

Treasury Board

Annual Report 2008-2009

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Treasury Board

Annual Report

2008-09

CONTENTS

| | |
|---|--|
| 3 | Preface |
| 4 | President's Accountability Statement |
| 5 | Message from the President of Treasury Board |
| 6 | Management's Responsibility for Reporting |
| 8 | Expense by Core Business/Expense by Function |

Treasury Board

9 Operational Overview

| | |
|----|-------------------------|
| 9 | Vision/Mission |
| 11 | Organizational Chart |
| 12 | Achievements/Highlights |

13 Results Analysis

| | |
|----|--|
| 13 | Discussion and Analysis of Results |
| 13 | Core Business One – Spending Management and Planning |
| 15 | Core Business Two – Strategic Capital Planning |
| 19 | Core Business Three – Accountability in Government |
| 22 | Core Business Four – Support Strategic Planning, Policy Development and Decision-Making for Government |

Corporate Human Resources

26 Operational Overview

| | |
|----|-------------------------|
| 26 | Vision/Mission |
| 28 | Organizational Chart |
| 29 | Achievements/Highlights |

32 Review Engagement Report from the Auditor General

33 Results Analysis

- 33 Discussion and Analysis of Results
- 33 Core Business – Human Resource Management

36 Supplemental Information

- 36 Alberta Public Service Profile
- 37 Age Distribution
- 38 Income Distribution
- 38 Work Location
- 39 Executive Search
- 40 Benefit Plans

43 Financial Information

- 43 Ministry of Treasury Board Financial Statements
- 44 Auditor's Report
- 61 Long Term Disability Income Continuance Plan - Bargaining Unit Financial Statements
- 62 Auditor's Report
- 86 Long Term Disability Income Continuance Plan - Management,
Opted Out and Excluded Financial Statements
- 87 Auditor's Report

**111 Alphabetical Listing of Entities' Financial Statements in Ministry
2008-09 Annual Reports**

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 released June 30, 2009 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.

President's Accountability Statement

The Ministry's annual report for the year ended March 31, 2009, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 8, 2009 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Lloyd Snelgrove
President of Treasury Board

Message from the President of Treasury Board and Minister Responsible for Corporate Human Resources

The Treasury Board and Corporate Human Resources annual report for 2008-09 highlights the hard work that has been done to support the Government of Alberta during this time and to achieve Premier Ed Stelmach's priorities and mandate.

A few of Treasury Board's major achievements from this past year included leading the Alberta government in improving public performance reporting, leading the capital planning process, and working with government ministries to eliminate duplication and streamline operations while maintaining current service levels.

The ministry also continued to coordinate the government's priorities of transparency and accountability through audited financial statements as well as through reports such as *Measuring Up*, the government's performance report, and the Blue Book, which lists government payments by payee.

In February, we released Alberta's comprehensive and innovative 20-year strategic plan called *Responsible Actions: A Plan for Alberta's Oil Sands*. The plan will guide our decision-making for oil sands development, addressing economic, social and environmental issues in the oil sands regions. It is guided by the *Provincial Energy Strategy* and is closely connected to the *Land-use Framework*.

In addition to the responsibility for Treasury Board, this portfolio also includes Corporate Human Resources, which is the government's central human resources department, providing human resource strategies and frameworks that support the vision of a strong Alberta Public Service.

Corporate Human Resources' accomplishments for the past year included working with various ministries to strengthen and support various internal human resource processes and practices. This included developing guidelines for Managing Human Resources during a Pandemic Emergency, using Ambassadors to promote government jobs to students and experienced workers, and supporting Alberta's Public Service in professional development opportunities.

Last year the Government of Alberta celebrated the work of 27 teams at the Premier's Award of Excellence ceremony and six of those teams were recognized nationally through the Canada Awards for Excellence.

In October 2008, the government began upgrades to IMAGIS, our human resource management system. This is a significant challenge that will refine many internal processes.

We have the innovative people, positive attitude and creative energy necessary to achieve our goals, even in these challenging times.

[Original signed by]

Lloyd Snelgrove

Management's Responsibility for Reporting

The Ministry of Treasury Board includes the Department of Treasury Board and Corporate Human Resources.

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

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

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the President of Treasury Board. Under the direction of the President, we oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The performance measures are prepared in accordance with the following criteria:

- Reliability - Information agrees with the underlying data and with the sources used to prepare it.
- Understandability and Comparability - Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness - Performance measures and targets match those included in *Budget 2008*. Actual results are presented for all measures.

In addition to program responsibilities, we establish and maintain 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 the 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]

Jay G. Ramotar
Deputy Minister
August 31, 2009

[Original signed by]

Dale Silver
Public Service Commissioner
August 31, 2009

Ministry of Treasury Board

Expense by Core Business/Expense by Function

The Ministry of Treasury Board's financial statements are located on pages 43 to 60. The following tables set out the distribution of total ministry expenses by Core Business and Expense by Function:

Expense by Core Business

| Core Business (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|--|---------------------------|---------------------------|---------------------------|
| Spending Management and Planning | 4,839 | 3,895 | 3,726 |
| Strategic Capital Planning | 29,770 | 9,270 | 7,865 |
| Accountability in Government | 6,404 | 5,580 | 4,569 |
| Support Strategic Planning, Policy Development and Decision Making for Government | 4,004 | 3,698 | 2,707 |
| Corporate Human Resources | 23,347 | 19,213 | 19,672 |
| Total | 68,364 | 41,656 | 38,539 |

Expense by Function

| Function (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|--|---------------------------|---------------------------|---------------------------|
| Regional Planning and Development | 5,619 | 2,532 | 761 |
| General Government | 62,745 | 39,124 | 37,778 |
| Total | 68,364 | 41,656 | 38,539 |

Treasury Board 2008-09 Annual Report

Operational Overview

Vision

An open, accountable and fiscally responsible government.

Mission

Treasury Board provides a coordinated, disciplined and accountable approach to government spending on behalf of Alberta's taxpayers.

The Department of Treasury Board includes the following areas:

Spending Management and Planning

Treasury Board is the primary contact with ministries for all program budgeting and spending issues. The ministry 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, the ministry is responsible for developing ministry spending targets and providing advice and recommendations to Treasury Board Committee, Agenda and Priorities Committee, Cabinet and Cabinet Policy Committees on program spending issues throughout the year.

Strategic Capital Planning

Strategic Capital Planning is responsible for leading government's capital planning process, developing and managing the long term Strategic Capital Plan and providing advice and analysis on planning, construction costs and capital spending. The Alternative Capital Financing area identifies and analyzes alternatives for building and financing capital projects and assists in the negotiations of public-private partnerships (P3s), where feasible, on behalf of government. The Air Transportation Services area joined Strategic Capital Planning in March 2008 and 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 Annual Report* and *Measuring Up*.

Oil Sands Sustainable Development Secretariat

The Government of Alberta created the Oil Sands Sustainable Development Secretariat in the summer of 2007. The Secretariat is mandated to address immediate rapid growth issues in the oil sands regions of Alberta and to lead a cross-ministry initiative 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

Corporate Services provides leadership to the Ministry of Treasury Board on financial planning, reporting and accountability. The division is also responsible for information management and technology, as well as support for the Ministry's facilities.

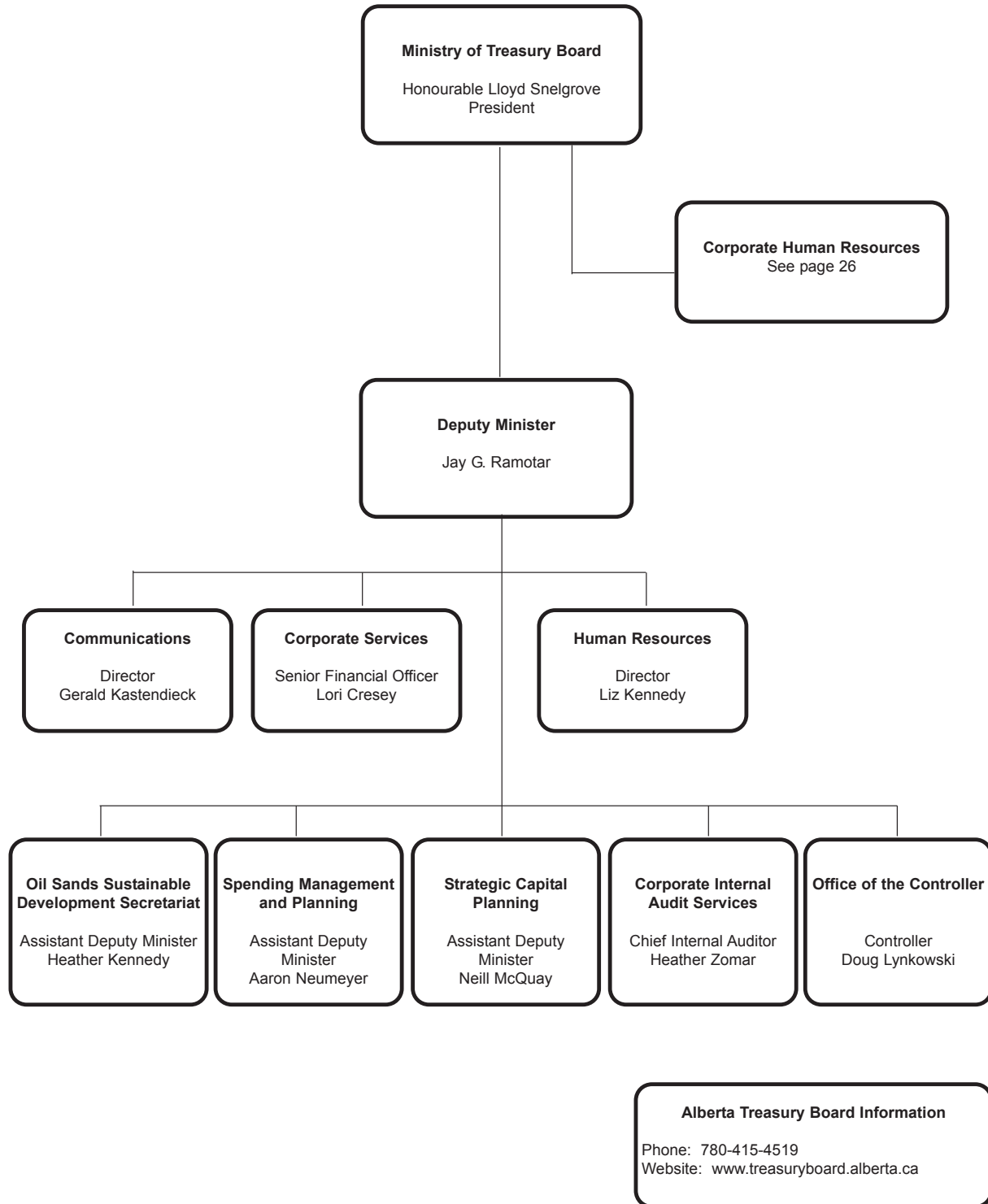
Human Resources

The Human Resources (HR) branch provides human resource services to Treasury Board such as staffing, classification, supporting the implementation of corporate human resource initiatives, and leadership of the department's HR Plan.

Communications

The Communications branch, staffed by members of the Public Affairs Bureau, provides communication support and services to the Ministry.

Organizational Chart



Achievements/Highlights

The Ministry of Treasury Board coordinated the government's legislated commitment to be accountable to Albertans by publishing the Government of Alberta's three-year strategic business plan, annual performance report (*Measuring Up*), the quarterly Blue Book (General Revenue Fund, Details of Grants, Supplies, Services, Tangible Capital Assets and Other Payments), audited financial statements and other supplementary financial information. Treasury Board also reviewed ministry business plans, advised on compliance with business plan standards, and finalized the *Government Estimates* and *Ministry Business Plans* as part of the government's accountability framework.

As in previous years, the Treasury Board Ministry provided support to all Treasury Board Committee meetings, which included strategic analysis and advice for operating and capital spending issues and reports to Cabinet.

This past year, Treasury Board worked with each government ministry to complete value reviews to eliminate duplication, reduce administrative or regulatory requirements or streamline operations while maintaining current service levels.

Led by Treasury Board, the government moved forward on all accepted recommendations from the "Improving Public Performance Reporting in Alberta" consultation of 2008.

Treasury Board also led the government's capital planning process, including the prioritization of capital projects and negotiations with the federal government regarding the Building Canada Plan and federal Infrastructure Stimulus Fund, announced as part of Canada's Economic Action Plan.

In partnership with the ministries of Infrastructure and Education, an agreement with BBPP Alberta Schools Ltd. was signed as part of phase one of the Alberta Schools Alternative Procurement Project that will deliver 18 schools in Edmonton and Calgary through a design-build-finance-maintain model. Phase two commenced procurement in April 2009 to deliver an additional 10 new schools in Calgary, Edmonton and the surrounding areas through another design-build-finance-maintain model, as well as four high schools through a design-build approach.

Treasury Board released *Responsible Actions: A Plan for Alberta's Oil Sands*, a 20 year strategic plan that outlines an integrated approach to address both short term and long term challenges and opportunities facing Alberta's oil sands regions.

Results Analysis

Discussion and Analysis of Results

Core Business One: Spending Management and Planning

GOAL ONE **1** Disciplined government spending

As part of the government's overall budgeting process, the Treasury Board Ministry provides advice and recommendations on ministry operating and capital spending to Treasury Board Committee, Cabinet and Cabinet Policy Committees.

The Ministry consults with other ministries regarding all new programs and initiatives that have operating or capital spending implications.

Financial Information

| Core Business (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|---|---------------------------|---------------------------|---------------------------|
| Spending Management and Planning | 4,839 | 3,895 | 3,726 |

Actual expenses in 2008-09 for this core business were \$944,000 less than budget, a variance of 20 per cent. This was in response to the requirement to generate operating expense savings late in 2008-09 after the economic environment in Alberta had changed.

Actual expenses for 2008-09 exceeded actual expenses for 2007-08 by approximately 4.5 per cent (\$169,000). This variance is consistent with standard salary and wage increases applicable to all ministries during this period.

Progress Report on Strategies

Strategy 1.1

Consult with ministries to identify operating and capital spending issues associated with existing programs and significant new initiatives, and work with Finance and Enterprise to identify the potential impact on the government's fiscal plan.

Outcomes

Treasury Board provided support to ministries in identifying capital and operating spending pressures and to analyze significant new initiatives that involved additional spending.

As part of strengthening the Government of Alberta's long term fiscal position, Treasury Board worked closely with the Ministry of Finance and Enterprise on program initiatives that had major impacts on the government's fiscal plan.

Each quarter, the ministry collected forecasts of 2008-09 spending from ministries and then analyzed and compiled that information for review by Treasury Board, culminating in the Quarterly Fiscal Updates.

Strategy 1.2

Launch and lead ongoing reviews of ministry programs to identify opportunities for more effective spending and program delivery.

Outcomes

The President of Treasury Board initiated a review process “Leading in Service and Value for Albertans.” Part of this process focussed on value reviews where ministries were challenged to answer the question, “Are we doing things right?”

Treasury Board worked with each ministry to complete value reviews of the overall ministry to eliminate duplication, reduce administrative or regulatory requirements, or streamline operations while maintaining current service levels. An overview of all value reviews was provided to Treasury Board Committee.

During the fourth quarter of 2008-09 ministries were asked to generate operating expense savings from their reported third quarter forecast.

Strategy 1.3

Assess the impact of proposed or approved capital projects on future ministry operating budgets.

Outcomes

Treasury Board coordinated a process that required ministries to provide information regarding the operating cost of approved capital projects. The information was incorporated into the budget planning process.

Strategy 1.4

Explore options to improve management of government operating and capital spending.

Outcomes

A “fiscal tracking system” was developed to better capture and analyze fiscal changes for both in-year and future year requests and target adjustments. The system created efficiencies in coordinating information between Treasury Board, Finance and Enterprise and other ministries for fiscal planning purposes.

Strategy 1.5

Work with stakeholders to modernize and strengthen the government’s business planning and budgeting process.

Outcomes

A cross-ministry steering committee was established to strengthen the integration of planning, budgeting and reporting processes. The committee was also tasked with the implementation of the approved recommendations in the report conducted by the not-for-profit Canadian Comprehensive Auditing Foundation (CCAF) entitled *Consultations on Improving Public Performance Reporting in Alberta*.

Treasury Board completed a study on utilizing web-based technology to improve the usefulness of performance information for legislators, the media and the public.

A new process was implemented to strengthen the business planning processes. Ministries were required to integrate enterprise risk management into their business planning process, environment-scanning and when reporting results at both the ministry and government level.

Performance Measure

A new performance measure was under development to measure government efficiencies achieved through performance reviews.

Results

A review of the measure took place in 2008-09 and resulted in designing a new measure that would be more objective, timelier, and directly related to the goal of “disciplined government spending.”

New Measure for 2009-12 Business Plan

Percentage change in actual government operating expense from authorized budget.

Targets:

<1% (2009-10); <1% (2010-11); <1% (2011-12)

Core Business Two: Strategic Capital Planning

GOAL TWO **2** Capital planning that supports Alberta’s immediate and long-term economic growth

The Ministry of Treasury Board is responsible for developing the government’s long-term strategic capital plan to meet capital needs related to growth and assist in managing inflation in infrastructure costs. The capital planning process focuses not only on new capital infrastructure but also addresses maintenance of existing infrastructure.

