1,921
2013	1,218	-	1,218
2014	251	-	251
2015	75	-	75
2016	-	-	-
	$ 3,384	$ 81	$ 3,465

NOTE 10 BENEFIT PLANS

(in thousands unless otherwise stated)

Multi-Employer Pension Plans

The Ministry participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,039 for the year ended March 31, 2011 (2010 – $4,058).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 – deficiency $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 deficiency – $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 – deficiency $39,516).

Long Term Disability Income Continuance Plans

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

For the Bargaining Unit Plan, effective September 1, 2009, the employers contribute at a rate of 1.825 per cent of monthly insurable salary. Long term disability benefits are funded equally by the employer and employees of this Plan. At March 31, 2011, the Bargaining Unit Plan reported an actuarial deficiency of $ 4,141 (2010 – deficiency of $8,335) of which $8,271 (2010 – $4,843) is 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 monthly insurable salary. At March 31, 2011, Management, Opted Out and Excluded Plan reported an actuarial surplus of $7,020 (2010 surplus– $7,431). Long term disability benefits are funded by the employers in this Plan.

At March 31, 2011, the Government of Alberta's share of the estimated accrued benefit liability for these two plans amounting to $12,417 (2010 – $12,807) has been recognized in these financial statements (Note 7). This amount is actuarially determined as the cost of employee benefits earned net of employers' contributions, interest expense on the accrued benefit obligation, expected return on the plan assets and amortization of deferred amounts using management's best estimates and actuarial assumptions. Effective May 2011, the maximum benefit payable of $1,839.08 biweekly for each bargaining unit long term disability income continuance plan recipient was eliminated.

NOTE 10 BENEFIT PLANS (continued)

This plan amendment had no effect on the accrued benefit liability as the increase to the liability of $5,008 was offset by the recognition of unamortized actuarial gains of $5,008. 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 two multi-employer Group Life Insurance plans on behalf of the Government of Alberta. These plans are defined benefit plans to which participating employers contribute on a defined contribution basis.

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

At March 31, 2011, the Bargaining Unit Plan reported an estimated surplus of $ 13,763 (2010 – $10,893) and the Management, Opted Out and Excluded Plan reported an estimated surplus of $16,775 (2010 – $12,482). These amounts currently subsidize claim costs and stabilize premium rates for the plans. Management produced estimates based on available March 2010 data, which was reviewed by the actuary for reasonableness. The Ministry, together with other participating ministries, records their share of employer contributions as expenses in their respective financial statements.

Dental and Extended Medical Benefits and Prescription Drug Plan Trusts

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

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

At December 31, 2010, the Government of Alberta Dental Plan Trust reported an actuarial surplus of $7,759 (2009 – $7,091) and the Government Employees' Group Extended Medical Benefits and Prescription Drug Plan Trust reported an actuarial surplus of $14,560 (2009 – $12,252). The trusts receive contributions from participating employers. Employers withhold contributions from employees and remit both employee and employer contributions to the trusts. The Ministry, together with the participating ministries, records their share of employer contributions as expenses in their respective financial statements.

NOTE 11 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Ministry administers trust funds which are managed for the purpose of various trusts and employee benefit plans, over which the Legislature has no power of appropriation. Because the province has no equity in the funds, these amounts are not included in the Ministry's financial statements. As at March 31, 2011 trust funds under administration were as follows:

	2011			2010
	Total Assets	Total Liabilities	Net Assets (Liabilities)	Net Assets (Liabilities) (Restated)
Long Term Disability Income Continuance Plans [(1)]:				
Bargaining Unit	$ 153,120	$ 157,261	$ (4,141)	$ (8,335)
Management, Opted Out and Excluded	51,099	44,079	7,020	7,431
Group Life Insurance Plans [(2)]:				
Bargaining Unit	38,441	24,678	13,763	10,893
Management, Opted Out and Excluded	26,971	10,196	16,775	12,482
Government of Alberta Dental Plan Trust [(3)]	9,644	1,885	7,759	7,091
Government Employees' Group Extended Medical Benefits and Prescription Drug Plan Trust[(3)]	18,507	3,947	14,560	12,252
	$ 297,782	$ 242,046	$ 55,736	$ 41,814

(1) Financial statements of these funds can be found in the supplementary Ministry Financial Information section of the Ministry of Treasury Board 2010-11 annual report.
(2) This Group Life Insurance Plan is inclusive of Basic Group Life, Accidental Death and Dismemberment, Dependent Life, Enhanced Life, Critical Illness and Retiree Life Insurance coverage.
(3) Trusts have a year ending December 31st.

NOTE 12 COMPARATIVES

Certain 2010 figures have been reclassified to conform to 2011 presentation.

NOTE 13 APPROVALS OF FINANCIAL STATEMENTS

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

Schedule 1

MINISTRY OF TREASURY BOARD
SCHEDULES TO FINANCIAL STATEMENTS
Expenses – Directly Incurred Detailed By Object
Year Ended March 31, 2011
(in thousands)

	2011 Budget	2011 Actual	2010 Restated
Voted			
Salaries, Wages and Employee Benefits	$ 33,250	$ 30,942	$ 36,263
Supplies and Services	9,453	7,137	27,030
Supplies and Services from Support Service Arrangements with Related Parties [(a)]	139	192	146
Grants to Others	9,600	-	-
Financial Transactions and Other	211	190	173
Amortization of Tangible Capital Assets and Consumption of Inventories	1,030	505	740
	$ 53,683	$ 38,966	$ 64,352
Statutory			
Valuation Adjustments	$ 2,300	$ (359)	$ 2,032

a) The Ministry receives business services from the Ministry of Service Alberta and insurance coverage from Risk Management Fund.