The Ministry explores alternative financing options for capital projects, including public-private partnerships (P3s). The Ministry develops relationships with other jurisdictions to build on their experience in alternative capital financing.

Financial Information

| Core Business (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|---|---------------------------|---------------------------|---------------------------|
| Strategic Capital Planning | 29,770 | 9,270 | 7,865 |

Actual expenses for 2008-09 were approximately \$20.5 million less than budget (69 per cent decrease) and \$1.4 million more than actual in 2007-08 (18 per cent).

With respect to the budget to actual variance, capital project development and preliminary design were budgeted at \$15.4 million; however, actual expenses are not reflected in Treasury Board’s spending but rather in the spending of the ministries responsible for the approved projects. An additional \$5.1 million decrease was primarily due to the ongoing review of the feasibility of capital projects.

The Oil Sands Sustainable Development Secretariat and Alternative Capital Financing Office were fully operational throughout 2008-09. For this reason, actual expenses increased by \$1.4 million from 2007-08.

Progress Report on Strategies

Strategy 2.1

Coordinate and lead the evaluation and prioritization of capital needs as part of the 20-year Strategic Capital Plan. In collaboration with capital program ministries, present recommendations to improve the capital planning process to Treasury Board Committee and Cabinet for approval.

Outcomes

A three year 2009-12 Capital Plan was published in *Budget 2009*.

Treasury Board led the government's capital planning process, including the prioritization of capital projects.

Treasury Board continued to lead negotiations with the federal government regarding the Building Canada Plan and federal infrastructure funding announced as part of Canada's Economic Action Plan.

In consultation with stakeholder ministries, Treasury Board defined roles and responsibilities including capital project development and the prioritization of capital projects within the capital planning process. This work culminated in a draft Capital Planning Manual that will be used on a test basis for the 2010-2015 capital planning cycle. The draft manual includes guidelines and working templates for use by ministries and supported infrastructure organizations.

Strategy 2.2

Further develop and implement policies, standards and processes that ensure a disciplined approach to the management and control of capital spending, including reporting and assessing price, scope changes and performance results.

Outcomes

A Deputy Minister Oversight Committee was formed to monitor all major capital projects approved in the Capital Plan. The Committee will be chaired by the Deputy Minister of Treasury Board.

Treasury Board consulted with Finance and Enterprise on changes to the fiscal framework and the impact on capital spending.

In *Budget 2008*, a provision was established to address cost escalation on several major infrastructure projects. Treasury Board reviewed and recommended funding allocations to address cost escalation.

Treasury Board coordinated the allocation of infrastructure planning funds to help refine the project scope and costing for decision makers.

Strategy 2.3

Collaborate with stakeholders and other jurisdictions to develop opportunities to pursue alternative financing options, such as public-private partnerships, and implement where cost effective and feasible.

Outcomes

The procurement phase for the Northwest Anthony Henday Drive segment of the Edmonton ring road was completed in 2008-09 and the ring road segment will be open for traffic in fall 2011. The project will be delivered through a design-build-finance-operate delivery model where a private partner is responsible for designing, building, and financing the project and then operates it for 30 years.

The procurement phase one of the Alberta Schools Alternative Procurement Project (ASAP) was successfully completed on time. ASAP 1 will deliver 18 schools through a design-build-finance-maintain model. The project will deliver nine new schools in Edmonton and nine new schools in Calgary by September 2010.

The second phase of the ASAP was developed and will deliver a further 14 new schools in the Edmonton and the Calgary regions of which the 10 kindergarten to grade 9 schools are alternatively financed. It commenced procurement in April 2009.

A design-build-finance-operate procurement for the Southeast Stoney Trail segment of the Calgary ring road was approved in March 2009.

Strategy 2.4

Lead the development of public-private partnerships' guidelines to provide consistent standards, policies and accountabilities across capital projects and ministries.

Outcomes

Treasury Board developed roles and responsibilities for the planning, development and implementation of public-private partnerships and major capital projects across government.

An oversight process was established that monitors the development and implementation of significant capital projects for possible risks in delays, cost, scope changes or other factors affecting the successful implementation of the projects.

Strategy 2.5

Lead, in consultation with other government ministries, the provincial delivery of infrastructure and services to the Regional Municipality of Wood Buffalo and other areas supporting oil sands development (such as the Industrial Heartland) to support sustainable oil sands development.

Outcomes

A Treasury Board Committee allocation of \$100 million led to grant funding agreements with the Regional Municipality of Wood Buffalo for the provision of water and sewer work. This is a first step towards the development of the Parsons and Saline Creek housing developments.

Treasury Board participated on several municipal/provincial committees to address issues around infrastructure in the region including the Population Projection Methodology Committee, Parsons Creek Design Brief Committee and Saline Creek Strategic Outline Plan Committee.

The Peace River oil sands area stakeholders established the Peace Synergy Group with support from the Oil Sands Sustainable Development Secretariat.

Strategy 2.6

Coordinate and lead the identification of capital maintenance and renewal priorities across government, and make recommendations to Treasury Board Committee on allocation of capital funding under the Surplus Allocation Policy to address those priorities based on need and risk.

Outcomes

Treasury Board consulted with other ministries and identified the most critical capital maintenance issues for government. Although surplus funds were not available in 2008-09, capital maintenance and renewal needs were addressed through existing programs and based on priority and risk.

Performance Measure

A new measure was developed to measure an improved capital planning process. The measure put policies in place to govern:

- **Corporate Capital Planning Process for all ministries**
- **Asset management/Capital Planning-Budgeting System**

Targets:

developed (2008-09); validated and tested (2009-10); implemented (2010-11)

Results

A draft Capital Planning Manual was completed in March 2009. It includes guidelines and working templates for use by ministries and supported infrastructure organizations. The draft manual will be utilized on a test basis for the 2010-2015 capital planning cycle, and amended for any areas requiring more rigour in the process.

The wording for this measure was revised in 2009-12 with the intent to measure an improved capital planning process. The measure published in the 2009-12 business plan is the “development of policies to govern the corporate capital planning process for all ministries and capital asset management for existing owned and supported infrastructure.”

Core Business Three: Accountability in Government

GOAL THREE **3** Government is financially well managed and accountable

The Ministry of Treasury Board coordinates the government's legislated commitment to be accountable to Albertans through publishing the Government of Alberta's three-year strategic business plan, annual performance report (*Measuring Up*), the *Government of Alberta Annual Report* and other supplementary financial information as required by the *Government Accountability Act*.

In addition, the ministry reviews ministry business plans, advising on compliance with business plan standards, and finalizes the *Government Estimates* and *Ministry Business Plans* as part of the government's accountability framework.

Financial Information

| Core Business (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|--|-------------------|-------------------|-------------------|
| Accountability in Government | 6,404 | 5,580 | 4,569 |

Actual expenses for 2008-09 were \$824,000 less than budget (13 per cent decrease). The gap between budget and actual expenses is due to the prudent management of recruitments and contractual services while achieving all outcomes.

Actual expenses for 2008-09 were approximately \$1 million more than actual expenses for 2007-08 (22 per cent increase). Positions vacant in 2007-08 were recruited to in 2008-09 though not all positions were filled. In addition, standard salary and wage increases, applicable to all ministries, account for this difference.

Progress Report on Strategies

Strategy 3.1

Amend the financial management manual to refine the Government of Alberta's financial management policies.

Outcomes

The Office of the Controller has been working with ministries on accounting and financial issues as required. A database of Government of Alberta financial policies is under development and several policies were refined and updated.

Strategy 3.2

Coordinate the implementation of accounting and performance reporting standards and policies to improve accountability.

Outcomes

The Controller's Office worked throughout the year with ministries, provincial agencies, the Office of the Auditor General, other jurisdictions in Canada and various accounting bodies to address evolving accounting and reporting issues.

The Controller's Office resolved a number of emerging accounting and reporting issues with the assistance of various government entities.

The Government of Alberta's perspective and feedback on a number of accounting and financial reporting issues was provided to professional accounting associations.

Strategy 3.3

Participate in the development and introduction of measures to benchmark improvements to the quality of life for all Albertans.

Outcomes

A report "Using Digital Technologies to Meet User Needs" was prepared which outlines international best practices and presents opportunities to improve public performance reporting of Alberta's quality of life indicators using web-based, citizen-engaged, performance reports.

Strategy 3.4

Provide ministries with independent and objective assurance services designed to improve the effectiveness, efficiency and economy of their programs and services.

Outcomes

Ministry-level and cross-government assurance and advisory projects were conducted during the past year, and significant results were reported to the Internal Audit Committee and internal government councils.

Strategy 3.5

Review, develop and implement options for improving public performance reporting.

Outcomes

The government moved forward on all of the accepted recommendations from the *Improving Public Performance Reporting in Alberta* consultation of 2008. Treasury Board also conducted research and developed recommendations on how to move public reporting from the current book-based reporting to web-based, citizen-engaged, performance reporting.

Performance Measure

Auditor General opinion on Government of Alberta Financial Statements.

Targets:

Unqualified (2008-09); Unqualified (2009-10); Unqualified (2010-11)

Results

Unqualified

Percentage of corporate internal audit recommendations accepted.

Targets:

100% (2008-09); 100% (2009-10); 100% (2010-11)

Results

95%

Results are compiled from internal audit reports issued during the year to government departments and opted in agencies, boards and commissions. In 2008-09, there were 83 recommendations made of which 79 were accepted by management.

The independence of Corporate Internal Audit Services may result in differences of opinion within areas being audited. As a result, the percentage of recommendations accepted will vary.

This measure will not be reported in future years as implementation of significant recommendations is a better performance measure.

Percentage of corporate internal audit recommendations of significance implemented.

Targets:

100% (2008-09); 100% (2009-10); 100% (2010-11)

Results

100%

Engagements rated as significant are followed up in a subsequent year to determine if the recommendations have been implemented. The follow up usually occurs within one to three years. In 2008-09, one follow up review occurred. All three recommendations made in the original audit have been implemented.

The measure was revised in the 2009-12 business plan to read "percentage of corporate internal audit recommendations implemented from engagements rated as significant" to clarify the measure.

Targets:

90% (2009-10); 90% (2010-11); 90% (2011-12)

Core Business Four: Support Strategic Planning, Policy Development and Decision-Making for Government

GOAL FOUR **4** Well informed and supported decision-making

Treasury Board provides analysis and advice to Treasury Board Committee on the management and administration of government and, in conjunction with Executive Council, to Cabinet and Cabinet Policy Committees.

The ministry also supports all government ministries and agencies by providing advice and assistance in developing risk management processes and accounting and financial management policy for government decision makers.

Financial Information

| Core Business (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|---|-------------------|-------------------|-------------------|
| Support Strategic Planning, Policy Development and Decision-Making for Government | 4,004 | 3,698 | 2,707 |

Actual expenses for 2008-09 were \$306,000 less than budget (8 per cent decrease). Operating expense savings were achieved without impacting the strategic analysis and advice provided to stakeholders, including the Treasury Board Committee, Cabinet, the Cabinet Policy Committees and other government ministries and agencies.

Actual expenses for 2008-09 increased \$991,000 (37 per cent increase) from 2007-08 due mostly to the fact that the Oil Sands Sustainable Development Secretariat was not fully operational until midway through 2007-08.

Progress Report on Strategies

Strategy 4.1

Provide strategic analysis and advice to Treasury Board Committee, Cabinet and the Cabinet Policy Committees to assist in policy and program decisions.

Outcomes

Treasury Board supported all Treasury Board Committee meetings, resulting in an efficient decision making process. Strategic analysis and advice was consistently provided for both operating and capital spending issues.

Cabinet was provided accurate, concise and timely reports regarding Treasury Board Committee meetings, and the Cabinet Policy Committee Chairs were supported through the *Budget 2009* review process.

Strategy 4.2

Coordinate Treasury Board Committee meeting schedules, agendas and briefing materials and provide timely information on Treasury Board Committee decisions.

Outcomes

Treasury Board effectively coordinated Treasury Board Committee meeting schedules and agendas and prepared a significant amount of briefing materials. Ministries were provided with accurate, concise and timely memos regarding all decisions made by Treasury Board Committee.

Strategy 4.3

Consult with ministries to identify significant risks to the achievement of the government's strategic priorities.

Outcomes

The Corporate Internal Audit Services area met with the deputy ministers in 2008-09 to identify risks to achieving ministry business plan strategic priorities.

Meetings were held with senior financial officers, chief information officers, and human resource directors to discuss and identify issues and risks. The results of these meetings and discussions were instrumental in the development of the annual risk-based audit plan approved by the Internal Audit Committee.

The implementation of a risk module of audit software was under development. This module is to be used in a risk-based audit process to ensure that audit plans are focused on the programs and areas that have the greatest risk.

Strategy 4.4

Provide advisory services to ministries on risk management, control and governance processes.

Outcomes

The Corporate Internal Audit Services area assisted departments to assess their internal controls over financial reporting.

The status of the implementation of the Enterprise Risk Management Framework in government was reviewed with each of the departments. Observations related to specific departments have been presented to these departments and cross-government recommendations are being developed for presentation.

Performance Measure Development

A new performance measure was under development that would measure Treasury Board Committee and Cabinet Policy Committee Chairs' satisfaction with the advice, analysis and support provided by the Ministry of Treasury Board.

Results

A reconfiguration of ministry goals for the 2009-12 Business Plan resulted in an integration of the strategies for this goal with the goals identified in the 2009-12 Treasury Board Business Plan. As a result, the development of this particular performance measure was no longer required.

5 Coordinate the management of growth and development in areas supporting oil sands development

In February 2007, the Oil Sands Ministerial Strategy Committee issued its report on oil sands areas of the province, *Investing in Our Future: Responding to the Rapid Growth of Oil Sands Development*. This report provided 30 recommendations to address the current and anticipated challenges from growth and development in oil sands areas. The Oil Sands Sustainable Development Secretariat was established in August 2007 to provide leadership and to work in collaboration with ministries, industry, community and other stakeholders, on an integrated and coordinated approach to managing opportunities and challenges of developing the oil sands in a responsible way.

Progress Report on Strategies

Strategy 5.1

Lead the development and implementation of a common approach to addressing the social, environmental and economic impacts of the oil sands areas by collaborating with ministries, industry, communities and other stakeholders.

Outcomes

On February 12, 2009 the government released *Responsible Actions: A Plan for Alberta's Oil Sands*. This strategic plan comprehensively addresses both short-term and long-term planning for Alberta's oil sands regions.

Responsible Actions: A Plan for Alberta's Oil Sands outlines an integrated approach for all levels of government, industry, and communities to address the economic, social and environmental challenges and create opportunities in the oil sands regions. The plan also builds on existing Alberta government policies, programs, and initiatives, in particular the *Provincial Energy Strategy* and *Land-use Framework*.

Strategy 5.2

Lead the development and coordinated implementation of the government's response to the Oil Sands Ministerial Strategy Committee Report, *Investing in Our Future: Responding to the Rapid Growth of Oil Sands Development*.

Outcomes

Responsible Actions: A Plan for Alberta's Oil Sands, along with further capital investment in the Wood Buffalo region, completes the Government of Alberta's response to the *Investing in Our Future: Responding to the Rapid Growth of Oil Sands Development*.

Strategy 5.3

Lead the development and coordinated implementation of the government's response to the Oil Sands Consultations: Multi-Stakeholder Committee Final Report and the Oil Sands Consultations: Aboriginal Consultation Final Report.

Outcomes

Responsible Actions: A Plan for Alberta's Oil Sands is Government of Alberta's response to the Oil Sands Consultations: Multi-Stakeholder Committee Final Report and the Oil Sands Consultations: Aboriginal Consultation Final Report.

Performance Measure Development

A new performance measure under development for this goal is a work plan for implementing *Investing in Our Future* recommendations.

Targets:

developed (2008-09); completed (2009-10); implemented (2010-11)

Results

The Oil Sands Sustainable Development Secretariat developed a three-phase work plan and collaborated with ministries and stakeholders in the development of *Responsible Actions: A Plan for Alberta's Oil Sands*. All recommendations are completed or are well underway, reflecting the commitment to addressing immediate needs for the oil sands regions.

A new performance measure in the 2009-12 business plan is under development that will measure accountability and implementation of the long-term oil sands strategic plan.

Corporate Human Resources 2008-09 Annual Report

Operational Overview

Vision

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

Mission

Lead and collaborate with ministries to develop and deliver corporate human resource management policies, programs and practices to attract, engage and develop the employees needed to achieve government goals and priorities.

Corporate Human Resources, 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.

The *Alberta Public Service Act* establishes the authorities for the Public Service Commissioner and conditions of employment for Alberta Public Service employees. These authorities and employment conditions include recruitment, selection and appointment practices; development of the classification plans and compensation. Corporate Human Resources is the representative for the Government of Alberta in all dealings with the Alberta Union of Provincial Employees (AUPE).

Office of the Public Service Commissioner

The Public Service Commissioner (PSC) provides advice on human resource policy, legislation and administration to the Minister and to senior department managers on human resource matters. The PSC manages a comprehensive human resource program for the Alberta Public Service which involves the development and administration of systems to carry out human resource policies and practices.

There are two branches that report directly to the office of the Public Service Commissioner. The Human Resources (HR) branch provides human resource services to Corporate Human Resources (CHR) such as staffing, classification, support the implementation of corporate human resource initiatives and leadership of the department's HR Plan. The Communications branch, staffed by members of the Public Affairs Bureau, provides communication support and services to the Public Service Commissioner, CHR branches and divisions, Executive Council, as well as to the Minister's and Premier's office.

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 Alberta Public Service employees, within a fiscally responsible mandate. Provides expert consulting and training to ministries relating to employee benefits, job evaluation, compensation, labour relations and workplace health. Manages employee programs including health, dental, life insurance and long-term disability plans, employee assistance programs and the Government of Alberta (GoA) Occupational Health and Safety Program. Represents the GoA 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 Alberta Public Service (APS) employees. Manages programs and develops policies and guidelines, to support and promote employee and management development, succession management, orientation, performance management and recognition. Leads the APS Workforce Plan, the Premier's Award of Excellence, the GoA Learning Centre, the Corporate Employee Survey, and a variety of development programs for employees and managers.

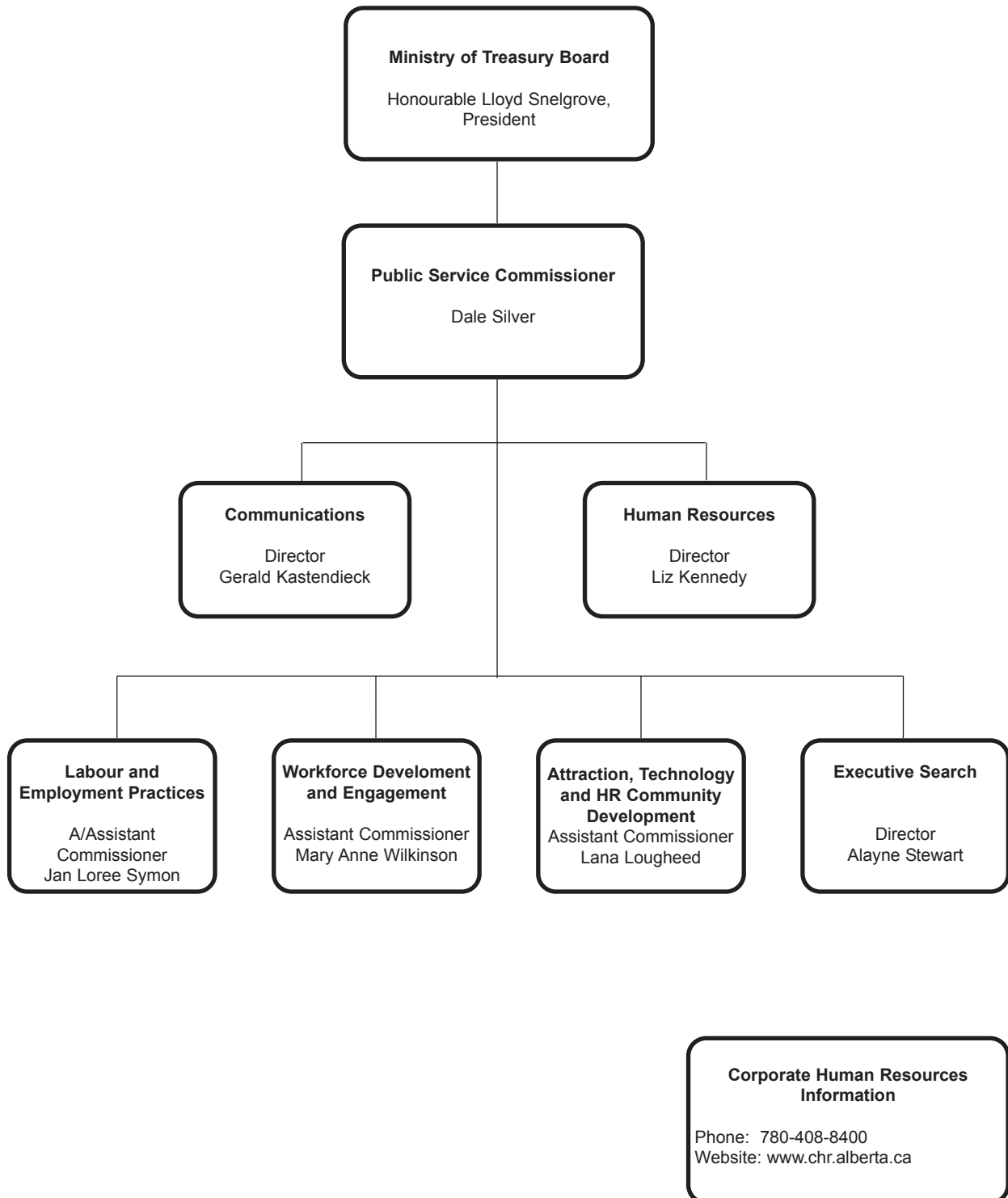
Attraction, Technology and Human Resource Community Development

In collaboration with ministries, provides strategic leadership to identify and implement strategies to attract talent to the Alberta Public Service (APS) and to leverage the development and implementation of human resources information systems 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. Manages the Government of Alberta Jobs Website and leads the Ambassador Program, Internship Programs, the Human Resource Consultant and Administrative Support Recruitment Units and a variety of development programs for the APS human resource community.

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, and assists departments in facilitating internal and external moves.

Organizational Chart



Achievements/Highlights

The 2008-09 Alberta Public Service Workforce Plan was developed to provide strategies to strengthen the public service by attracting, developing and engaging the right talent.

Executive Search provided services to attract and recruit candidates, and managed appointment processes for a record number of executive manager, senior official and board member competitions for Alberta government departments, and significant agencies, boards and commissions.

A job evaluation review was completed on Government of Alberta positions requiring specialized legal support training in partnership with Service Alberta, Justice and Attorney General and Sustainable Resource Development.

Management job ladders were designed as reference tools to assist the Human Resource Community in classifying management positions.

Government of Alberta retirees are now able to participate in health and wellness benefits offered by the Alberta Retired Teachers' Association (ARTA) through Johnson Inc.

Group health, dental and life insurance benefits coverage for Government of Alberta employees age 70 and older were implemented.

Averaging 1.2 million page views per month, the Government of Alberta Jobs Website is the first place 84 per cent of applicants learn about Government of Alberta employment opportunities. The site won a 2008 "Employer of Choice Marketing Award" (CanWest MediaWorks).

The Government of Alberta has more than 450 Ambassadors to promote the government as an employer of choice to various audiences including post-secondary students and graduates, high school students and experienced workers. In 2008-09, 37 corporately coordinated events including career fairs, forums and presentations were attended by Ambassadors.

The Student Summer Employment Registration Service continues to provide students with an online tool to submit their resumes into a centralized database in order to be considered for summer employment opportunities across the Government of Alberta.

The Internship Program continues to provide recent post-secondary graduates with valuable work experience and introduces people to what the Alberta government offers in terms of careers and work environment. This year, 318 interns were hired in 21 ministries.

The Corporate Recruitment Unit has implemented strategies to identify gaps and fill vacancies at the Administrative Support 2 and Administrative Support 3 levels within the Government of Alberta. The Unit has filled 207 Administrative Support 2 and 3 positions in the Edmonton area this year.

The Human Resource Consultant Recruitment Program (HRCRP) established an eligibility list of 44 Human Resource Consultants (HRC) levels 1 and 2. The program successfully filled 19 HRC level 1 and 2 vacancies in eight ministries. In addition to this, four new Human Resource Consultants were hired to form the new HRC Resource Unit (HRCRU) with the objective to provide immediate and short term resource solutions to the HR Community.

In October 2008, the Government of Alberta began upgrading its human resource and financial management information system, IMAGIS (Alberta Government Integrated Management Information System). Service Alberta, Treasury Board and Corporate Human Resources are working in partnership with ministries on the redevelopment of the system which is expected to be implemented in October 2009. The upgrade will impact all employees with the ability to complete online time entry and receive bi-weekly pay. The new and improved system will also enhance recruitment and selection processes.

In June 2008, 159 Management Development Program (MDP) and 77 Senior and Executive Managers' Development Program (SEMDP) participants graduated from the management development programs.

For the 2008 program year, the Executive and Senior Manager Mobility program placed 13 executive and senior managers in mobility secondment roles. Six executive and senior managers participated in knowledge transfer roles. A total of 82 employees have participated in the program to date.

A new 2009-10 Government of Alberta Learning Catalogue was created to enhance employees' ability to identify learning opportunities that address their needs. In 2008-09 the Government of Alberta Learning Centre processed over 17,000 course registrations for over 1,200 sessions for government staff.

The Orientation to Government Program continued with a total of five sessions, with over 2,100 new employees in attendance, held in Edmonton and Calgary, along with a live broadcast session pilot in Fort McMurray.

Four sessions in the Leading and Learning Series were held during the year. The first two featured Dr. Marshall Goldsmith and Lieutenant General, the Honourable Roméo A. Dallaire, Senator presenting on the theme of leadership. The second two, on change, featured presentations by Dr. Gary Bradt and Dr. James Belasco. Across the four sessions held, 91 per cent of participants found the session to be of value.

In June 2008, the Succession Management Portal for supervisors was launched. This resource provides supervisors with information, ideas and practical tools on how to incorporate succession management into everyday activities.

The Management Essentials Program, provided instruction to 101 new managers on practices, policies, and information specific to managing within the Alberta Public Service through five sessions this year.

Programs for the Human Resource Community continue to provide training in staffing fundamentals, IMAGIS recruitment and selection, consulting skills, job evaluation fundamentals, and workplace health and safety. Labour relations held 53 in-person labour relations training sessions attended by over 900 employees.

In fall 2008, nine Proudly Working Together events in seven locations were held across the province with an attendance of approximately 3,600 participants including Deputy Ministers. The event's theme was recognition.

In 2008, the Government of Alberta celebrated the work of 27 teams at the Premier's Award of Excellence ceremony. Six of the 27 teams were also nationally recognized through the Canada Awards for Excellence.

A common performance and assessment process for managers and opted out/excluded employees was implemented across government with all departments using the common approach by 2008-09. Ongoing implementation supports include training for the Human Resource Community and supervisors through "Goal Setting" workshops. These workshops will provide supervisors with the tools and information required to assist their staff in developing individual performance goals in relation to their respective business plans.

In 2008, a government-wide approach to common milestone recognition was identified and endorsed. This approach will include service recognition for employees when they complete their five-year employment milestone, and every five years thereafter, and upon retirement.

An Alternative Work Arrangements/Flexible Work Options pilot project was initiated to study human resource and workplace culture implications, including developing supports for manager and supervisors of mobile workers. This pilot will provide further information to guide ministries in implementing flexible work arrangements. Pilot participants include Infrastructure, Transportation, Service Alberta and Employment and Immigration.

In April 2008 the Government of Alberta contracted with a new medical consultant service, Life Mark Health, and introduced a health practice consultation service. Among other key services it provides a resource for human resource staff and front line supervisors to help assist in determining an employee's abilities and restrictions or limitations in order to facilitate a return to work plan.

October 2008 was Workplace Health month, a national campaign aimed at highlighting the importance of having a healthy and safe work environment. During the month the Government of Alberta hosted speakers on emerging workplace health topics and promoted existing services and programs. Participant feedback indicated speaker topics were relevant and interesting and encouraged similar sessions to be offered on an ongoing basis.

The newly revised Occupational Health and Safety program was completed and will be rolled out in 2009-10. The goal of the program is to promote a culture that values health and safety, and safe work practices by all employees across government.

In 2008, the development of the "Managing Human Resources in the Alberta Public Service during a Pandemic Emergency" Human Resource guidelines were completed and approved by the Deputy Ministers' Committee on Pandemic Influenza.

Corporate Human Resources, as the certifying partner for the Government of Alberta in the Partners in Injury Reduction Program, coordinated 21 audits in various departments throughout government.



Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as “Reviewed by Auditor General” included in the Ministry of Treasury Board’s *2008-09 Annual Report*. These performance measures are prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years’ information.
- Completeness – performance measures and targets match those included in Budget 2008. Actual results are presented for all measures.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

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

Based on my review, nothing has come to my attention that causes me to believe that the “Reviewed by Auditor General” performance measures in the Ministry’s *2008-09 Annual Report* are 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 these performance measures.

[Original signed by Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
August 31, 2009

Results Analysis

Discussion and Analysis of Results

Core Business: Human Resource Management

GOAL ONE

1 An effective human resource policy framework for the Alberta Public Service

Providing strategic leadership of human resource management in the Alberta Public Service.

Financial Information

| Core Business (in thousands of dollars) | 2008-09 Budget | 2008-09 Actual | 2007-08 Actual |
|--|-------------------|-------------------|-------------------|
| Human Resource Management | 23,347 | 19,213 | 19,672 |

Actual expenses in 2008-09 were similar to actual expenses in 2007-08 reflecting prudent management of Corporate Human Resources' operating expenses while still achieving its human resource management initiatives.

Actual expenses for 2008-09 were approximately \$4.1 million less than budget (18 per cent decrease). Approximately 50 per cent of this surplus was from a lower than expected response to recruitment activities in the Corporate Executive Mobility Program. The remaining 50 percent budget to actual variance was in the provision for the Government of Alberta's share of the Long Term Disability Income Continuance Plan liability. This provision was significantly lower than budget due to a refinement to the accounting treatment for these Plans.

Performance Measures

Description for Goal 1 Performance Measures (1.a, 1.b)

A comprehensive policy framework for human resource management supports a quality and productive work environment and accountability for management of human resources in the Alberta Public Service. Data gathered from the Corporate Human Resources Stakeholder Survey measures stakeholder assessment of the effectiveness of human resource policies and implementation support provided.

Source and Methodology for Goal 1 Performance Measures (1.a, 1.b)

Measures for stakeholder agreement were gathered through a newly developed Stakeholder Survey which was designed in collaboration with 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 12 and December 16, 2008. A total of 240 surveys were completed both online and via telephone with an overall response rate of 75 per cent. The results provided a margin of error no greater than \pm three per cent at the 95 per cent confidence level.

The 2008-11 Business Plan included wording for the new measures. When the survey instrument was designed minor wording changes were made to both measures.

1.a Stakeholder agreement that the Alberta Public Service has effective human resource policies
(Reviewed by Auditor General*)

Results

Sixty-one per cent of stakeholders either strongly or somewhat agree that “*The Alberta Public Service has effective human resource policies.*” An additional 13 per cent of stakeholders “neither agreed nor disagreed” with the question.

Analysis

Given the large percentage of respondents who provided a neutral response there is opportunity to improve the percentage of stakeholders who agree over the coming year. In addition, it is interesting to note that 23 per cent of survey respondents have been in their current position for under one year, and another 45 per cent have been in their position for under five years.

* In prior years the Office of the Auditor General (OAG) applied specified procedures to all performance measures included in the annual report. In the current year the OAG conducted a limited assurance engagement (review) of a selection of performance measures. This measure was selected by the ministry management based on established criteria.

1.b Stakeholder agreement that support is provided by Corporate Human Resources to implement cross-government human resources policies

Results

Forty-nine per cent of stakeholders either strongly or somewhat agree that “*Support is provided by Corporate Human Resources to implement cross-government human resource policies.*” An additional 30 per cent of stakeholders “neither agreed nor disagreed” with the question.

Analysis

Given the large percentage of respondents who provided a neutral response there is opportunity to improve the percentage of stakeholders who agree over the coming year. In addition, it is interesting to note that 23 per cent of survey respondents have been in their current position for under one year, and another 45 per cent have been in their position for under five years.

GOAL TWO

2 A cross-government Workforce Plan that ensures an engaged public service positioned to attract employees and meet emerging and diverse government goals

Performance Measures

Description for Goal 2 Performance Measures (2.a, 2.b)

The ability to attract, develop and engage skilled and knowledgeable employees within the public service is critical to achieving government goals. Corporate Human Resources, in collaboration with ministries, provides leadership in the identification, development, implementation and communication of initiatives resulting from the Alberta Public Service Workforce Plan. Data gathered from the Corporate Human Resources Stakeholder Survey measures stakeholder assessment of the effectiveness of the strategies to attract, develop and engage employees and implementation support provided.

Source and Methodology for Goal 2 Performance Measures (2.a, 2.b)

Measures for stakeholder agreement were gathered through a newly developed Stakeholder Survey which was designed in collaboration with 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 12 and December 16, 2008. A total of 240 surveys were completed both online and via telephone with an overall response rate of 75 per cent. The results provided a margin of error no greater than \pm three per cent at the 95 per cent confidence level.

The 2008-11 Business Plan included wording for the new measures. When the survey instrument was designed minor wording changes were made to both measures.

2.a Stakeholder agreement overall, the Alberta Public Service has effective strategies to attract, develop and engage employees (Reviewed by Auditor General*)

Results

Fifty-seven per cent of stakeholders either strongly or somewhat agree that “*Overall, the Alberta Public Service has effective strategies to attract, develop and engage employees.*” An additional 19 per cent of stakeholders “neither agreed nor disagreed” with the question.

Analysis

Given the large percentage of respondents who provided a neutral response there is opportunity to improve the percentage of stakeholders who agree over the coming year. In addition, it is interesting to note that 23 per cent of survey respondents have been in their current position for under one year, and another 45 per cent have been in their position for under five years.

* In prior years the Office of the Auditor General (OAG) applied specified procedures to all performance measures included in the annual report. In the current year the OAG conducted a limited assurance engagement (review) of a selection of performance measures. This measure was selected by the ministry management based on established criteria.