Schedule 2

MINISTRY OF TREASURY BOARD
COMPARISON OF EXPENSES – DIRECTLY INCURRED, EQUIPMENT PURCHASES AND STATUTORY EXPENSES BY ELEMENT TO AUTHORIZED BUDGET
Year Ended March 31, 2011
(in thousands)

Voted Expense		2010-2011 Estimates	Authorized Supplementary	2010-2011 Authorized Budget	2010-2011 Actual	Unexpended (Over Expended)
Ministry Support Services						
1.0.1	Minister's Office	$ 477	$ -	$ 477	$ 405	$ 72
1.0.2	Deputy Minister's Office	605	-	605	539	66
1.0.3	Corporate Services [(a)]	1,192	-	1,192	1,138	54
		2,274	-	2,274	2,082	192
Oil Sands Sustainable Development Secretariat						
2.0.1	Oil Sands Sustainable Development Secretariat	3,037	-	3,037	2,466	571
Corporate Internal Audit Services						
3.0.1	Corporate Internal Audit Services	3,928	-	3,928	3,310	618
Office of the Controller						
4.0.1	Office of the Controller[(b)]	2,971	650	3,621	3,061	560
Agency Governance Secretariat						
5.0.1	Agency Governance Secretariat	622	-	622	523	99
Spending Management and Planning						
6.0.1	Spending Management and Planning	3,585	-	3,585	3,269	316
Strategic Capital Planning						
7.0.1	Strategic Capital Planning	1,959	-	1,959	1,297	662
7.0.2	Alternative Capital Financing Office	1,808	-	1,808	642	1,166
		3,767	-	3,767	1,939	1,828
Capital Projects						
8.0.2	Capital Projects Development [(b)]	9,600	(6,908)	2,692	-	2,692
Air Services						
9.0.1	Air Services	4,280	-	4,280	4,215	65
9.0.2	Amortization and Consumption of Inventory	1,000	-	1,000	489	511
		5,280	-	5,280	4,704	576
Corporate Human Resources						
10.0.1	Public Service Commissioner's Office	625	-	625	568	57
10.0.2	Communications and Human Resources	365	-	365	281	84
10.0.3	Executive Search	629	-	629	650	(21)
10.0.4	Workforce Development and Engagement	4,005	-	4,005	3,700	305
10.0.5	Labour and Employment Practices	5,712	-	5,712	5,968	(256)
10.0.6	Attraction, Technology and Human Resources Community Development	3,523	-	3,523	3,367	156
10.0.7	Corporate Workforce Initiatives	3,760	-	3,760	3,078	682
		18,619	-	18,619	17,612	1,007
Voted Equipment/Inventory Purchases						
Corporate Services		$ 100	-	$ 100	$ -	$ 100
Air Services		391	-	391	435	(44)
		$ 491	-	$ 491	$ 435	$ 56
Voted Expenses and Equipment/Inventory Purchases						
Operating Expense		$ 53,683	$ (6,258)	$ 47,425	$ 38,966	$ 8,459
Equipment / Inventory Purchases		491	-	491	435	56
		$ 54,174	$ (6,258)	$ 47,916	$ 39,401	$ 8,515
Voted Capital Investment						
Provision for Capital Projects (c)		$ 62,200	$ (25,112)	$ 37,088	$ -	$ 37,088
Statutory Expenses						
Valuation Adjustments and Other Provisions		2,300	-	2,300	(359)	2,659
		$ 2,300	$ -	$ 2,300	$ (359)	$ 2,659

(a) Includes amortization amounting to $16.

(b) Included in the Supplementary Estimates are tranfers from Capital Projects Development approved on June 2, 2010, July 20, 2010, October 19, 2010 and December 7, 2010. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act.*

(c) $25.1 million was transferred to the Ministry of Solicitor General and Public Security under Section 4 of the *Appropriation (Supplementary Supply) Act* , 2011 which received Royal Assent on March 14, 2011; the remaining funds in this program lapsed.

Schedule 3

MINISTRY OF TREASURY BOARD
SALARY AND BENEFITS SCHEDULE
Year Ended March 31, 2011

	2011				2010
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Treasury Board					
Deputy Minister (4)	264,576	1,750	9,822	276,148	352,359
Controller (4)	197,760	1,750	49,082	248,592	245,223
Chief Internal Auditor (5)	149,149	1,750	36,326	187,225	207,053
Assistant Deputy Ministers					
Agency Governance Secretariat (6)	189,617	361	45,283	235,261	245,417
Oil Sands Sustainable Development Secretariat (7)	77,091	-	19,180	96,271	-
Spending Management and Planning	182,928	1,750	44,518	229,196	226,501
Strategic Capital Planning	172,032	1,750	42,230	216,012	213,509
Corporate Human Resources					
Public Service Commissioner (8)	264,576	9,750	63,447	337,773	339,584
Assistant Commissioners					
Labour and Employment Practices (9)	148,520	1,750	37,132	187,402	99,696
Workforce Development and Engagement (5)	149,556	1,750	53,633	204,939	229,618
Attraction, Technology and Human Resource Community Development (10)	151,396	1,750	25,201	178,347	214,016
Director, Executive Search	107,102	1,750	26,942	135,794	155,411
Chair, Director's Team	150,527	1,750	36,712	188,989	188,353
Executive Director, Compensation, Job Evaluation and Benefits (11)	27,346	1,750	6,908	36,004	79,937
Treasury Board and Corporate Human Resources					
Senior Financial Officer	151,836	1,750	38,236	191,822	189,303
Human Resources Director	115,701	1,750	29,025	146,476	137,841

(1) Base salary includes pensionable base salary.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2011.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships.

(4) Automobile provided, no dollar amount is included in benefits and allowances.

(5) This position was occupied by two people in fiscal year 2011.

(6) The Agency Governance Secretariat was transferred to Treasury Board effective April 1, 2010. Amount shown for fiscal year 2011 was from April 1, 2010 to February 25, 2011.

(7) This position was filled by a contract between the Ministry of Treasury Board and the individual's employer until June 30, 2010. Amount shown for fiscal year 2011 was from July 5, 2010 to September 17, 2010 and November 1, 2010 to February 28, 2011.