2.b Stakeholder agreement overall, effective support is provided by Corporate Human Resources to develop, implement and communicate cross-government human resource initiatives

Results

Fifty-two per cent of stakeholders either strongly or somewhat agree that “*Overall, effective support is provided by Corporate Human Resources to develop, implement and communicate cross-government human resource initiatives.*” An additional 21 per cent of stakeholders “neither agreed nor disagreed” with the question.

Analysis

Given the large percentage of respondents who provided a neutral response there is opportunity to improve the percentage of stakeholders who agree over the coming year. In addition, it is interesting to note that 23 per cent of survey respondents have been in their current position for under one year, and another 45 per cent have been in their position for under five years.

Supplemental Information

Profile of the Alberta Public Service

As of March 31, 2009 there were 27,348 employees in the Alberta Public Service, an increase over July 31, 2008 when there were 26,661 employees.

Salaried staff includes permanent, temporary and long-term wage employees.

| Ministry | Employee Count | Percentage of Public Service |
|---|----------------|------------------------------|
| Aboriginal Relations | 98 | 0.36% |
| Advanced Education and Technology | 678 | 2.48% |
| Agriculture and Rural Development | 947 | 3.46% |
| Chief Electoral Office | 16 | 0.06% |
| Children and Youth Services | 3,197 | 11.69% |
| Corporate Human Resources | 137 | 0.50% |
| Culture and Community Spirit | 536 | 1.96% |
| Education | 759 | 2.78% |
| Employment and Immigration | 2,300 | 8.41% |
| Energy | 698 | 2.55% |
| Environment | 1,006 | 3.68% |
| Executive Council | 71 | 0.26% |
| Finance and Enterprise | 582 | 2.13% |
| Health and Wellness | 920 | 3.36% |
| Housing and Urban Affairs | 156 | 0.57% |
| Infrastructure | 912 | 3.33% |
| International and Intergovernmental Relations | 165 | 0.60% |
| Justice and Attorney General | 3,110 | 11.37% |
| Legislative Assembly Office | 103 | 0.38% |
| Municipal Affairs | 433 | 1.58% |
| Office of the Auditor General | 135 | 0.49% |
| Office of the Ethics Commissioner | 4 | 0.01% |
| Office of the Information and Privacy Commissioner | 38 | 0.14% |
| Ombudsman | 23 | 0.08% |
| Public Affairs Bureau | 176 | 0.64% |
| Seniors and Community Supports | 1,964 | 7.18% |
| Service Alberta | 1,821 | 6.66% |
| Solicitor General | 3,014 | 11.02% |
| Sustainable Resource Development | 1,833 | 6.70% |
| Tourism, Parks and Recreation | 504 | 1.84% |
| Transportation | 879 | 3.21% |
| Treasury Board | 133 | 0.49% |
| Total | 27,348 | 100.00% |

Sources: IMAGIS database as of March 31, 2009, Legislative Assembly Office, Office of the Ethics Commissioner, Office of the Information and Privacy Commissioner.

Employee Distribution

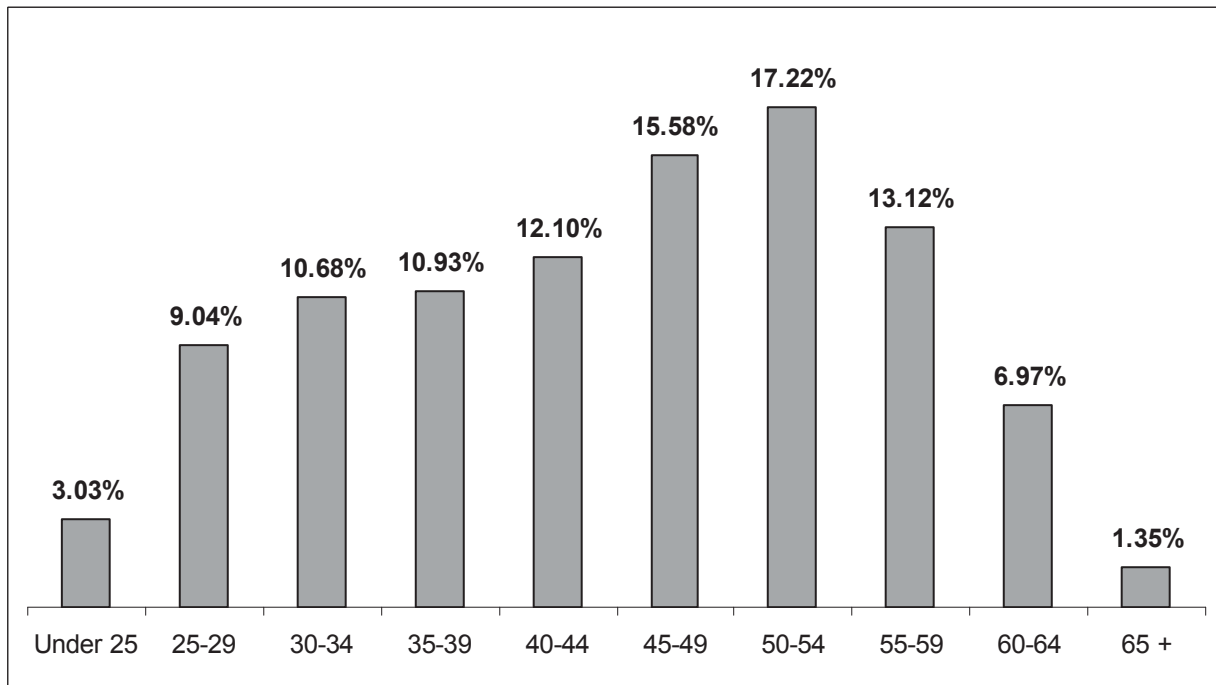
(age, salary and location)

The following charts include permanent, temporary and long-term wage employees. Data is obtained from IMAGIS, the government's human resource information system.

Age Distribution

(per cent)

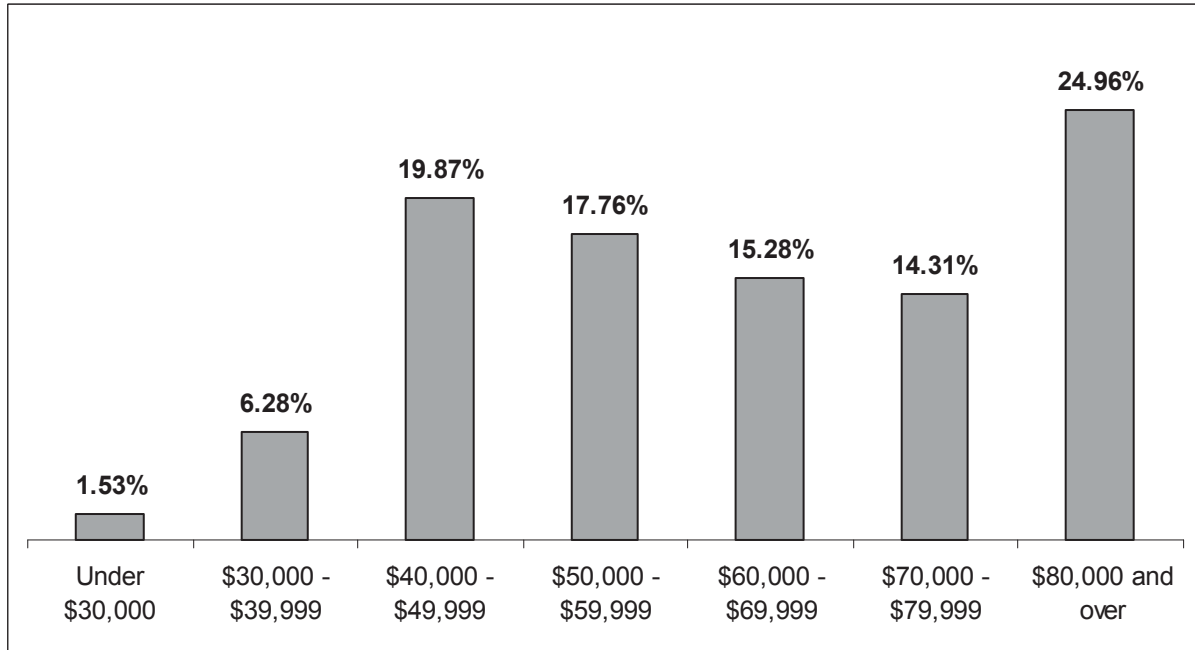
The average age of Alberta Public Service employees was 45 in 2008-09.



Salary Distribution

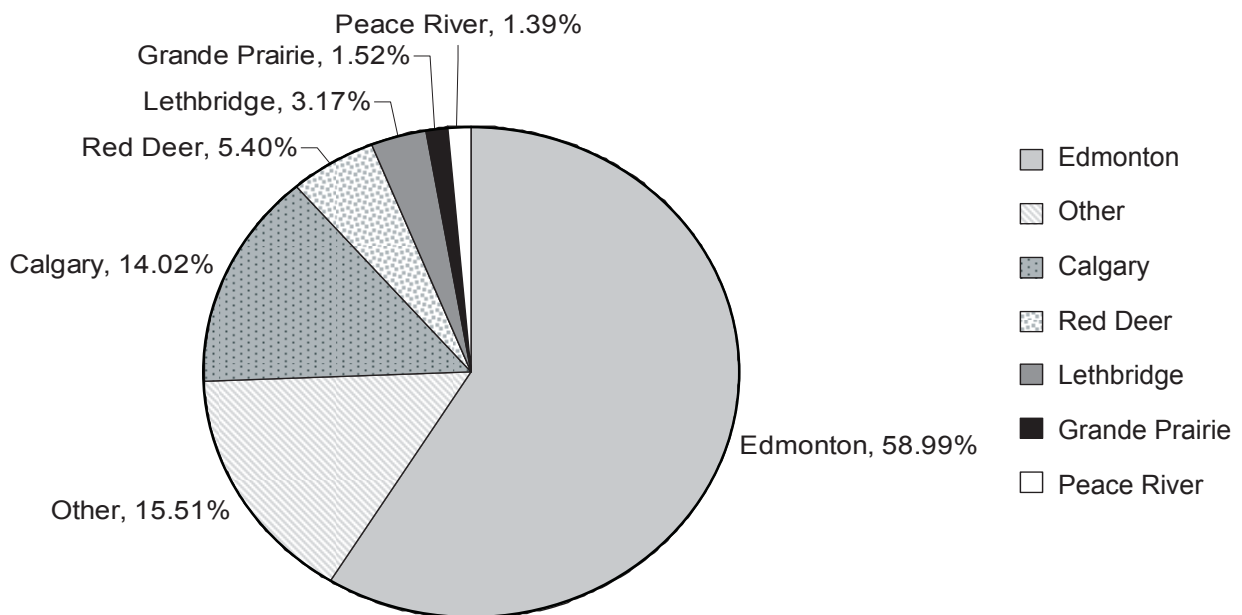
(per cent)

The average annual salary of Alberta Public Service employees was \$67,657 in 2008-09.



Work Location of Alberta Public Service employees

(per cent)



Executive Search

New Executive Manager and Senior Official Competitions Initiated within the Fiscal Year

| | 2006-07 | 2007-08 | 2008-09 |
|---|-----------|-----------|------------|
| Number and scope of Competitions | | | |
| • Open | 54 | 66 | 77 |
| • Limited | 18 | 27 | 29 |
| Total | 72 | 93 | 106 |
| Number of Competitions by Classification | | | |
| • Senior Official/ Deputy Minister | 6 | 11 | 8 |
| • Executive Manager II | 16 | 27 | 25 |
| • Executive Manager I | 42 | 40 | 63 |
| • Other Levels | 5 | 7 | 5 |
| • Other* | 3 | 8 | 5 |
| Total Initiated | 72 | 93 | 106 |

Source: Corporate Human Resources

* Includes Agencies, Boards and Commissions and Legislative Assembly Offices

The 106 new competitions, combined with 30 competitions in progress at the end of fiscal year 2007-08, resulted in 128 appointments effective in 2008-09 and nine competitions were cancelled.

Executive Search also worked on nine exemptions from competitions (six were participants in the Executive Mobility Program) in 2008-09.

At 2008-09 year-end, 19 competitions were in progress.

Benefit Plans

The following two tables provide statistics on the benefits paid to employees and usage of the employee benefit plans. A description of the plans appears below each table.

| Plan | Benefits Paid (\$ thousands) | | |
|---|------------------------------|---------|---------|
| | 2006-07 | 2007-08 | 2008-09 |
| Basic Group Life Insurance | | | |
| • Deaths | 45 | 44 | 40 |
| Total Benefits Paid | \$5,216 | \$5,470 | \$4,586 |
| Accidental Death & Dismemberment Insurance | | | |
| • Deaths | 3 | 3 | 2 |
| Total Benefits Paid | \$188 | \$645 | \$229 |
| Dependents' Life Insurance | | | |
| • Deaths | 25 | 31 | 41 |
| Total Benefits Paid | \$194 | \$262 | \$503 |
| Enhanced Life Insurance | | | |
| • Deaths | 5 | 9 | 3 |
| Total Benefits Paid | \$879 | \$2,360 | \$850 |
| Paid Up Life Insurance | | | |
| • Deaths | 243 | 228 | 236 |
| Total Benefits Paid | \$745 | \$713 | \$748 |

Source: Corporate Human Resources; Great-West Life Assurance Company

About the Plans

Basic Group Life Insurance

A lump sum is paid to the beneficiary on the employee's death. A partial advance payment of the total coverage may be paid to a terminally ill employee. The employer pays two thirds, and the employee pays one third of the premium.

Accidental Death and Dismemberment Insurance

This policy provides additional benefits if death was accidental, or if an accident causes loss of use of limbs. The employer pays two-thirds, and the employee one-third of the premium.

Dependents' Life Insurance

Employee-funded, this benefit is paid to the employee on the death of an insured spouse or child.

Enhanced Life Insurance

Employee-funded, this additional optional coverage is based on a multiple of annual salary and is available to bargaining unit, management and non-union employees.

Paid Up Life Insurance

Beneficiaries receive a benefit on the death of an insured retired employee. The bargaining unit, management and non-union plans provide a \$4,000 benefit if the employee retired or is still employed past age 70 with less than 10 years of service; \$5,000 if the employee retired, terminated or is still employed past age 70 with 10 to 20 years of service; and \$7,000 if the employee retired, terminated or is still employed past age 70 with 20 years or more service.

Benefit Plans

| Plan | Benefits Paid (\$ thousands) | | |
|--|------------------------------|----------|----------|
| | 2006-07 | 2007-08 | 2008-09 |
| Extended Medical Benefits and Prescription Drug Plans | | | |
| • Extended Medical Benefits Paid | \$4,962 | \$6,939 | \$7,896 |
| • Prescription Drug Benefits Paid | \$19,943 | \$19,769 | \$22,077 |
| Travel-Occupational Accident Insurance | | | |
| • Deaths | 0 | 1 | 1 |
| • Benefits Paid | \$0 | \$129 | \$80 |
| Dental Plans | | | |
| • Benefits Paid | \$17,905 | \$19,051 | \$23,674 |
| Long-Term Disability Income Continuance Plan | | | |
| • Benefits Paid | \$28,496 | \$29,150 | \$30,596 |
| • Number of employees receiving benefits | 1,180 | 1,153 | 1,164 |
| • Number of new claims during the year | 310 | 329 | 396 |

Source: Corporate Human Resources; Great-West Life Assurance Company

About the Plans

Extended Medical Benefits and Prescription Drug Plans

These plans provide coverage for prescription drugs and other medical services. Employees and the employer share the premiums associated with participating in the plans.

Travel-Occupational Accident Insurance

This plan covers wage and a small number of other employees who are not covered under the life insurance plan. The plan is employer-funded and is for accidents causing death or dismemberment which occur at work or when travelling on government business.

Dental Plans

The dental plans provide coverage for basic, major services and orthodontic services (within annual limits). The employer funds the core plan and an enhanced employee-paid plan for bargaining unit, management and non-union employees provides a higher reimbursement level.

Long-Term Disability Income Continuance Plan

Employees unable to perform at least 60 per cent of their job duties or undertake employment due to their medical condition are provided with benefits up to 70 per cent of their pre-disability salary. Employees capable of returning to work receive rehabilitation and re-employment assistance. The employer and employees each pay 50 per cent of the premiums for the Bargaining Unit plan

Employee Funded Leave Program

Employees may regularly set aside a portion of their salaries with the trustee for this program. They receive the deferred salary back at a later date, while on a leave of absence ranging from three to 12 months in length. In 2008-09, 46 employees participated. The value of the program fund as of March 31, 2009 is \$629,546.