(8) Other cash benefits includes modifier in lieu of car.

(9) Amount shown for fiscal year 2011 was from July 12, 2010 to March 31, 2011. Amount shown for fiscal year 2010 was from April 1, 2009 to October 31, 2009.

(10) This position was occupied by three people in fiscal year 2011.

(11) Amount shown for fiscal year 2011 was from April 1, 2010 to June 13, 2010. Amount shown for fiscal year 2010 was from October 1, 2009 to March 31, 2010.

MINISTRY OF TREASURY BOARD
RELATED PARTY TRANSACTIONS
Year Ended March 31, 2011
(in thousands)

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

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

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

	Other Entities	
	2011	2010
Receivable from Related Parties	$ 45	$ 34
Payable to Related Parties	$ -	$ 772

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the Statement of Operations and Statement of Financial Position but are disclosed in Schedule 5.

	2011	**2010** (Restated)
Revenues		
Internal Audit Services	$ 1,572	$ 1,416
Air Services	3,068	3,352
Government of Alberta Learning Centre	1,015	1,147
Separation Payment	-	23,117
	$ 5,655	$ 29,032
Expenses — Incurred by Others		
Accommodation	$ 2,523	$ 2,682
Legal	434	1,009
Other Services	1,415	869
	$ 4,372	$ 4,560

Schedule 5

MINISTRY OF TREASURY BOARD
ALLOCATED COSTS
Year Ended March 31, 2011
(in thousands)

		2011						2010
		Expenses - Incurred by others			Valuation Adjustments			(Restated)
Program	Expenses[1]	Accommodation Costs[2]	Other Services[3]	Legal Services[4]	Vacation Pay [5][a]	Other Costs[5][b]	Total Expenses	Total Expenses
Ministry Support Services	$ 2,082	$ 83	$ 77	$ 11	$ 45	$ -	$ 2,298	$ 2,289
Oil Sands Sustainable Development Secretariat	2,466	77	71	125	75	-	2,814	2,552
Corporate Internal Audit Services	3,310	160	148	25	(44)	-	3,599	3,774
Office of the Controller	3,061	135	124	22	2	-	3,344	3,273
Agency Governance Secretariat	523	26	24	10	(43)	-	540	604
Spending Management and Planning	3,269	173	159	-	(27)	-	3,574	3,625
Strategic Capital Planning	1,939	96	89	140	(2)	-	2,262	3,915
Air Services	4,704	610	142	-	(17)	-	5,439	5,287
Corporate Human Resources	17,612	1,163	581	101	42	(390)	19,109	45,625
	$ 38,966	$ 2,523	$ 1,415	$ 434	$ 31	$ (390)	$ 42,979	$ 70,944

1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.
2) Costs shown for Accommodation on Schedule 4, allocated by square footage.
3) Other Services on Schedule 4, allocated by budgeted FTE count.
4) Costs shown for Legal Services on Schedule 4, allocated by estimated costs incurred by each program.
5) Valuation Adjustments as per Statement of Operations. Provision for Vacation Pay included in Valuation Adjustments and Government of Alberta's share of the Long Term Disability Income Continuance Plan Liability were as follows:
   a) Vacation Pay - allocated to program by employee
   b) Government of Alberta's share of the Long Term Disability Income Continuance Plan Liability - allocated to Corporate Human Resources

Long Term Disability Income Continuance Plan – Bargaining Unit

Financial Statements

Year Ended March 31, 2011

Independent Auditor's Report

To 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 net assets available for benefits and accrued long term disability benefits as at March 31, 2011 and the statement of changes in net assets available for benefits 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 generally accepted accounting principles, 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 net assets available for benefits and accrued long term disability benefits of the Plan as at March 31, 2011, and changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher, CA]
Auditor General

June 2, 2011

Edmonton, Alberta

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AND ACCRUED LONG TERM DISABILITY BENEFITS
As at March 31, 2011
(in thousands)

	2011	2010
Assets		
Investments (Note 3)	$ 151,793	$ 144,070
Accounts receivable	1,327	1,187
Receivable from sale of investment	-	35
	153,120	145,292
Liabilities		
Accounts payable and accrued liabilities	1,420	13,663
Net assets available for benefits	151,700	131,629
Accrued long term disability benefits (Note 5)	(155,841)	(139,964)
Actuarial deficiency (Note 5)	**$ (4,141)**	**$ (8,335)**

The accompanying notes are part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended March 31, 2011
(in thousands)

	2011	**2010**
Increase in assets		
Contributions:		
Employers	$ 18,047	$ 17,686
Employees	18,044	17,677
Net investment income (Note 6)		
Investment income	13,311	20,965
Investment expenses (Note 7)	(536)	(557)
	12,775	20,408
	48,866	55,771
Decrease in assets		
Benefits	26,057	24,392
Adjudication	1,590	1,382
Severance	400	752
Rehabilitation	432	440
Administration expenses	316	331
	28,795	27,297
Increase in net assets	20,071	28,474
Net assets available for benefits at beginning of year	131,629	103,155
Net assets available for benefits at end of year	**$ 151,700**	**$ 131,629**

The accompanying notes are part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011
(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, 2011 are 1.825 per cent (2010: 1.825 per cent) of insurable salary for employers and 1.825 per cent (2010: 1.825 per cent) for employees. The rates are to be reviewed at least once every three years by the Public Service Commissioner based on recommendations of the Plan's actuary and Advisory Committee.

c) LONG TERM DISABILITY BENEFITS

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

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

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

d) DECREASE IN ASSETS

Expenses of the Plan include benefits paid out, adjudication fees, rehabilitation expenses, administration expenses and severance payments for resignation of employment subsequent to disability leave. Adjudication fees include services performed by an independent agent in determining the eligibility of claims, the amounts of eligible benefits and the time period applicable for disability. Administration expenses include the cost of salaries and benefits incurred on behalf of the Plan by Corporate Human Resources of $197 (2010: $201).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

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

The Canadian Accounting Standards Board has announced new accounting standards for pension plans, also applicable to the Long Term Disability Plan, effective for the 2011 year. The Plan will be adopting the new standards under CICA Section 4600 for the March 31, 2012 year and has determined that the transition will not have a significant impact on its financial statements.

Plan investments are held in pooled investment funds administered by Alberta Investment Management Corporation (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) VALUATION OF ASSETS AND LIABILITIES

Investments are recorded in the financial statements at fair value.

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

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

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

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

i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or average of the latest bid and ask prices quoted by an independent securities valuation company.
ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
ii) The fair value of real estate investments is reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.
iv) The fair value of private equity and infrastructure investments is estimated by managers or general partners of limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple earnings analyses.
v) The fair value of Absolute Return Strategy Pool investments is estimated by external managers.
vi) The fair value of timberland investments is appraised annually by independent third party valuators.

The fair values of accounts receivables, investment income and accounts payables and accrued liabilities are estimated to approximate their book values.

c) INCOME RECOGNITION

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

d) FOREIGN EXCHANGE

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

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

e) VALUATION OF DERIVATIVE CONTRACTS

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

i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.
ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.
iii) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.
iv) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.
v) Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

f) MEASUREMENT UNCERTAINTY

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

Measurement uncertainty exists in the valuation of the Plan's liability for Accrued Long Term Disability Benefits, private investments, absolute return strategies, real estate and timberland investments. Uncertainty arises because:

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

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

Differences between actual results and expectations are disclosed as net experience gains or losses that change the value of Accrued Long Term Disability Benefits (see Note 5(b)).

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

NOTE 3 INVESTMENTS

	($ thousands)					
	2011			2010		
		Fair Value	%		Fair Value	%
Interest bearing securities						
Deposits and short-term securities **(a)**	$	15,950	10.5	$	20,366	14.1
Bonds and mortgages **(b)**		38,309	25.2		35,798	24.9
		54,259	35.7		56,164	39.0
Equities and alternative investments						
Public equities						
Canadian **(c)**		19,630	12.9		19,953	13.9
Global developed **(d)**		57,645	38.0		52,023	36.1
Emerging markets **(e)**		341	0.2		297	0.2
Absolute return strategy hedge funds **(f)**		3,433	2.3		1,306	0.9
Foreign private equities **(g)**		1,825	1.2		1,459	1.0
Inflation sensitive and alternative investments						
Real estate **(h)**		9,338	6.2		7,798	5.4
Real return bonds **(i)**		45	-		571	0.4
Infrastructure **(j)**		3,760	2.5		3,854	2.7
Timberland **(k)**		1,517	1.0		645	0.4
		97,534	64.3		87,906	61.0
Total investments (l)(m)	**$**	**151,793**	**100.0**	**$**	**144,070**	**100.0**

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

(a) Deposits and short-term securities includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of $15,828 (2010: $20,087) and short-term securities of $122 (2010: $279). These investments include primarily short-term and mid-term interest-bearing securities which have a maximum term to maturity of less than three years. At March 31,2011, deposits in CCITF had a time-weighted return of 1.1 per cent per annum (2010: 1.0 per cent per annum).

NOTE 3 INVESTMENTS (continued)

(b) The bond and mortgage portfolio includes policy allocations to universe bonds totalling $30,784 (2010: $30,360) and mortgages totalling $7,525 (2010: $5,438). The portfolio includes investments in government direct and guaranteed bonds, mortgage-backed securities, corporate bonds, asset-backed securities, private debt issues, private mortgages, repurchase agreements, debt related derivatives and loans. At March 31, 2011, interest-bearing bonds and mortgages had an average effective market yield of 4.5 per cent per annum (2010: 5.0 per cent per annum) and the following term structure based on principal amount: under 1 year: 11 per cent (2010: 3 per cent); 1 to 5 years: 31 per cent (2010: 33 per cent); 5 to 10 years: 30 per cent (2010: 36 per cent); 10 to 20 years: 14 per cent (2010: 13 per cent); and over 20 years: 14 per cent (2010: 15 per cent).

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

(d) The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's global developed public equity portfolio includes directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), emerging markets and Canada. The Plan's indirect exposure to global developed markets and emerging markets is also attained by investing in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and MSCI Emerging Markets Free Net Index. A component of the Plan's global portfolio includes investments in North American concentrated equities which include larger holdings in mid-size Canadian and American companies ranging from 5 per cent to 20 per cent of outstanding common shares.

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

(f) The absolute return strategy hedge funds use external managers who employ various investment strategies which are expected to produce absolute positive investment returns with lower volatility. Investments are made through multi-hedge fund-of-funds and direct investments to increase strategy diversification.

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

NOTE 3 INVESTMENTS (continued)

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

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

(j) Infrastructure includes investments that are structured to provide high returns plus inflation sensitivity with a long investment horizon. Investments may include transportation and logistic investments (e.g. toll roads, airports, ports and rail), power or energy investments (e.g. contracted power generation, power transmission pipelines) and utilities (e.g. water, waste water, natural gas networks).