Ministry of Treasury Board Financial Statements

Year Ended March 31, 2009

| | |
|--|----|
| Auditor's Report..... | 44 |
| Statement of Operations..... | 45 |
| Statement of Financial Positionn..... | 46 |
| Statement of Cash Flows | 47 |
| Notes to the Financial Statements..... | 48 |
| Schedule 1 – Expenses – Directly Incurred Detailed by Object | 56 |
| Schedule 2 – Comparison of Expenses – Directly Incurred, Equipment Purchases and Statutory Expenses by Element to Authorized Budget..... | 57 |
| Schedule 3 – Salary and Benefits Schedule | 58 |
| Schedule 4 – Related Party Transactions | 59 |
| Schedule 5 – Allocated Costs..... | 60 |



Auditor's Report

To the Members of the Legislative Assembly

I have audited the statement of financial position of the Ministry of Treasury Board as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
June 12, 2009

MINISTRY OF TREASURY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2009
(in thousands)

| | <u>2009</u> | | <u>2008</u> |
|--|--------------------------------------|--------------------|---|
| | <u>Budget</u> <u>(Schedule 2)</u> | <u>Actual</u> | <u>Actual</u> <u>Restated</u> <u>(Note 3)</u> |
| Revenues | | | |
| Other Revenue | \$ - | \$ 220 | \$ 181 |
| Expenses - Directly Incurred (Note 2b and Schedule 5) | | | |
| Voted (Schedules 1 and 2) | | | |
| Ministry Support Services | 2,260 | 2,124 | 1,691 |
| Oil Sands Sustainable Development Secretariat | 1,931 | 2,306 | 974 |
| Corporate Internal Audit Services | 4,855 | 4,189 | 3,695 |
| Office of the Controller | 3,237 | 2,805 | 2,000 |
| Spending Management and Planning | 4,100 | 3,210 | 3,143 |
| Strategic Capital Planning | 17,968 | 1,620 | 1,637 |
| Alternative Capital Financing Office | 5,796 | 1,225 | 568 |
| Air Services | 4,820 | 4,912 | 4,918 |
| Corporate Human Resources | 21,347 | 19,276 | 19,328 |
| | <u>66,314</u> | <u>41,667</u> | <u>37,954</u> |
| Statutory (Schedules 1 and 2) | | | |
| Loss on Disposal of Tangible Capital Assets | - | 221 | - |
| Valuation Adjustments (Note 7) | 2,050 | (11) | 585 |
| | <u>68,364</u> | <u>41,877</u> | <u>38,539</u> |
| Net Operating Results | <u>\$ (68,364)</u> | <u>\$ (41,657)</u> | <u>\$ (38,358)</u> |

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

MINISTRY OF TREASURY BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31, 2009
(in thousands)

| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
|---|------------------|---|
| Assets | | |
| Accounts Receivable | \$ 174 | \$ 77 |
| Inventories (Note 4) | 1,541 | 1,529 |
| Tangible Capital Assets (Note 5) | 20,115 | 21,529 |
| | <u>21,830</u> | <u>23,135</u> |
| Liabilities | | |
| Accounts Payable and Accrued Liabilities (Note 6) | <u>23,210</u> | <u>17,590</u> |
| Net Liabilities | | |
| Net Assets, beginning of year | 5,545 | 6,781 |
| Net Operating Results | (41,657) | (38,358) |
| Net Financing Provided from General Revenues | 34,732 | 37,122 |
| Net Assets (Liabilities), end of year | <u>(1,380)</u> | <u>5,545</u> |
| | <u>\$ 21,830</u> | <u>\$ 23,135</u> |

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

MINISTRY OF TREASURY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2009
(in thousands)

| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
|---|-----------------|---|
| Operating Transactions | | |
| Net Operating Results | \$ (41,657) | \$ (38,358) |
| Non-cash items included in Net Operating Result | | |
| Amortization of Capital Assets and Consumption of Inventories | 673 | 629 |
| Loss on Disposal of Tangible Capital Asset | 221 | - |
| Provision for Doubtful Accounts | 2 | - |
| Provision for the Government of Alberta's share of the Long Term Disability Continuance Plan Liability | 74 | 222 |
| Provision for Vacation Pay | (87) | 363 |
| | <u>(40,774)</u> | <u>(37,144)</u> |
| (Increase) Decrease in Accounts Receivable | (100) | 208 |
| Increase in Accounts Payable and Accrued Liabilities | 5,633 | 417 |
| | <u>(35,241)</u> | <u>(36,519)</u> |
| Capital Transactions | | |
| Acquisition of Tangible Capital Assets and Inventory for Internal Use | (271) | (614) |
| Proceeds on Disposal of Tangible Capital Assets | 780 | 11 |
| | <u>509</u> | <u>(603)</u> |
| Financing Transactions | | |
| Net Financing Provided from General Revenues | 34,732 | 37,122 |
| | <u>34,732</u> | <u>37,122</u> |
| Increase (Decrease) in Cash and Cash Equivalents | <u>-</u> | <u>-</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>-</u> | <u>-</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ -</u> | <u>\$ -</u> |

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

**MINISTRY OF TREASURY BOARD
NOTES TO THE FINANCIAL STATEMENTS
Year Ended March 31, 2009**

NOTE 1 AUTHORITY AND PURPOSE

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

The Ministry of Treasury Board provides a coordinated and disciplined approach to the management of government spending and capital planning. It promotes an open, accountable and fiscally responsible government and provides leadership in accountability, strategic advice and services. Corporate Human Resources, as part of the Ministry of Treasury Board, leads the development of government wide human resource policies and collaborates with ministries on strategies to ensure that public service employees are positioned to do their best work on behalf of Albertans.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the ministries.

(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 Minister 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 General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

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

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

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

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

- amortization of tangible capital assets;
- pension costs which comprise the cost of employer contributions for current service of employees during the year; and
- valuation adjustments which reflect the change in management's estimate of future payments arising from obligations relating to vacation pay and doubtful accounts and long-term disability.

Incurred by Others

Services contributed by other entities in support of the ministry operations are disclosed in Schedule 5.

Assets

Financial assets of the ministry are limited to financial claims, such as advances to and receivables from other organizations. Accounts receivable reported by the ministry are unsecured and non-interest bearing.

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 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 Liabilities

Net liabilities represent the difference between the carrying value of assets held by the ministry and its liabilities.

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

(b) Basis of Financial Reporting (continued)

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 because of the short term nature of these instruments.

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFERS
(in thousands)

Throughout 2007-08, the President of Treasury Board was responsible for two ministries: Service Alberta and Treasury Board. Effective March 12, 2008, the President of Treasury Board's office was dedicated entirely to the Ministry of Treasury Board.

Corporate Human Resources and Air Services were transferred from the Ministry of Service Alberta on March 12, 2008. As the fiscal year was substantially complete and to report on the accountability against the 2007-10 business plans, the financial statements were prepared using the assumption that the restructuring took place on April 1, 2008. Financial statements for the year ended March 31, 2009 are based on the new structure with the financial statements of prior years restated for comparability. Net Assets on March 31, 2007 as restated is made up as follows

| | |
|--|------------------------|
| Net (liabilities) as previously reported | \$ (1,344) |
| Transfers from Ministry of Service Alberta | <u>8,125</u> |
| Net Assets as restated at March 31, 2007 | <u><u>\$ 6,781</u></u> |

NOTE 4 INVENTORIES
(in thousands)

| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
|---|-----------------|---|
| Inventories consist of the following: | | |
| Rotable and Consumable Aircrafts Parts and Supplies | <u>\$ 1,541</u> | <u>\$ 1,529</u> |

NOTE 5 TANGIBLE CAPITAL ASSET
(in thousands)

| | 2009 | | | | 2008 |
|---|--------------------------|--------------------------------|----------------------|------------------|-----------------------------|
| | Equipment ⁽¹⁾ | Computer Hardware and Software | Other ⁽²⁾ | Total | Total |
| Estimated Useful Life | 10 years | 3-10 years | 5-24 years | | <u>Restated</u> (Note 3) |
| Historical Cost | | | | | |
| Beginning of year | \$ 78 | \$ 20 | \$ 28,199 | \$ 28,297 | \$ 29,013 |
| Additions | 93 | - | - | 93 | 435 |
| Disposals | - | - | (2,094) | (2,094) | (340) |
| | <u>171</u> | <u>20</u> | <u>26,105</u> | <u>26,296</u> | <u>29,108</u> |
| Accumulated Amortization | | | | | |
| Beginning of year | 2 | 20 | 6,746 | 6,768 | 7,534 |
| Amortization expense | 9 | - | 498 | 507 | 374 |
| Effect of disposals | - | - | (1,094) | (1,094) | (329) |
| | <u>11</u> | <u>20</u> | <u>6,150</u> | <u>6,181</u> | <u>7,579</u> |
| Net Book Value at March 31, 2009 | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 19,955</u> | <u>\$ 20,115</u> | |
| Net Book Value at March 31, 2008 | <u>\$ 76</u> | <u>\$ -</u> | <u>\$ 21,453</u> | | <u>\$ 21,529</u> |

(1) Equipment includes furniture.

(2) Other consists of aircrafts and major enhancement costs.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

| | 2009 | 2008 |
|--|------------------|--|
| Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability ^(a) | \$ 11,141 | <u>Restated</u> (Note 3) \$ 11,067 |
| Other Payables and Accruals ^(b) | 12,069 | 6,523 |
| | <u>\$ 23,210</u> | <u>\$ 17,590</u> |

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

(b) Includes \$6 million (2008 - \$0) representing the remaining balance of amounts received under the Provincial Base Funding Agreement for Building Canada Plan with the Federal Government. As projects are approved, the funds will be transferred to the ministries responsible for the projects.

NOTE 7 VALUATION ADJUSTMENTS
(in thousands)

| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
|---|----------------|---|
| Provision for vacation pay | \$ (87) | \$ 363 |
| Provision for doubtful accounts | 2 | - |
| Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability ^(a) | 74 | 222 |
| | <u>\$ (11)</u> | <u>\$ 585</u> |

(a) The provision represents the change in liabilities in the year in the amount of \$74 (2008 - \$222). The accrued benefit liability for the two multi-employer Long Term Disability Income Continuance Plans at March 31, 2009 amounted to \$11,141 (2008 - \$11,067) and is included in accounts payable and accrued liabilities (Note 6).

NOTE 8 CONTRACTUAL OBLIGATIONS
(in thousands)

| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
|-------------------|------------------|---|
| Service contracts | \$ 11,464 | \$ 13,344 |
| Long term Leases | 243 | 322 |
| | <u>\$ 11,707</u> | <u>\$ 13,666</u> |

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

| | <u>Contracts</u> | <u>Leases</u> | <u>Total</u> |
|------|------------------|---------------|-----------------|
| 2010 | \$11,464 | \$81 | \$11,545 |
| 2011 | - | 81 | 81 |
| 2012 | - | 81 | 81 |
| 2013 | - | - | - |
| 2014 | - | - | - |
| | <u>\$11,464</u> | <u>\$243</u> | <u>\$11,707</u> |

NOTE 9 BENEFIT PLANS
(in thousands)

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 \$3,664 for the year ended March 31, 2009 (2008 – \$3,204).

At December 31, 2008, the Management Employees Pension Plan reported a deficiency of \$568,574 (2007 – \$84,341) and the Public Service Pension Plan reported a deficiency of \$1,187,538 (2007 – \$92,509 as restated). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$7,111 (2007 – surplus of \$1,510).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of \$33,540 (2008 – \$6,319) and the Management, Opted Out and Excluded Plan an actuarial deficiency of \$1,051 (2008 – actuarial surplus of \$7,874). The expense for these two plans is limited to the employer's annual contributions for the year.

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, 2008, the employers contribute at a rate of 1.725 per cent of monthly insurable salary. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of \$33,540 (2008 – deficiency of \$6,319). Long term disability benefits are funded equally by the employers and employees of this 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, 2009, Management, Opted Out and Excluded plan reported an actuarial deficiency of \$1,051 (2008 surplus – \$7,874). Long term disability benefits are funded by the employers in this plan.

At March 31, 2009, the Government of Alberta's share of the estimated accrued benefit liability for these two plans amounting to \$11,141 (2008 – \$11,067) has been recognized in these financial statements (Note 7). This amount is actuarially determined as the cost of employee benefits earned net of employers' contributions, interest expense on the accrued benefit obligation, expected return on the plan assets and amortization of deferred amounts using management's best estimates and actuarial assumptions. The ministry, together with other participating ministries, records their share of employer contributions as expenses in their respective financial statements.

NOTE 9 **BENEFIT PLANS** (continued)
(in thousands)

Group Life Insurance Plans

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

The Basic Group Life Insurance and Accidental Death and Dismemberment insurance is funded two-thirds by the employers and one-third by the 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, 2009, the Bargaining Unit plan reported an estimated surplus of \$11,178 (2008 – \$19,791) and the Management, Opted Out and Excluded plan reported an estimated surplus of \$ 3,334 (2008 – \$1,244). These amounts currently subsidize claim costs and stabilize premium rates for the plans. Management produced estimates based on available March 2008 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 Plan Trusts

Boards of Trustees administer the multi-employer Dental and Extended Medical 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 Management, Opted Out and Excluded Plans is optional and funded by the employees.

At December 31, 2008, the Government of Alberta Dental plan reported an actuarial surplus of \$5,868 (2007 – \$4,411) and the Government Employees' Group Extended Medical Benefits plan reported an actuarial surplus of \$6,927 (2007 – \$1,952). The trusts receive contributions from participating employers. Employers withhold contributions from employees and remit both employee and employer contributions to the trust. The ministry, together with the participating ministries, records their share of employer contributions as expenses in their respective financial statements.

NOTE 10 FUNDS UNDER ADMINISTRATION
(in thousands)

The ministry administers 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, 2009 funds under administration were as follows:

| | 2009 | | 2008 | |
|---|-------------------|-------------------|-------------------------------|-------------------------------|
| | Total Assets | Total Liabilities | Net Assets / (Liabilities) | Net Assets / (Liabilities) |
| Long Term Disability Income Continuance Plans ⁽¹⁾ : | | | | |
| Bargaining Unit | \$ 103,536 | \$ 137,076 | \$ (33,540) | \$ (6,319) |
| Management, Opted Out and Excluded | 35,873 | 36,924 | (1,051) | 7,874 |
| Group Life Insurance Plans ⁽²⁾ : | | | | |
| Bargaining Unit | 34,291 | 23,113 | 11,178 | 19,791 |
| Management, Opted Out and Excluded | 17,935 | 14,601 | 3,334 | 1,244 |
| Government of Alberta Dental Plan Trust ⁽³⁾ | 8,735 | 2,867 | 5,868 | 4,411 |
| Government Employees' Group Extended Medical Benefits Plan Trust ⁽³⁾ | 10,989 | 4,062 | 6,927 | 1,952 |
| | <u>\$ 211,359</u> | <u>\$ 218,643</u> | <u>\$ (7,284)</u> | <u>\$ 28,953</u> |

(1) Financial statements of these funds can be found in the supplementary Ministry Financial Information section of the Ministry of Treasury Board 2008-2009 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 31.

NOTE 11 COMPARATIVES

Certain 2008 figures have been reclassified to conform to 2009 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

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

MINISTRY OF TREASURY BOARD
SCHEDULES TO FINANCIAL STATEMENTS
EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2009
(in thousands)

| | <u>2009</u> | | <u>2008</u> |
|--|------------------|------------------|--------------------------------|
| | Budget | Actual | Actual Restated (Note 3) |
| Voted | | | |
| Salaries, Wages and Employee Benefits | \$ 35,884 | \$ 31,467 | \$ 28,225 |
| Supplies and Services | 29,139 | 9,267 | 8,740 |
| Supplies and Services from Support Service Arrangements with Related Parties ^(a) | 56 | 97 | 141 |
| Financial Transactions and Other | 215 | 163 | 220 |
| Amortization of Tangible Capital Assets and Consumption of Inventories | 1,020 | 673 | 628 |
| | <u>\$ 66,314</u> | <u>\$ 41,667</u> | <u>\$ 37,954</u> |
| Statutory | | | |
| Loss on Disposal of Tangible Capital Assets | - | 221 | - |
| Valuation Adjustments | 2,050 | (11) | 585 |
| | <u>\$ 2,050</u> | <u>\$ 210</u> | <u>\$ 585</u> |

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

MINISTRY OF TREASURY BOARD
COMPARISON OF EXPENSES – DIRECTLY INCURRED, EQUIPMENT PURCHASES
AND STATUTORY EXPENSES BY ELEMENT TO AUTHORIZED BUDGET
YEAR ENDED MARCH 31, 2009

| Voted Expense | (in thousands) | | | | |
|--|------------------------|-----------------------------|-----------------------------------|------------------------------------|-------------------------------|
| | 2008-2009 Estimates | Authorized Supplementary | 2008-2009 Authorized Budget | 2008-2009 Actual ^(a) | Unexpended (Over Expended) |
| Ministry Support Services | | | | | |
| 1.0.1 Minister's Office | \$ 500 | \$ - | \$ 500 | \$ 449 | \$ 51 |
| 1.0.2 Deputy Minister's Office | 740 | - | 740 | 694 | 46 |
| 1.0.3 Corporate Services ^(b) | 1,020 | - | 1,020 | 981 | 39 |
| | <u>2,260</u> | <u>-</u> | <u>2,260</u> | <u>2,124</u> | <u>136</u> |
| Oil Sands Sustainable Development Secretariat | | | | | |
| 2.0.1 Oil Sands Sustainable Development Secretariat | 1,931 | - | 1,931 | 2,306 | (375) |
| Corporate Internal Audit Services | | | | | |
| 3.0.1 Corporate Internal Audit Services | 4,855 | - | 4,855 | 4,189 | 666 |
| Office of the Controller | | | | | |
| 4.0.1 Office of the Controller | 3,237 | - | 3,237 | 2,805 | 432 |
| Spending Management and Planning | | | | | |
| 5.0.1 Spending Management and Planning | 4,100 | - | 4,100 | 3,210 | 890 |
| Strategic Capital Planning | | | | | |
| 6.0.1 Strategic Capital Planning | 2,596 | - | 2,596 | 1,620 | 976 |
| 6.0.2 Capital Planning Funds | 15,372 | - | 15,372 | - | 15,372 |
| | <u>17,968</u> | <u>-</u> | <u>17,968</u> | <u>1,620</u> | <u>16,348</u> |
| Alternative Capital Financing Office | | | | | |
| 7.0.1 Alternative Capital Financing Office | 5,796 | - | 5,796 | 1,225 | 4,571 |
| Air Services | | | | | |
| 8.0.1 Air Services | 3,820 | - | 3,820 | 4,248 | (428) |
| 8.0.2 Amortization and Consumption of Inventory | 1,000 | - | 1,000 | 664 | 336 |
| | <u>4,820</u> | <u>-</u> | <u>4,820</u> | <u>4,912</u> | <u>(92)</u> |
| Corporate Human Resources | | | | | |
| 9.0.1 Public Service Commissioner's Office | 725 | - | 725 | 739 | (14) |
| 9.0.2 Corporate Human Resource Programs/Services | 14,211 | - | 14,211 | 14,180 | 31 |
| 9.0.3 Corporate Human Resources Research and Development | 6,411 | - | 6,411 | 4,357 | 2,054 |
| | <u>21,347</u> | <u>-</u> | <u>21,347</u> | <u>19,276</u> | <u>2,071</u> |
| Voted Equipment / Inventory Purchases | | | | | |
| Corporate Services | 100 | - | 100 | 33 | 67 |
| Air Services | 850 | - | 850 | 238 | 612 |
| | <u>950</u> | <u>-</u> | <u>950</u> | <u>271</u> | <u>679</u> |
| Voted Expense and Equipment Purchases | | | | | |
| Operating Expense | \$ 66,314 | \$ - | \$ 66,314 | \$ 41,667 | \$ 24,647 |
| Equipment Purchases | 950 | - | 950 | 271 | 679 |
| | <u>\$ 67,264</u> | <u>\$ -</u> | <u>\$ 67,264</u> | <u>\$ 41,938</u> | <u>\$ 25,326</u> |
| Statutory Expenses | | | | | |
| Loss on disposal of tangible capital assets | \$ - | \$ - | \$ - | \$ 221 | \$ (221) |
| Valuation Adjustments and other provisions | 2,050 | - | 2,050 | (11) | 2,061 |
| | <u>\$ 2,050</u> | <u>\$ -</u> | <u>\$ 2,050</u> | <u>\$ 210</u> | <u>\$ 1,840</u> |

(a) Includes achievement bonus amounting to \$2,107

(b) Includes amortization amounting to \$9.

MINISTRY OF TREASURY BOARD
Salary and Benefits Schedule
Year ended March 31, 2009
(in thousands)

| | <u>2009</u> | | | <u>2008</u> | |
|---|-------------------------------|--|--|-------------|---------|
| | Base Salary ⁽¹⁾ | Other Cash Benefits ⁽²⁾ | Other Non-Cash Benefits ⁽³⁾ | Total | Total |
| Treasury Board | | | | | |
| Deputy Minister ^{(4) (5)} | 233,442 | 86,157 | 56,386 | 375,985 | 345,408 |
| Controller | 184,080 | 36,816 | 44,795 | 265,691 | 230,607 |
| Assistant Deputy Ministers | | | | | |
| Spending Management and Planning | 170,280 | 28,948 | 41,493 | 240,721 | 215,306 |
| Strategic Capital Planning ⁽⁵⁾ | 177,121 | 116,137 | 44,201 | 337,458 | 218,606 |
| Corporate Internal Audit | 161,160 | 27,501 | 39,149 | 227,810 | 204,463 |
| Corporate Human Resources | | | | | |
| Public Service Commissioner ^{(4) (5) (6)} | 220,942 | 97,556 | 53,279 | 371,777 | 326,268 |
| Assistant Commissioners | | | | | |
| Labour and Employment Practices ⁽⁵⁾ | 167,526 | 21,312 | 40,393 | 229,231 | 231,334 |
| Workforce Development and Engagement | 177,828 | 33,787 | 43,096 | 254,711 | 235,264 |
| Attraction, Technology and Human Resource Community Development ⁽⁷⁾ | 110,727 | 25,793 | 29,095 | 165,615 | - |
| Director, Executive Search | 118,296 | 22,476 | 29,115 | 169,887 | 159,411 |
| Executive Director, Labour Relations | 145,572 | 18,924 | 35,363 | 199,859 | 127,103 |
| Senior Advisor, Public Service Commissioner's Office ⁽⁸⁾ | 7,410 | 1,654 | 1,684 | 10,748 | 227,950 |
| Treasury Board and Corporate Human Resources | | | | | |
| Senior Financial Officer ⁽⁹⁾ | 145,572 | 15,285 | 35,860 | 196,717 | 127,327 |
| Human Resources Director ^{(5) (10)} | 87,365 | 13,037 | 21,705 | 122,108 | 39,772 |

(1) Base salary includes pensionable base salary.

(2) Other cash benefits include bonuses, vacation payments, overtime and lump sum payments.

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

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

(5) This position was occupied by two people.

(6) The incumbent was in acting capacity as of October 1, 2008 and became the Public Service Commissioner on March 11, 2009.

(7) The position of Assistant Commissioner, Attraction, Technology and Human Resource Community Development was created in July 2008. Salary and benefits are for the period from July 21, 2008 to March 31, 2009.

(8) The position discontinued effective April 16, 2008.

(9) Amount shown for 2008 was for the period from April 1, 2007 to January 1, 2008.

(10) Amount shown for 2008 was for the period from September 1, 2007 to December 31, 2007.

Note – The Assistant Deputy Minister of Oil Sands Sustainable Development Secretariat is a member of the Executive Committee. This individual is not paid a salary but is engaged through a contract for services between the Ministry of Treasury Board and this individual's employer.

MINISTRY OF TREASURY BOARD
Related Party Transactions
Year Ended March 31, 2009
(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 | |
|---------------------------------|-----------------------|---|
| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
| Receivable from Related Parties | <u>\$ 64</u> | <u>\$ 52</u> |
| Payable to Related Parties | <u>\$ 14</u> | <u>\$ -</u> |

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

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

| | <u>2009</u> | <u>2008</u> <u>Restated</u> <u>(Note 3)</u> |
|---------------------------------------|-----------------|---|
| Revenues | | |
| Internal Audit Services | \$ 1,553 | \$ 1,155 |
| Air Transportation Services | 3,714 | 3,307 |
| Government of Alberta Learning Centre | 986 | 1,036 |
| | <u>\$ 6,253</u> | <u>\$ 5,498</u> |
| Expenses — Incurred by Others | | |
| Accommodation | \$ 1,893 | \$ 1,605 |
| Legal | 1,208 | 647 |
| Other Services | 852 | 866 |
| | <u>\$ 3,953</u> | <u>\$ 3,118</u> |

Schedule 5

Ministry of Treasury Board

Allocated Costs

Year Ended March 31, 2009

| Program | 2009 | | | | | | Expenses Restated (Note 3) \$ | |
|---|-------------------------------|------------------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------|--|-----------|
| | Expenses - Incurred by Others | | | Valuation Adjustments | | | | |
| | Expenses ⁽¹⁾ | Accommodation Costs ⁽²⁾ | Other Services ⁽³⁾ | Legal Services ⁽⁴⁾ | Vacation Pay ⁽⁵⁾ | Doubtful Accounts | Other Costs ⁽⁶⁾ | Expenses |
| Ministry Support Services | \$ 2,124 | \$ 94 | \$ 33 | \$ 25 | \$ 107 | \$ - | \$ - | \$ 2,383 |
| Oil Sands Sustainable Development Secretariat | 2,306 | 111 | 28 | 14 | (74) | | | 2,385 |
| Corporate Internal Audit Services | 4,189 | 167 | 59 | 11 | 16 | | | 4,442 |
| Office of the Controller | 2,805 | 161 | 56 | 5 | 34 | | | 3,061 |
| Spending Management and Planning | 3,210 | 194 | 68 | 2 | (63) | | | 3,411 |
| Strategic Capital Planning | 1,620 | 87 | 30 | 40 | 13 | | | 1,790 |
| Alternative Capital Financing Office | 1,225 | 47 | 16 | 1,074 | 24 | | | 2,386 |
| Air Services | 4,912 | 197 | 54 | - | (5) | | | 5,158 |
| Corporate Human Resources | 19,276 | 835 | 508 | 37 | (139) | 2 | 74 | 20,593 |
| | \$ 41,667 | \$ 1,893 | \$ 852 | \$ 1,208 | \$ (87) | \$ 2 | \$ 74 | \$ 45,609 |

1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

2) Costs shown for Accommodation on Schedule 4, allocated by budgeted FTE count.

3) Costs shown for Other Services on Schedule 4.

4) Costs shown for Legal Services on Schedule 4 allocated by number of legal hours provided to each program.

5) Includes provision for vacation and overtime pay

6) Provision for Government of Alberta's share of the Long-Term Disability Income Continuance Plan Liability

**Long Term Disability Income Continuance Plan –
Bargaining Unit
Financial Statements
Year Ended March 31, 2009**

| | |
|---|----|
| Auditor's Report..... | 62 |
| Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits | 63 |
| Statement of Changes in Net Assets Available for Benefits | 64 |
| Notes to the Financial Statements..... | 65 |
| Schedule 1 – Schedule of Effective Net Investments in Fixed Income Securities | 81 |
| Schedule 2 – Schedule of Effective Net Investments in Canadian Equities | 82 |
| Schedule 3 – Schedule of Effective Net Investments in United States Equities..... | 83 |
| Schedule 4 – Schedule of Effective Net Investments in Non-North American Equities | 84 |
| Schedule 5 – Schedule of Investments in Real Estate..... | 85 |



Auditor's Report

To the Minister Responsible for Corporate Human Resources

I have audited the Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits of the Long Term Disability Income Continuance Plan – Bargaining Unit as at March 31, 2009 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these 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, 2009 and the Changes in its Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
June 16, 2009

**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, 2009**

| | <i>(\$ thousands)</i> | |
|--|-----------------------|-------------------|
| | 2009 | 2008 |
| Net assets available for benefits | | |
| Assets | | |
| Investments (Note 3) | \$ 103,466 | \$ 125,003 |
| Accounts receivable | 70 | 157 |
| | 103,536 | 125,160 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 381 | 556 |
| Net assets available for benefits | 103,155 | 124,604 |
| Accrued long term disability benefits (Note 6) | (136,695) | (130,923) |
| Actuarial deficiency (Note 6) | \$ (33,540) | \$ (6,319) |

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

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the year ended March 31, 2009

| | <i>(\$ thousands)</i> | |
|---|--------------------------|--------------------------|
| | 2009 | 2008 |
| Increase in assets | | |
| Contributions: | | |
| Employers | \$ 15,190 | \$ 13,036 |
| Employees | 15,171 | 13,035 |
| Net investment loss (Note 7) | | |
| Investment loss | (24,318) | (3,228) |
| Investment expenses | (511) | (547) |
| | <u>(24,829)</u> | <u>(3,775)</u> |
| | <u>5,532</u> | <u>22,296</u> |
| Decrease in assets | | |
| Benefits | 23,454 | 23,049 |
| Adjudication | 1,593 | 1,651 |
| Severance | 1,092 | 1,126 |
| Rehabilitation | 488 | 382 |
| Administration expenses | 354 | 456 |
| | <u>26,981</u> | <u>26,664</u> |
| Decrease in net assets | (21,449) | (4,368) |
| Net assets available for benefits at beginning of year | 124,604 | 128,972 |
| Net assets available for benefits at end of year | <u>\$ 103,155</u> | <u>\$ 124,604</u> |

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

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009

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 insures 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 September 1, 2008 were 1.725 per cent (2008: 1.55 per cent) of insurable salary for employers and 1.725 per cent (2008: 1.55 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. The maximum benefit payable is \$4,000 per month for each member. Reduced benefits are payable to eligible members who receive compensation from the Workers' Compensation Board or the Crimes Compensation Board, benefits under the Canada Pension Plan or any other group disability plan, vacation leave pay or employment income under a rehabilitation program. At year-end a contingent gain may exist relating to Plan members who applied for Canada Pension Plan benefits, but who have not yet been approved. If approved, an amount equal to the monthly Canada Pension Plan benefit times the number of months the person has been receiving benefits, will be recovered.

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)

c) Long Term Disability Benefits (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, and severance payments for resignation of employment subsequent to disability leave, rehabilitation expenses and administration expenses. 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.

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.

Plan investments are held in pooled investment funds administered by Alberta Investment Management Corporation. 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.

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.

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

b) Valuation Of Assets And Liabilities (continued)

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

- 1) 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 private 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 income 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 analysis.
- 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 valuers.

The fair values of accounts receivable and accounts payable 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 5) 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 and swap option contracts. 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 discount 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.

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

f) Measurement Uncertainty (continued)

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 6(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 (SCHEDULES 1 TO 5)

| | (\$ thousands) | | | |
|---|-------------------|--------------|-------------------|--------------|
| | 2009 | | 2008 | |
| | Fair Value | | Fair Value | |
| Fixed Income Securities (Schedule 1) | | | | |
| Deposit in the Consolidated Cash | | | | |
| Investment Trust Fund (a) | \$ 4,587 | 4.4 | \$ 1,316 | 1.0 |
| Universe Fixed Income Pool (b) | 23,605 | 22.8 | 33,163 | 26.5 |
| Private Mortgage Pool (c) | 5,293 | 5.1 | 5,387 | 4.3 |
| Currency Alpha Pool (d) | 222 | 0.2 | 217 | 0.2 |
| Fixed Income Overlay Strategy Pool (e) | (2,469) | (2.4) | - | - |
| Tactical Asset Allocation Pool | 69 | 0.1 | 191 | 0.2 |
| | 31,307 | 30.2 | 40,274 | 32.2 |
| Canadian Equities (Schedule 2) | | | | |
| Canadian Multi-Cap Pool (f) | 3,992 | 3.9 | 5,439 | 4.3 |
| Canadian Pooled Equities Fund (g) | 462 | 0.5 | 5,326 | 4.3 |
| Canadian Structured Equity Pool (h) | 2,818 | 2.7 | 4,111 | 3.3 |
| Canadian Equity Enhanced Index Pool (i) | 1,757 | 1.7 | 2,492 | 2.0 |
| Canadian Large Cap Equity Pool (j) | 1,293 | 1.3 | 1,814 | 1.5 |
| Growing Equity Income Pool (k) | 3,870 | 3.7 | 1,049 | 0.8 |
| Canadian Equity Overlay Strategy Pool (e) | 1,285 | 1.2 | - | - |
| | 15,477 | 15.0 | 20,231 | 16.2 |
| United States Equities (Schedule 3) | | | | |
| U.S. Structured Equity Pool (l) | 10,818 | 10.5 | 14,413 | 11.5 |
| Portable Alpha U.S. Equity Pool (m) | 4,688 | 4.5 | 5,293 | 4.3 |
| U.S. Small/Mid Cap Equity Pool (n) | 2,369 | 2.3 | 2,900 | 2.3 |
| Growing Equity Income Pool (k) | 70 | 0.1 | 283 | 0.2 |
| U.S. Overlay Strategy Pool (e) | 234 | 0.2 | - | - |
| | 18,179 | 17.6 | 22,889 | 18.3 |
| Non-North American Equities (Schedule 4) | | | | |
| EAFE Active Equity Pool (o) | 12,565 | 12.1 | 17,699 | 14.2 |
| EAFE Structured Equity Pool (p) | 3,680 | 3.6 | 4,779 | 3.8 |
| Emerging Markets Equity Pool (q) | 347 | 0.3 | 814 | 0.6 |
| EAFE Overlay Strategy Pool (e) | 1,869 | 1.8 | - | - |
| | 18,461 | 17.8 | 23,292 | 18.6 |
| Real Estate Equities (Schedule 5) | | | | |
| Private Real Estate Pool (r) | 11,158 | 10.8 | 10,441 | 8.3 |
| Foreign Private Real Estate Pool | - | - | 600 | 0.5 |
| | 11,158 | 10.8 | 11,041 | 8.8 |
| Alternative Investments - Equities | | | | |
| Absolute Return Strategy Pool (s) | 2,862 | 2.8 | 3,383 | 2.7 |
| Private Income Pool (t) | 3,997 | 3.8 | 2,201 | 1.8 |
| Foreign and Global Private Equity Pools (u) | 1,325 | 1.3 | 1,084 | 0.9 |
| Timberland Pool (v) | 700 | 0.7 | 608 | 0.5 |
| | 8,884 | 8.6 | 7,276 | 5.9 |
| Total Equities | 72,159 | 69.8 | 84,729 | 67.8 |
| Total Investments | \$ 103,466 | 100.0 | \$ 125,003 | 100.0 |

NOTE 3 INVESTMENTS (SCHEDULES 1 TO 5)

- a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.
- b) The Universe Fixed Income Pool is managed with the objective of providing competitive returns comparable to the total return of the DEX Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.
- c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Universe Bond Index over the long-term. The portfolio is comprised primarily of high quality commercial mortgage loans, provincial bond residuals and speciality mortgages. To limit investment risk, mortgage loans are restricted to first mortgage loans diversified by property usage and geographic location and a small portion of NHA insured loans.
- d) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment style and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.
- e) The Overlay Strategy Pools provide participants with a quick, effective and efficient way to gain interim exposure to a major asset class by altering the portfolio weights of broad asset classes using synthetic instruments. The asset classes that can be replicated in the overlay program include fixed income securities, Canadian equities, U.S equities, EAFE (Europe, Australasia and Far East) equities, major foreign currencies and style and sectors. At March 31, 2009 the overlay strategy pools consisted of cash and cash equivalents which support approximately 5 per cent to 10 per cent of the Pool's notional exposure through futures and swap contracts.
- f) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is comprised of investments in the External Managers Canadian Multi-Cap Pool. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four- year period. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- g) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

NOTE 3 INVESTMENTS (SCHEDULES 1 TO 5) (continued)

- h) The Canadian Structured Equity Pool is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- i) The Canadian Equity Enhanced Index Pool consists of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.
- j) The Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities, which are actively managed by an external manager with expertise in the Canadian large cap equity markets. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.
- k) The Growing Equity Income Pool is managed with the objective of providing a steady and growing stream of dividend income by investing in mature companies with strong financial characteristics and growing distributions. Risk is reduced by holding established well-capitalized companies. The performance of the pool is measured against the total return of the S&P/TSX Composite Index.
- l) The U.S. Structured Equity Pool is passively managed. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pool utilizes synthetic replication through futures, swaps and structured investments to obtain exposure to the benchmark. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- m) The Portable Alpha U.S. Equity Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the total return of the S&P 500 Index over a four-year period.
- n) The U.S. Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities actively managed by an external manager with expertise in the U.S. small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility.
- o) The EAFE Active Equity Pool consists of multiple portfolios of publicly traded Non-North American equities. Portfolios are actively managed with European and Pacific Basin mandates. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.