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

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

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

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

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level three primarily includes real estate, hedge funds, private equities, timberland, infrastructure and private debt investments. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

NOTE 3 INVESTMENTS (continued)

Investment:	Level One	Level Two	Level Three *	Total
	($ thousands)			
Interest bearing securities	$ -	$ 47,573	$ 6,686	$ 54,259
Equities and alternative investments	51,441	22,111	23,982	97,534
2011 - Total amount	**$ 51,441**	**$ 69,684**	**$ 30,668**	**$ 151,793**
- Percent	**34%**	**46%**	**20%**	**100%**
2010 - Total amount	$ 46,429	$ 74,378	$ 23,263	$ 144,070
- Percent	32%	52%	16%	100%
Increase (decrease) during the year	**$ 5,012**	**$ (4,694)**	**$ 7,405**	**$ 7,723**

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

	($ thousands) 2011
Balance, beginning of year	$ 23,263
Investment income	2,877
Purchases of Level 3 pooled fund units	9,728
Sale of Level 3 pooled fund units	(5,200)
Balance, end of year	**$ 30,668**

(m) Included in the fair value of the Plan's investments in various pooled funds, summarized in Note 3 by asset class, is the fair value of derivative contracts. A derivative is a financial contract with the following three characteristics: (1) its value changes in response to the change in a specified interest rate, equity or bond index price, foreign exchange rate or credit rating; (2) it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market; and (3) it is settled in the future. AIMCo uses various types of derivative contracts through pooled investment funds to gain access to equity markets and enhance returns, manage exposure to interest rate risk, currency risk, and credit risk and for asset mix purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party. At March 31, 2011, the net fair value of derivative related investments, including deposits in futures contracts margin accounts totalled $1,577, or 1.0 per cent of total investments (2010: $2,133 or 1.5 per cent of total investments).

NOTE 3 INVESTMENTS (continued)

The following is a summary of the Plan's proportionate share of the notional amount and fair value for each class of derivative financial instrument included in the fair value of portfolio investments at March 31, 2011:

($ thousands)

	2011					2010	
	Maturity				Net		Net
Purpose	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount (a)	Fair Value (b)	Notional Amount (a)	Fair Value (b)
		%					
Equity replication derivatives (c)	100	-	-	$ 86,163	$ 302	$ 44,698	$ 751
Interest rate derivatives (d)	44	16	40	20,944	85	14,522	72
Foreign currency derivatives (e)	100	-	-	60,618	80	24,866	286
Credit risk derivatives (f)	50	15	35	19,340	(179)	25,666	(201)
Derivative related receivables, net					288		908
Deposits in futures margin accounts					1,289		1,225
Net derivative related investments (included in Note 3)					$ 1,577		$ 2,133

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

NOTE 4 INVESTMENT RISK MANAGEMENT

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

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

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

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

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Plan. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair values of all investments reported in Note 3 are directly or indirectly impacted by credit risk to some degree. Interest bearing securities primarily include investment grade bonds, notes and short-term securities and privately issued mortgage and debt securities. Investment grade securities are those issued by counterparties that have a credit rating of BBB (moderately safe investment) to AAA (safe investment with almost no counterparty credit risk).

Foreign currency risk

A portion of the Plan's investments are denominated in currencies other than the Canadian dollar and are therefore exposed to foreign currency risk. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. A ten percent increase in the value of the Canadian dollar against all currencies, with all other variables and underlying values held constant, would result in an approximate decrease in the value of the Plan's investments by $7 million (2010: $6 million).

Interest rate risk

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. A one percent increase in interest rates, with all other variables held constant, would result in an approximate decrease in the value of the Plan's interest bearing investments of approximately $2 million (2010: $2 million).

Price risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan's investments are recorded at fair value on the Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits. Changes in fair value of investments are recognized in the Statement of Changes in Net Assets Available for Benefits. A ten percent decrease in equity market indices, with all other variables held constant, would result in an approximate decrease in the value of equity investments of approximately $7 million (2010: $7 million).

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

Liquidity risk

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

NOTE 5 ACCRUED LONG TERM DISABILITY BENEFITS

a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2010 by the Plan's actuary and was then extrapolated to March 31, 2011. The 2011 extrapolation resulted in an actuarial deficiency of $4,141 (2010: deficiency of $8,335) as disclosed in the Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits.

The Accrued Long Term Disability Benefits as at March 31, 2011 were determined using the projected benefit method based on estimates of the Plan's Disabled Life Reserve and the Incurred But Unreported Reserve. 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:

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

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

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 5.1 per cent (2010: 5.1 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who applied for Canada Pension Plan benefits but who have not yet been approved.

NOTE 5 ACCRUED LONG TERM DISABILITY BENEFITS (continued)

The Incurred But Unreported Reserve is an estimate of the value of the financial impact of claims that are either unreported or not approved at the fiscal year end, but which will ultimately be accepted for benefits. Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 35 per cent (2010: 35 per cent) of premiums was appropriate for estimating the reserve amount.

The following schedule shows the principal components of the change in the value of Accrued Long Term Disability Benefits:

	($ thousands)	
	2011	**2010**
Benefit obligation at beginning of year	$ 139,964	$ 136,695
Interest accrued on benefits	6,510	8,094
Actual benefit payments	(26,057)	(24,392)
New claims	36,296	43,952
Terminations	(7,368)	(27,116)
Plan amendment: Removal of benefit maximum	5,008	-
Other net experience loss	1,488	2,731
Benefit obligation at end of year	**$ 155,841**	**$ 139,964**

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

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

As at March 31, 2011, based on the extrapolation performed from the December 31, 2010 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 increase the actuarial deficiency of the Plan by $3.8 million.

NOTE 6 NET INVESTMENT INCOME

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

	($ thousands)					
	2011			2010		
	Gross Income	Expenses	Net Income	Gross Income (Loss)	Expenses	Net Income (Loss)
Foreign equities	$ 5,152	$ (131)	$ 5,021	$ 11,247	$ (151)	$ 11,096
Canadian equities	3,497	(19)	3,478	6,179	(28)	6,151
Interest-bearing securities	2,592	(33)	2,559	3,519	(33)	3,486
Absolute return strategy hedge funds	524	(30)	494	438	(19)	419
Real estate	1,017	(36)	981	(535)	(29)	(564)
Infrastructure	217	(38)	179	148	(40)	108
Timberland	95	(6)	89	(46)	(5)	(51)
Foreign private equities	179	(54)	125	(5)	(47)	(52)
Real return bonds	38	-	38	20	-	20
Plan investment expenses	-	(189)	(189)	-	(205)	(205)
	$ 13,311	**$ (536)**	**$ 12,775**	**$ 20,965**	**$ (557)**	**$ 20,408**

Income is comprised of income from investments in pooled funds managed by AIMCo.