NOTE 3 INVESTMENTS (SCHEDULES 1 TO 5) (continued)

- p) The EAFE Structured Equity Pool's performance objective is to provide returns comparable to the total return of the MSCI EAFE Index over a four-year period. The pool provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- q) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.
- r) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long-term. Real estate is held through intermediary companies which have issued to the pool 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. The pool is intended to provide diversification from the securities market.
- s) The Absolute Return Strategy Pool is managed with the objective of providing investment returns comparable to the HFRX Global Investable Index. The pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.
- t) The Private Income Pool is managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6 per cent over the long-term. The pool invests in infrastructure related projects that are structured to provide high current income.
- u) The Foreign Private Equity Pool (FP05) and the Global Private Equity Pool (GP07 and GP08) are managed with the objective of providing investment returns higher than the Consumer Price Index (CPI) plus 8.0 per cent. Private equity investments are held in institutionally sponsored private equity pools. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool.
- v) The Timberland Pool provides high current income and long investment horizons. The timberland investment is a partnership interest in forestry land and land held for higher and better use located in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0 per cent.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

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

| | |
|-----------------------------|-------|
| Fixed income securities | 27.0% |
| Canadian equities | 17.0% |
| U.S. equities | 19.0% |
| Non-North American equities | 19.0% |
| Real estate | 8.0% |
| Absolute return strategies | 3.0% |
| Private income | 3.0% |
| Private equities | 2.0% |
| Timberlands | 2.0% |

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating interest rate cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counter party to a second counter party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of the specified index.

Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2009:

| | % (thousands) | | | (thousands) | | | |
|------------------------------------|---------------|--------------|--------------|-------------------|--------------------|-------------------|--------------------|
| | Maturity | | | 2009 | | 2008 | |
| | Under 1 Year | 1 to 3 Years | Over 3 Years | Notional Amount | Net Fair Value (a) | Notional Amount | Net Fair Value (a) |
| Equity index swap contracts | 100 | - | - | \$ 25,466 | \$ 76 | \$ 29,958 | \$ 78 |
| Cross-currency interest rate swaps | 38 | 39 | 23 | 7,234 | (274) | 7,749 | 29 |
| Interest rate swap contracts | 15 | 50 | 35 | 9,197 | (487) | 19,501 | (196) |
| Credit default swap contracts | 4 | 56 | 40 | 38,393 | (662) | 36,508 | (239) |
| Bond index swap contracts | 100 | - | - | 1,163 | 9 | 3,547 | 199 |
| Futures contracts | 100 | - | - | 8,799 | 1,350 | 5,629 | 192 |
| Forward foreign exchange contracts | 100 | - | - | 15,514 | (447) | 17,870 | (266) |
| Swap option contracts | - | - | - | - | - | 17,874 | 7 |
| | | | | \$ 105,766 | \$ (435) | \$ 138,636 | \$ (196) |

NOTE 5 DERIVATIVE CONTRACTS (continued)

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

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 position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6 ACCRUED LONG TERM DISABILITY BENEFITS

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2008 by Johnson Inc. and was then extrapolated to March 31, 2009. The 2009 extrapolation resulted in an actuarial deficiency of \$33,540 (2008 deficiency of \$6,319) 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, 2009 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:

| | % | |
|--|---------------|-----------|
| | 2009 | 2008 |
| | Extrapolation | Valuation |
| Interest discount rate | 6.5 | 6.5 |
| 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 adjudication practices and claims termination experience respecting disability definition specific to this Plan based on quinquennial study of termination experience as at June 30, 2007.

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 6.5 per cent.

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.

NOTE 6 ACCRUED LONG TERM DISABILITY BENEFITS (continued)**a) Actuarial Valuation** (continued)

Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 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) | |
|---|-------------------|-------------------|
| | 2009 | 2008 |
| Accrued Long Term Disability Benefits at beginning of year | \$ 130,923 | \$ 128,819 |
| Interest accrued on benefits | 8,510 | 8,373 |
| Economic adjustment to benefits | - | 1,950 |
| Net experience (gains) losses | (7,629) | (12,391) |
| New claims | 30,782 | 30,517 |
| Terminations | (25,891) | (26,345) |
| Accrued Long Term Disability Benefits at end of year | \$ 136,695 | \$ 130,923 |

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 December 31, 2008 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 \$3.5 million.

NOTE 7 NET INVESTMENT LOSS

a) Net investment loss is comprised of the following:

| | (\$ thousands) | |
|--|-----------------|----------------|
| | 2009 | 2008 |
| Investment income (loss) | | |
| Net realized and unrealized loss on investments including those arising from derivative transactions | \$ (29,049) | \$ (8,183) |
| Interest income | 2,700 | 3,215 |
| Dividend income | 1,443 | 1,259 |
| Real estate income | 530 | 436 |
| Securities lending income | 58 | 45 |
| | (24,318) | (3,228) |
| Investment expenses (see Note 7(b)) | (511) | (547) |
| | (24,829) | (3,775) |

NOTE 7 NET INVESTMENT LOSS (continued)

a) (continued)

The following is a summary of the Plan's proportionate share of net investment (loss) income by type of investments:

| | (\$ thousands) | |
|----------------------------|--------------------|-------------------|
| | 2009 | 2008 |
| Fixed Income Securities | \$ (1,372) | \$ 1,358 |
| Canadian Equities | (6,694) | 636 |
| Foreign Equities | | |
| United States | (7,245) | (4,534) |
| Non-North American | (8,812) | (3,071) |
| Real Estate | 485 | 1,613 |
| Alternative Investments | | |
| Absolute return strategies | (885) | 30 |
| Timberland | (53) | 36 |
| Private income | 24 | 148 |
| Private equities | (277) | 9 |
| | \$ (24,829) | \$ (3,775) |

b) Investment expenses:

| | (\$ thousands) | |
|-------------------------------------|----------------|--------|
| | 2009 | 2008 |
| Investment expenses | \$ 511 | \$ 547 |
| Percent of net assets at fair value | 0.50% | 0.44% |

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 by Alberta Investment Management Corporation 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. Alberta Finance and Enterprise provides investment accounting and reporting for the Plan and treasury management services.

c) The Plan uses the time-weighted rate of return based on market values to measure performance. 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 or losses (realized and unrealized), net of investment expenses.

NOTE 7 NET INVESTMENT LOSS (continued)

c) (continued)

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns for the Plan for the one-year and eight-year periods ended March 31, 2009 are as follows:

| | One Year Return 2009 | 8 Year Compound Annualized Return |
|---|-------------------------------------|--|
| Time-weighted rates of return (in percent) | | |
| Overall | (19.9) | 2.3 |
| Policy Benchmark | (15.8) | 2.6 |
| Value lost from active management | (4.1) | (0.3) |
| Short-term fixed income | 3.0 | 3.9 |
| DEX 91-Day T-Bill Index | 2.4 | 3.2 |
| Value added from active management | 0.6 | 0.7 |
| Long-term fixed income | (3.7) | 5.4 |
| DEX Universe Bond Index | 4.9 | 6.4 |
| Value lost from active management | (8.6) | (1.0) |
| Canadian equities | (33.1) | 3.7 |
| S&P/TSX Composite Index | (32.4) | 4.0 |
| Value lost from active management | (0.7) | (0.3) |
| United States equities | (30.2) | (6.6) |
| Standard & Poor's 1500 Index | (23.9) | (5.3) |
| Value lost from active management | (6.3) | (1.3) |
| Non-North American equities | (36.8) | (2.5) |
| MSCI EAFE Index | (34.4) | (2.9) |
| Value (lost) added from active management | (2.4) | 0.4 |
| Real Estate | 4.6 | 13.2 |
| IPD Large Institutional All Property Index | 1.6 | 10.6 |
| Value added from active management | 3.0 | 2.6 |
| Private equity | (18.1) | n/a |
| Consumer Price Index (CPI) plus 8.0% | 9.4 | n/a |
| Value lost from active management | (27.5) | n/a |
| Absolute return strategies | (23.8) | n/a |
| HFRX Global Hedge Index | (21.7) | n/a |
| Value lost from active management | (2.1) | n/a |
| Private income | 0.9 | n/a |
| Consumer Price Index (CPI) plus 6.0% | 7.4 | n/a |
| Value lost from active management | (6.5) | n/a |
| Timberland | (7.4) | n/a |
| Consumer Price Index (CPI) plus 4.0% | 5.4 | n/a |
| Value lost from active management | (12.8) | n/a |

The current sector benchmark indices are as of March 31, 2009. Benchmark indices may have been different in prior years, therefore the benchmark returns may be a blend of different indices.

NOTE 8 CONTINGENT LIABILITIES

At March 31, 2009 the Plan was named as defendant in two (2008: none) legal claims relating to long term disability benefits. One claim has no specified amount. The other claim has a specified amount totalling \$267 and the Plan is jointly named with another entity. The resulting loss, if any, from these claims cannot be determined. These claims are not covered by Alberta Risk Management Fund.

NOTE 9 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2009 presentation.

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.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN FIXED INCOME SECURITIES
As at March 31, 2009

| | Plan's Share | |
|--|------------------|------------------|
| | (\$ thousands) | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 5,927 | \$ 2,133 |
| Fixed Income Securities (a) (b) | | |
| Government of Canada, direct and guaranteed | 1,616 | 7,687 |
| Alberta, direct | 6 | 11 |
| Other provinces, direct and guaranteed | 3,715 | 4,640 |
| Municipal | 2 | 2 |
| Corporate, public and private | 20,415 | 25,515 |
| | 25,754 | 37,855 |
| Receivable from sale of investments and accrued investment income | 304 | 661 |
| Accounts payable and accrued liabilities | (678) | (375) |
| | (374) | 286 |
| | \$ 31,307 | \$ 40,274 |

- a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Government of Canada bonds includes the notional amount of Canada bond futures contracts totalling \$2,906 (2008: \$nil).
- b) Fixed income securities held as at March 31, 2009 have an average effective market yield of 7.0 per cent per annum (2008: 5.0 per cent per annum) and the following term structure based on principal amount:

| | % | |
|----------------|------------|------------|
| | 2009 | 2008 |
| Under 1 year | 6 | 4 |
| 1 to 5 years | 38 | 30 |
| 6 to 10 years | 25 | 37 |
| 11 to 20 years | 15 | 10 |
| over 20 years | 16 | 19 |
| | 100 | 100 |

SCHEDULE 2

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN CANADIAN EQUITIES

As at March 31, 2009

| | Plan's Share | |
|--|------------------|------------------|
| | (\$ thousands) | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 482 | \$ 460 |
| Public Equities (a) (b) | | |
| Consumer discretionary | 722 | 997 |
| Consumer staples | 620 | 461 |
| Energy | 3,883 | 5,348 |
| Financials | 4,099 | 5,493 |
| Health care | 57 | 29 |
| Industrials | 902 | 1,056 |
| Information technology | 515 | 952 |
| Materials | 2,702 | 3,375 |
| Telecommunication services | 839 | 1,100 |
| Utilities | 228 | 168 |
| | 14,567 | 18,979 |
| Pooled investment funds | 343 | 807 |
| Receivable from sale of investments and accrued investment income | 108 | 119 |
| Accounts payable and accrued liabilities | (23) | (134) |
| | 85 | (15) |
| | \$ 15,477 | \$ 20,231 |

- (a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of Canadian equity index swap contracts and equity index futures contracts totalling \$9,844 (2008: \$7,038).
- (b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

SCHEDULE 3

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN UNITED STATES EQUITIES**

As at March 31, 2009

| | Plan's Share | |
|--|------------------|------------------|
| | (\$ thousands) | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 153 | \$ 668 |
| Public Equities (a) (b) | | |
| Consumer discretionary | 1,641 | 2,148 |
| Consumer staples | 2,114 | 2,315 |
| Energy | 2,162 | 2,906 |
| Financial | 2,167 | 3,911 |
| Health care | 2,771 | 2,705 |
| Industrials | 1,867 | 2,945 |
| Information technology | 3,268 | 3,615 |
| Materials | 680 | 983 |
| Telecommunications services | 655 | 728 |
| Utilities | 822 | 885 |
| | 18,147 | 23,141 |
| Pooled investment funds | 38 | 45 |
| Receivable from sale of investments and accrued investment income | 102 | 108 |
| Accounts payable and accrued liabilities | (261) | (1,073) |
| | (159) | (965) |
| | \$ 18,179 | \$ 22,889 |

- (a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in U.S. public equities includes the notional amount of U.S. equity index swap contracts and equity index futures contracts totalling \$15,789 (2008: \$16,970).
- (b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

As at March 31, 2009

| | Plan's Share | |
|--|-----------------------|------------------|
| | <i>(\$ thousands)</i> | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 482 | \$ 422 |
| Public Equities (a) (b) | | |
| Consumer discretionary | 1,775 | 2,469 |
| Consumer staples | 1,964 | 1,980 |
| Energy | 1,854 | 1,936 |
| Financial | 3,591 | 4,694 |
| Health care | 1,829 | 1,637 |
| Industrials | 1,977 | 3,249 |
| Information technology | 1,154 | 1,372 |
| Materials | 1,317 | 2,157 |
| Telecommunications services | 1,556 | 1,766 |
| Utilities | 883 | 1,255 |
| | 17,900 | 22,515 |
| Emerging markets equity funds | 169 | 451 |
| | 18,069 | 22,966 |
| Receivable from sale of investments and accrued investment income | 394 | 339 |
| Accounts payable and accrued liabilities | (484) | (435) |
| | (90) | (96) |
| | \$ 18,461 | \$ 23,292 |

- a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in non-North American public equities includes the notional amount of EAFE equity index swap contracts and equity index futures contracts totalling \$5,594 (2008: \$5,182).
- b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's. Public equities by geographic location are as follows:

| | Plan's Share | |
|----------------|-----------------------|------------------|
| | <i>(\$ thousands)</i> | |
| | 2009 | 2008 |
| Japan | \$ 4,049 | \$ 4,778 |
| United Kingdom | 3,674 | 5,055 |
| France | 2,036 | 2,718 |
| Germany | 1,412 | 1,928 |
| Switzerland | 1,364 | 1,342 |
| Australia | 1,013 | 937 |
| Spain | 735 | 996 |
| Netherlands | 566 | 1,166 |
| Italy | 563 | 790 |
| Hong Kong | 371 | 424 |
| Other | 2,286 | 2,832 |
| | \$ 18,069 | \$ 22,966 |

LONG TERM DISABILITY INCOME CONTINUANCE PLAN – BARGAINING UNIT
SCHEDULE OF INVESTMENTS IN REAL ESTATE

As at March 31, 2009

| | Plan's Share | |
|---|-----------------------|------------------|
| | <i>(\$ thousands)</i> | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 67 | \$ 14 |
| Real Estate (a) | | |
| Office | 4,986 | 4,649 |
| Retail | 3,222 | 3,260 |
| Industrial | 1,776 | 1,547 |
| Residential | 633 | 589 |
| | 10,617 | 10,045 |
| Foreign Private Equity Pool | - | 600 |
| Participation units | 398 | 377 |
| Accrued income and accounts receivable | 76 | 5 |
| | \$ 11,158 | \$ 11,041 |

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

| | Plan's Share | |
|------------------|-----------------------|------------------|
| | <i>(\$ thousands)</i> | |
| | 2009 | 2008 |
| Ontario | \$ 5,396 | \$ 5,394 |
| Alberta | 4,063 | 3,579 |
| Quebec | 928 | 856 |
| British Columbia | 230 | 216 |
| | \$ 10,617 | \$ 10,045 |

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

Financial Statements

Year Ended March 31, 2009

| | |
|---|-----|
| Auditor's Report..... | 87 |
| Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits | 88 |
| Statement of Changes in Net Assets Available for Benefits | 89 |
| Notes to the Financial Statements..... | 90 |
| Schedule 1 – Schedule of Effective Net Investments in Fixed Income Securities.... | 106 |
| Schedule 2 – Schedule of Effective Net Investments in Canadian Equities..... | 107 |
| Schedule 3 – Schedule of Effective Net Investments in United States Equities..... | 108 |
| Schedule 4 – Schedule of Effective Net Investments in Non-North American Equities..... | 109 |
| Schedule 5 – Schedule of Investments in Real Estate..... | 110 |