NOTE 7 INVESTMENT EXPENSES

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

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

The Department of Finance and Enterprise provides investment accounting and reporting for the Plan and treasury management services. A portion of these costs is charged to the Plan. Investment expenses as a percentage of average fair value of investments are provided below:

	($ thousands)	
	2011	2010
Total Investment Expenses	**$ 536**	**$ 557**
Average fair value of investments	147,932	123,768
Percent of investments at average fair value	0.36%	0.45%

NOTE 8 INVESTMENT PERFORMANCE (net of investment expenses)

The following is a summary of the investment performance results, net of fees, attained by the Plan.

	2011	2010	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Fourteen-Year Compound Annualized Return
Time weighted rates of return (a)			*in percent*		
Actual gain (b)	**10.1**	**20.6**	**0.8**	**7.2**	**5.1**
Policy benchmark gain (b)	10.0	18.1	1.8	7.2	5.0
Value gain (loss) by investment manager (c)	0.1	2.5	(1.0)	0.0	0.1

(a) The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized). All investment returns are provided by AIMCo.
(b) Investment returns were provided by AIMCo on April 20, 2011. Any subsequent changes to returns will be reflected in the next reporting period. The policy benchmark is a product of the weighted average policy sector weights and sector returns. Some of the sector benchmark returns used in the determination of the overall policy benchmark are based on management's best estimate which may vary significantly from the final benchmark return. Differences between the estimated sector benchmark returns and the final benchmark returns are recorded in the period of the change.
(c) For 2011, the investment manager was expected to deliver a return of 50 basis points, or 0.5 per cent, net of fees, above the policy benchmark return over the long term.

NOTE 9 CONTINGENT LIABILITIES

At March 31, 2011, the Plan was named as defendant in one (2010: two) legal claims relating to Long Term Disability Benefits. The one claim has a specified amount totalling $267 and the Plan is jointly named with another entity. The resulting loss, if any, from this claim cannot be determined. This claim is not covered by Alberta Risk Management Fund.

NOTE 10 APROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer.

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

Financial Statements

Year Ended March 31, 2011

Independent Auditor's Report

To 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 net assets available for benefits and accrued long term disability benefits as at March 31, 2011, and the statement of changes in net assets available for benefits 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 generally accepted accounting principles, 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 in my audit 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 net assets available for benefits and accrued long term disability benefits of the Plan as at March 31, 2011, and changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher, CA]
Auditor General

June 2, 2011

Edmonton, Alberta

LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AND ACCRUED LONG TERM DISABILITY BENEFITS
As at March 31, 2011
(in thousands)

	2011	2010
Assets		
Investments (Note 3)	$ 50,722	$ 48,818
Accounts receivable	377	351
Receivable from sale of investment	-	25
	51,099	49,194
Liabilities		
Accounts payable and accrued liabilities	416	3,665
Net assets available for benefits	50,683	45,529
Accrued long term disability benefits (Note 5)	(43,663)	(38,098)
Actuarial surplus (Note 5)	**$ 7,020**	**$ 7,431**

The accompanying notes are part of these financial statements.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended March 31, 2011
(in thousands)

	2011	2010
Increase in assets		
Employer contributions	$ 10,080	$ 10,364
Net investment income (Note 6)		
Investment income	4,589	7,447
Investment expenses (Note 7)	(243)	(221)
	4,346	7,226
	14,426	17,590
Decrease in assets		
Benefits	8,768	7,342
Adjudication	266	211
Rehabilitation	61	63
Severance	92	145
Administration expenses	85	55
	9,272	7,816
Increase in net assets	5,154	9,774
Net assets available for benefits at beginning of year	45,529	35,755
Net assets available for benefits at end of year	**$ 50,683**	**$ 45,529**

The accompanying notes are part of these financial statements.

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**
(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

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

a) GENERAL

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

b) FUNDING POLICY

Long term disability benefits are funded by employer (Government of Alberta including Legislative Assembly and other Legislative Offices) contributions at a rate which is expected to provide for all benefits payable under the Plan. The rate in effect at March 31, 2011 is 1.5 per cent (2010: 1.5 per cent) of insurable salary of eligible employees with the exception of Provincial Judges with the rate of 2.05 per cent (2010: 2.05 per cent). The rates are to be reviewed at least once every three years by the Public Service Commissioner based on recommendations of the Plan's actuary and Advisory Committee.

c) LONG TERM DISABILITY BENEFITS

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

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

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

d) DECREASE IN ASSETS

Expenses of the Plan include benefits paid out, adjudication fees, rehabilitation expenses, administration expenses and severance payments for resignation of employment subsequent to disability leave. Adjudication fees include services performed by an independent agent in determining the eligibility of claims, the amounts of eligible benefits and the time period applicable for disability. Administration expenses include the cost of salaries and benefits incurred on behalf of the Plan by Corporate Human Resources of $80 (2010: $54)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

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

The Canadian Accounting Standards Board has announced new accounting standards for pension plans, also applicable to the Long Term Disability Plan, effective for the 2011 year. The Plan will be adopting the new standards under CICA Section 4600 for the March 31, 2012 year and has determined that the transition will not have a significant impact on its financial statements.

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

b) VALUATION OF ASSETS AND LIABILITIES

Investments are recorded in the financial statements at fair value.

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

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

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

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

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

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

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

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

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

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

The fair values of accounts receivables, investment income and accounts payables and accrued liabilities are estimated to approximate their book values.

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

c) INCOME RECOGNITION

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

d) FOREIGN EXCHANGE

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

e) VALUATION OF DERIVATIVE CONTRACTS

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

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

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

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

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

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

f) 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.

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

Measurement uncertainty exists in the valuation of the Plan's liability for Accrued Long Term Disability Benefits, private investments, absolute return strategies, real estate and timberland investments. Uncertainty arises because:

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

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

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

Differences between actual results and expectations are disclosed as net experience gains or losses that change the value of Accrued Long Term Disability Benefits (see Note 5(b)).

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

NOTE 3 INVESTMENTS

	($ thousands)			
	2011		2010	
	Fair Value	%	Fair Value	%
Interest bearing securities				
Deposits and short-term securities **(a)**	$ 3,241	6.4	$ 5,646	11.6
Bonds and mortgages **(b)**	13,428	26.5	12,792	26.2
	16,669	32.9	18,438	37.8
Equities and alternative investments				
Public equities				
Canadian **(c)**	6,854	13.5	7,019	14.4
Global developed **(d)**	20,105	39.6	18,258	37.4
Emerging markets **(e)**	120	0.2	105	0.2
Absolute return strategy hedge funds **(f)**	1,203	2.4	447	0.9
Foreign private equities **(g)**	972	1.9	381	0.8
Inflation sensitive and alternative investments				
Real estate **(h)**	3,249	6.4	2,713	5.6
Real return bonds **(i)**	16	-	203	0.4
Infrastructure **(j)**	1,089	2.2	1,082	2.2
Timberland **(k)**	445	0.9	172	0.3
	34,053	67.1	30,380	62.2
Total investments (l)(m)	**$ 50,722**	**100.0**	**$ 48,818**	**100.0**

NOTE 3 INVESTMENTS (continued)

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

a) Deposits and short-term securities includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of $3,199 (2010: $5,548) and short-term securities of $42 (2010: $98). These investments include primarily short-term and mid-term interest-bearing securities which have a maximum term to maturity of less than three years. At March 31, 2011, deposits in CCITF had a time-weighted return of 1.1 per cent per annum (2010: 1.0 per cent per annum).

b) The bond and mortgage portfolio includes policy allocations to universe bonds totalling $10,801 (2010: $10,949) and mortgages totalling $2,627 (2010: $1,843). The portfolio includes investments in government direct and guaranteed bonds, mortgage-backed securities, corporate bonds, asset-backed securities, private debt issues, private mortgages, repurchase agreements, debt related derivatives and loans. At March 31, 2011, interest-bearing bonds and mortgages had an average effective market yield of 4.5 per cent per annum (2010: 5.0 per cent per annum) and the following term structure based on principal amount: under 1 year: 11 per cent (2010: 3 per cent); 1 to 5 years: 31 per cent (2010: 33 per cent); 5 to 10 years: 30 per cent (2010: 36 per cent); 10 to 20 years: 14 per cent (2010: 13 per cent); and over 20 years: 14 per cent (2010: 15 per cent).

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

d) The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's global developed public equity portfolio includes directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), emerging markets and Canada. The Plan's indirect exposure to global developed markets and emerging markets is also attained by investing in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and MSCI Emerging Markets Free Net Index. A component of the Plan's global portfolio includes investments in North American concentrated equities which include larger holdings in mid-size Canadian and American companies ranging from 5 per cent to 20 per cent of outstanding common shares.

NOTE 3 INVESTMENTS (continued)

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

f) The absolute return strategy hedge funds use external managers who employ various investment strategies which are expected to produce absolute positive investment returns with lower volatility. Investments are made through multi-hedge fund-of-funds and direct investments to increase strategy diversification.

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

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

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

j) Infrastructure includes investments that are structured to provide high returns plus inflation sensitivity with a long investment horizon. Investments may include transportation and logistic investments (e.g. toll roads, airports, ports and rail), power or energy investments (e.g. contracted power generation, power transmission pipelines) and utilities (e.g. water, waste water, natural gas networks).

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

NOTE 3 INVESTMENTS (continued)

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

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

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

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level three primarily includes real estate, hedge funds, private equities, timberland, infrastructure and private debt investments. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

		($ thousands)			
Investment:		**Level One**	**Level Two**	**Level Three ***	**Total**
Interest bearing securities		$ -	$ 14,338	$ 2,331	$ 16,669
Equities and alternative investments		17,954	7,715	8,384	34,053
2011	**- Total amount**	**$ 17,954**	**$ 22,053**	**$ 10,715**	**$ 50,722**
	- Percent	**35%**	**43%**	**21%**	**100%**
2010	- Total amount	$ 16,308	$ 24,902	$ 7,608	$ 48,818
	- Percent	33%	51%	16%	100%
Increase (decrease) during the year		**$ 1,646**	**$ (2,849)**	**$ 3,107**	**$ 1,904**

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

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

NOTE 3 INVESTMENTS (continued)

m) Included in the fair value of the Plan's investments in various pooled funds, summarized in Note 3 by asset class, is the fair value of derivative contracts. A derivative is a financial contract with the following three characteristics: (1) its value changes in response to the change in a specified interest rate, equity or bond index price, foreign exchange rate or credit rating; (2) it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market; and (3) it is settled in the future. AIMCo uses various types of derivative contracts through pooled investment funds to gain access to equity markets and enhance returns, manage exposure to interest rate risk, currency risk, and credit risk and for asset mix purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party. At March 31, 2011, the net fair value of derivative related investments, including deposits in futures contracts margin accounts totalled $552, or 1.1 per cent of total investments (2010: $730 or 1.5 per cent of total investments).

The following is a summary of the Plan's proportionate share of the notional amount and fair value for each class of derivative financial instrument included in the fair value of portfolio investments at March 31, 2011:

($ thousands)

	2011					2010	
	Maturity				Net		Net
	Under	1 to 3	Over	Notional	Fair	Notional	Fair
Purpose	**1 Year**	**Years**	**3 Years**	**Amount (a)**	**Value (b)**	**Amount (a)**	**Value (b)**
		%					
Equity replication derivatives (c)	100	-	-	$ 30,082	$ 105	$ 15,791	$ 264
Interest rate derivatives (d)	44	16	40	7,329	30	5,142	28
Foreign currency derivatives (e)	100	-	-	21,133	27	8,379	80
Credit risk derivatives (f)	50	15	35	6,785	(63)	9,254	(72)
Derivative related receivables, net					99		300
Deposits in futures margin accounts					453		430
Net derivative related investments					$ 552		$ 730

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

NOTE 4 INVESTMENT RISK MANAGEMENT

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

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

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

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

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Plan. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair values of all investments reported in Note 3 are directly or indirectly impacted by credit risk to some degree. Interest bearing securities primarily include investment grade bonds, notes and short-term securities and privately issued mortgage and debt securities. Investment grade securities are those issued by counterparties that have a credit rating of BBB (moderately safe investment) to AAA (safe investment with almost no counterparty credit risk).

Foreign currency risk

A portion of the Plan's investments are denominated in currencies other than the Canadian dollar and are therefore exposed to foreign currency risk. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. A ten percent increase in the value of the Canadian dollar against all currencies, with all other variables and underlying values held constant, would result in an approximate decrease in the value of the Plan's investments by $2 million (2010: $2 million).

Interest rate risk

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. A one percent increase in interest rates, with all other variables held constant, would result in an approximate decrease in the value of the Plan's interest bearing investments of $1 million (2010: $1 million).

Price risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan's investments are recorded at fair value on the Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits. Changes in fair value of investments are recognized in the Statement of Changes in Net Assets Available for Benefits. A ten percent decrease in equity market indices, with all other variables held constant, would result in an approximate decrease in the value of public equity investments by approximately $2 million (2010: $2 million).

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

Liquidity risk

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

NOTE 5 ACCRUED LONG TERM DISABILITY BENEFITS

a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2010 by the Plan's actuary and was then extrapolated to March 31, 2011. The 2011 extrapolation resulted in an actuarial surplus of $7,020 (2010: surplus $7,431) as disclosed in the Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits.

The Accrued Long Term Disability Benefits as at March 31, 2011 were determined using the projected benefit method based on estimates of the Plan's Disabled Life Reserve and the Incurred But Unreported Reserve. 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:

	%	
	2011 Extrapolation	**2010 Valuation**
Interest discount rate (net of investment and administration expenses)	5.9	5.9
Continuance rates		
Based on the 1987 Commissioner's Group Disability Table	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of premiums	40	40

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

NOTE 5 ACCRUED LONG TERM DISABILITY BENEFITS (continued)

a) ACTUARIAL VALUATION (continued)

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 5.9 per cent (2010: 5.9 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who applied for Canada Pension Plan benefits but who have not yet been approved.

The Incurred But Unreported Reserve is an estimate of the value of the financial impact of claims that are either unreported or not approved at the fiscal year end, but which will ultimately be accepted for benefits. Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 40 per cent (2010: 40 per cent) of premiums was appropriate for estimating the reserve amount.

The following schedule shows the principal components of the change in the value of Accrued Long Term Disability Benefits:

	($ thousands) 2011	2010
Benefit obligation at beginning of year	$ 38,098	$ 36,806
Interest accrued on benefits	2,027	2,152
Actual benefit payments	(8,768)	(7,342)
New claims	10,997	13,457
Terminations	244	(7,501)
Other net experience loss	1,065	526
Benefit obligation at end of year	**$ 43,663**	**$ 38,098**

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

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

As at March 31, 2011, based on the extrapolation performed from the December 31, 2010 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5 per cent decrease in the assumed interest discount rate would reduce the actuarial surplus of the Plan by $0.9 million.

NOTE 6 NET INVESTMENT INCOME

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

	($ thousands)					
	2011			2010		
	Gross Income	Expenses	Net Income	Gross Income (Loss)	Expenses	Net Income (Loss)
Foreign public equities	$ 1,799	$ (48)	$ 1,751	$ 3,969	$ (52)	$ 3,917
Canadian public equities	1,220	(6)	1,214	2,205	(10)	2,195
Interest-bearing securities	888	(11)	877	1,271	(11)	1,260
Real estate	354	(12)	342	(187)	(10)	(197)
Absolute return strategy hedge funds	183	(9)	174	152	(7)	145
Infrastructure	65	(11)	54	40	(11)	29
Foreign private equities	38	(18)	20	2	(13)	(11)
Timberland	29	(2)	27	(12)	(1)	(13)
Real return bonds	13	-	13	7	-	7
Plan investment expenses	-	(126)	(126)	-	(106)	(106)
	$ 4,589	**$ (243)**	**$ 4,346**	**$ 7,447**	**$ (221)**	**$ 7,226**

Income is comprised of income from investments in pooled funds managed by AIMCo.

NOTE 7 INVESTMENT EXPENSES

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

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

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

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

	($ thousands)	
	2011	2010
Total Investment Expenses	**$ 243**	**$ 221**
Average fair value of investments	49,770	42,327
Percent of investments at average fair value	0.49%	0.52%

NOTE 8 INVESTMENT PERFORMANCE (net of investment expenses)

The following is a summary of the investment performance results, net of fees, attained by the Plan.

	2011	2010	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Fourteen-Year Compound Annualized Return
Time weighted rates of return (a)			*in percent*		
Actual gain (b)	**10.1**	**21.0**	**0.8**	**7.1**	**5.0**
Policy benchmark gain (b)	10.0	18.1	1.8	7.2	5.0
Value gain (loss) by investment manager (c)	0.1	2.9	(1.0)	(0.1)	0.0

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

(b) Investment returns were provided by AIMCo on April 20, 2011. Any subsequent changes to returns will be reflected in the next reporting period. The policy benchmark is a product of the weighted average policy sector weights and sector returns. Some of the sector benchmark returns used in the determination of the overall policy benchmark are based on management's best estimate which may vary significantly from the final benchmark return. Differences between the estimated sector benchmark returns and the final benchmark returns are recorded in the period of the change.

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

NOTE 9 CONTINGENT LIABILITIES

There are no contingent liabilities to report as at March 31, 2011 (2010: nil).

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer.

Government
of Alberta