Auditor's Report

To the Minister Responsible for Corporate Human Resources

I have audited the Statement of Net Assets Available for Benefits and Accrued Long Term Disability Benefits of the Long Term Disability Income Continuance Plan—Management, Opted Out and Excluded as at March 31, 2009 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these 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, 2009 and the Changes in its Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
June 16, 2009

**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, 2009**

| | <i>(\$ thousands)</i> | |
|--|-----------------------|-----------------|
| | 2009 | 2008 |
| Net assets available for benefits | | |
| Assets | | |
| Investments (Note 3) | \$ 35,835 | \$ 42,536 |
| Accounts receivable | 38 | 36 |
| | 35,873 | 42,572 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 118 | 130 |
| Net assets available for benefits | 35,755 | 42,442 |
| Accrued long term disability benefits (Note 6) | (36,806) | (34,568) |
| Actuarial (deficiency) surplus (Note 6) | \$ (1,051) | \$ 7,874 |

The accompanying notes and schedules 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
For the year ended March 31, 2009**

| | <i>(\$ thousands)</i> | |
|---|-----------------------|------------------|
| | 2009 | 2008 |
| Increase in assets | | |
| Employer contributions | \$ 9,756 | \$ 9,360 |
| Net investment loss (Note 7) | | |
| Investment loss | (8,572) | (1,085) |
| Investment expenses | (172) | (204) |
| | (8,744) | (1,289) |
| | 1,012 | 8,071 |
| Decrease in assets | | |
| Benefits | 7,142 | 6,101 |
| Adjudication | 212 | 190 |
| Rehabilitation | 82 | 44 |
| Severance | 213 | 225 |
| Administration expenses | 50 | 54 |
| | 7,699 | 6,614 |
| (Decrease) increase in net assets | (6,687) | 1,457 |
| Net assets available for benefits at beginning of year | 42,442 | 40,985 |
| Net assets available for benefits at end of year | \$ 35,755 | \$ 42,442 |

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

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009**

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 insures income continuance of eligible Government of Alberta Management, Opted Out and Excluded employees, members of the Legislative Assembly, full-time Justice of the Peace and Provincial Judges. Employees included in an Alberta Union of Provincial Employee's bargaining unit are covered under a separate Plan.

b) Funding Policy

Long term disability benefits are funded by employer and Government of Alberta contributions at a rate which is expected to provide for all benefits payable under the Plan. The rate in effect at March 31, 2009 was 1.5 per cent (2008: 1.7 per cent) of insurable salary for employers and the Government of Alberta, and 2.05 per cent (2008: 2.05 per cent) for Provincial Judges. 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.

Any deficiencies incurred by the Plan are to be funded by increasing employer contributions.

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 or the Crimes Compensation Board, benefits under the Canada Pension Plan or any other group disability plan, vacation leave pay or employment income under a rehabilitation program. At year-end a contingent gain may exist relating to Plan members who applied for Canada Pension Plan benefits, but who have not yet been approved. If approved, an amount equal to the monthly Canada Pension Plan benefit times the number of months the person has been receiving benefits will be recovered.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

c) Long Term Disability Benefits (continued)

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

Benefits terminate upon the earliest of the date the member resigns or is gainfully employed or is no longer disabled, three months after the adjudicator declares the member is suitable for gainful employment, or the date the member attains age 65 and is eligible for an unreduced public service pension. For Judges and full-time Justices of 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, rehabilitation expenses, adjudication fees, severance payments for resignation of employment subsequent to disability leave if any, and administration expenses. 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.

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.

Plan investments are held in pooled investment funds administered by Alberta Investment Management Corporation. 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.

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

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.

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

- i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or average of the latest bid and ask prices quoted by an independent securities valuation company.
- ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- iii) The fair value of private 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 income 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 valuers.

The fair values of accounts receivable and accounts payable 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.

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

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 5) 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 and swap option contracts. 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 discount 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

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

f) Measurement Uncertainty (continued)

- 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 6(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 (SCHEDULES 1 TO 5)

(\$ thousands)

| | 2009 | | 2008 | |
|---|------------------|--------------|------------------|--------------|
| | Fair Value | | Fair Value | |
| Fixed Income Securities (Schedule 1) | | | | |
| Deposit in the Consolidated Cash | | | | |
| Investment Trust Fund (a) | \$ 1,297 | 3.6 | \$ 1,249 | 2.9 |
| Universe Fixed Income Pool (b) | 8,564 | 23.9 | 11,664 | 27.4 |
| Private Mortgage Pool (c) | 1,743 | 4.8 | 1,661 | 3.9 |
| Currency Alpha Pool (d) | 67 | 0.2 | 65 | 0.2 |
| Fixed Income Overlay Strategy Pool (e) | (854) | (2.4) | - | - |
| Tactical Asset Allocation Pool | 23 | 0.1 | 61 | 0.2 |
| | 10,840 | 30.2 | 14,700 | 34.6 |
| Canadian Equities (Schedule 2) | | | | |
| Canadian Multi-Cap Pool (f) | 1,464 | 4.1 | 1,816 | 4.3 |
| Canadian Pooled Equities Fund (g) | 183 | 0.5 | 1,715 | 4.0 |
| Canadian Structured Equity Pool (h) | 1,072 | 3.0 | 1,372 | 3.2 |
| Canadian Equity Enhanced Index Pool (i) | 627 | 1.8 | 860 | 2.0 |
| Canadian Large Cap Equity Pool (j) | 445 | 1.2 | 624 | 1.5 |
| Growing Equity Income Pool (k) | 1,503 | 4.2 | 375 | 0.9 |
| Canadia Equity Overlay Strategy Pool (e) | 445 | 1.2 | - | - |
| | 5,739 | 16.0 | 6,762 | 15.9 |
| United States Equities (Schedule 3) | | | | |
| U.S. Structured Equity Pool (l) | 3,824 | 10.7 | 4,975 | 11.7 |
| Portable Alpha U.S. Equity Pool (m) | 1,641 | 4.6 | 1,762 | 4.2 |
| U.S. Small/Mid Cap Equity Pool (n) | 737 | 2.0 | 903 | 2.1 |
| Growing Equity Income Pool (k) | 28 | 0.1 | 101 | 0.2 |
| U.S. Overlay Strategy Pool (e) | 81 | 0.2 | - | - |
| | 6,311 | 17.6 | 7,741 | 18.2 |
| Non-North American Equities (Schedule 4) | | | | |
| EAFE Active Equity Pool (o) | 4,529 | 12.7 | 5,933 | 14.0 |
| EAFE Structured Equity Pool (p) | 1,285 | 3.6 | 1,503 | 3.5 |
| Emerging Markets Equity Pool (q) | 120 | 0.3 | 264 | 0.6 |
| EAFE Overlay Strategy Pool (e) | 647 | 1.8 | - | - |
| | 6,581 | 18.4 | 7,700 | 18.1 |
| Real Estate Equities (Schedule 5) | | | | |
| Private Real Estate Pool (r) | 3,751 | 10.5 | 3,356 | 7.9 |
| Foreign Private Real Estate Pool | - | - | 144 | 0.3 |
| | 3,751 | 10.5 | 3,500 | 8.2 |
| Alternative investments - Equities | | | | |
| Absolute Return Strategy Pool (s) | 994 | 2.8 | 1,109 | 2.6 |
| Private Income Pool (t) | 1,114 | 3.1 | 612 | 1.4 |
| Foreign and Global Private Equity Pools (u) | 319 | 0.9 | 250 | 0.6 |
| Timberland Pool (v) | 186 | 0.5 | 162 | 0.4 |
| | 2,613 | 7.3 | 2,133 | 5.0 |
| Total Equities | 24,995 | 69.8 | 27,836 | 65.4 |
| Total Investments | \$ 35,835 | 100.0 | \$ 42,536 | 100.0 |

NOTE 3 INVESTMENTS (SCHEDULES 1 TO 5) (continued)

- a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.
- b) The Universe Fixed Income Pool is managed with the objective of providing competitive returns comparable to the total return of the DEX Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.
- c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Universe Bond Index over the long term. The portfolio is comprised primarily of high quality commercial mortgage loans, provincial bond residuals and speciality mortgages. To limit investment risk, mortgage loans are restricted to first mortgage loans diversified by property usage and geographic location and a small portion of NHA insured loans.
- d) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment style and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.
- e) The Overlay Strategy Pools provide participants with a quick, effective and efficient way to gain interim exposure to a major asset class by altering the portfolio weights of broad asset classes using synthetic instruments. The asset classes that can be replicated in the overlay program include fixed income securities, Canadian equities, U.S equities, EAFE (Europe, Australasia and Far East) equities, major foreign currencies and style and sectors. At March 31, 2009 the overlay strategy pools consisted of cash and cash equivalents which support approximately 5 per cent to 10 per cent of the Pool's notional exposure through futures and swap contracts.
- f) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is comprised of investments in the External Managers Canadian Multi-Cap Pool. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- g) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.
- h) The Canadian Structured Equity Pool is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

NOTE 3 INVESTMENTS (Schedules 1 to 5) (continued)

- i) The Canadian Equity Enhanced Index Pool consists of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.
- j) The Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities, which are actively managed by an external manager with expertise in the Canadian large cap equity markets. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.
- k) The Growing Equity Income Pool is managed with the objective of providing a steady and growing stream of dividend income by investing in mature companies with strong financial characteristics and growing distributions. Risk is reduced by holding established well-capitalized companies. The performance of the pool is measured against the total return of the S&P/TSX Composite Index.
- l) The U.S. Structured Equity Pool is passively managed. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pool utilizes synthetic replication through futures, swaps and structured investments to obtain exposure to the benchmark. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- m) The Portable Alpha U.S. Equity Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the total return of the S&P 500 Index over a four-year period.
- n) The U.S. Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities actively managed by an external manager with expertise in the U.S. small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility.
- o) The EAFE Active Equity Pool consists of multiple portfolios of publicly traded Non-North American equities. Portfolios are actively managed with European and Pacific Basin mandates. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.
- p) The EAFE Structured Equity Pool's performance objective is to provide returns comparable to the total return of the MSCI EAFE Index over a four year period. The pool provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.
- q) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.

NOTE 3 INVESTMENTS (SCHEDULES 1 TO 5) (continued)

- r) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long-term. Real estate is held through intermediary companies which have issued to the pool, 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. The pool is intended to provide diversification from the securities market.
- s) The Absolute Return Strategy Pool is managed with the objective of providing investment returns comparable to the HFRX Global Investable Index. The pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.
- t) The Private Income Pool is managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6 per cent over the long-term. The pool invests in infrastructure related projects that are structured to provide high current income.
- u) The Foreign Private Equity Pool (FP05) and the Global Private Equity Pool (GP07 and GP08) are managed with the objective of providing investment returns higher than the Consumer Price Index (CPI) plus 8.0 per cent. Private equity investments are held in institutionally sponsored private equity pools. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool.
- v) The Timberland Pool provides high current income and long investment horizons. The timberland investment is a partnership interest in forestry land and land held for higher and better use located in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0 per cent.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

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

| | |
|-----------------------------|-------|
| Fixed income securities | 27.0% |
| Canadian equities | 17.0% |
| U.S. equities | 19.0% |
| Non-North American equities | 19.0% |
| Real estate | 8.0% |
| Absolute return strategies | 3.0% |
| Private income | 3.0% |
| Private equities | 2.0% |
| Timberlands | 2.0% |

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating interest rate cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counter party to a second counter party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of the specified index.

Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2009:

| | % Maturity | | | (\$ thousands) | | | |
|------------------------------------|--------------|--------------|--------------|------------------|--------------------|------------------|--------------------|
| | Under 1 Year | 1 to 3 Years | Over 3 Years | 2009 | | 2008 | |
| | | | | Notional Amount | Net Fair Value (a) | Notional Amount | Net Fair Value (a) |
| Equity index swap contracts | 100 | - | - | \$ 9,049 | \$ 29 | \$ 10,028 | \$ 24 |
| Cross-currency interest rate swaps | 38 | 39 | 23 | 2,580 | (98) | 2,646 | 8 |
| Interest rate swap contracts | 15 | 50 | 35 | 3,313 | (175) | 6,746 | (66) |
| Credit default swap contracts | 4 | 56 | 40 | 13,922 | (239) | 12,807 | (83) |
| Bond index swap contracts | 100 | - | - | 422 | 3 | 1,229 | 68 |
| Future contracts | 100 | - | - | 3,219 | 500 | 1,890 | 63 |
| Forward foreign exchange contracts | 100 | - | - | 4,723 | (139) | 5,434 | (78) |
| Swap option contracts | - | - | - | - | - | 6,287 | 2 |
| | | | | <u>\$ 37,228</u> | <u>\$ (119)</u> | <u>\$ 47,067</u> | <u>\$ (62)</u> |

NOTE 5 DERIVATIVE CONTRACTS (continued)

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

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 position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6 ACCRUED LONG TERM DISABILITY BENEFITS

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2008 by Johnson Inc. and was then extrapolated to March 31, 2009. The 2009 extrapolation resulted in an actuarial deficiency of \$1,051 (2008: surplus \$7,874) 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, 2009 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:

| | % | |
|--|-----------------------|-------------------|
| | 2009 Extrapolation | 2008 Valuation |
| Interest discount rate | 6.5 | 6.5 |
| 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 adjudication practices and claims termination experience respecting disability definition specific to this Plan based on quinquennial study of termination experience as at June 30, 2007.

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 6.5 per cent.

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 of premiums was appropriate for estimating the reserve amount.

NOTE 6 ACCRUED LONG TERM DISABILITY BENEFITS (continued)**a) Actuarial Valuation (continued)**

The following schedule shows the principal components of the change in the value of accrued long term disability benefits:

| | (\$ thousands) | |
|---|------------------|------------------|
| | 2009 | 2008 |
| Accrued Long Term Disability Benefits at beginning of year | \$ 34,568 | \$ 30,837 |
| Interest accrued on benefits | 2,247 | 2,004 |
| Change in claims termination rates | - | 200 |
| Net experience gains | (2,357) | (1,848) |
| New claims | 9,385 | 9,572 |
| Terminations | (7,037) | (6,197) |
| Accrued Long Term Disability Benefits at end of year | \$ 36,806 | \$ 34,568 |

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 December 31, 2008 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 \$0.8 million.

NOTE 7 NET INVESTMENT LOSS

a) Net investment loss is comprised of the following:

| | (\$ thousands) | |
|--|-------------------|-------------------|
| | 2009 | 2008 |
| Investment income (loss) | | |
| Net realized and unrealized loss on investments including those arising from derivative transactions | \$ (10,229) | \$ (2,716) |
| Interest income | 959 | 1,076 |
| Dividend income | 499 | 401 |
| Real estate income | 179 | 139 |
| Securities lending income | 20 | 15 |
| | (8,572) | (1,085) |
| Investment expenses (see Note 7(b)) | (172) | (204) |
| | \$ (8,744) | \$ (1,289) |

NOTE 7 NET INVESTMENT LOSS (continued)

a) (continued)

The following is a summary of the Plan's proportionate share of net investment (loss) income by type of investments:

| | (\$ thousands) | |
|----------------------------|-------------------|-------------------|
| | 2009 | 2008 |
| Fixed Income Securities | \$ (481) | \$ 460 |
| Canadian Equities | (2,397) | 159 |
| Foreign Equities | | |
| United States | (2,543) | (1,475) |
| Non-North American | (3,110) | (1,002) |
| Real Estate | 162 | 511 |
| Alternative Investments | | |
| Absolute return strategies | (305) | 7 |
| Timberland | (14) | 10 |
| Private income | 6 | 41 |
| Private equities | (62) | - |
| | \$ (8,744) | \$ (1,289) |

b) Investment expenses:

| | (\$ thousands) | |
|-------------------------------------|----------------|--------|
| | 2009 | 2008 |
| Investment expenses | \$ 172 | \$ 204 |
| Percent of net assets at fair value | 0.50% | 0.48% |

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 by Alberta Investment Management Corporation 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. Finance and Enterprise provides investment accounting and reporting for the Plan and treasury management services.

c) The Plan uses the time-weighted rate of return based on market values to measure performance. 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 or losses (realized and unrealized), net of investment expenses.

NOTE 7 NET INVESTMENT LOSS (continued)

c) (continued)

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns for the Plan for the one-year and eight-year periods ended March 31, 2009 are as follows:

| | One Year Return 2009 | 8 Year Compound Annualized Return |
|---|-------------------------------------|--|
| Time-weighted rates of return (in percent) | | |
| Overall | (20.2) | 2.2 |
| Policy Benchmark | (15.8) | 2.6 |
| Value lost from active management | (4.4) | (0.4) |
| Short-term fixed income | 3.1 | 3.8 |
| <i>DEX 91-Day T-Bill Index</i> | 2.4 | 3.2 |
| Value added from active management | 0.7 | 0.6 |
| Long-term fixed income | (3.8) | 5.4 |
| <i>DEX Universe Bond Index</i> | 4.9 | 6.4 |
| Value lost from active management | (8.7) | (1.0) |
| Canadian equities | (33.1) | 3.6 |
| <i>S&P/TSX Composite Index</i> | (32.4) | 4.0 |
| Value lost from active management | (0.7) | (0.4) |
| United States equities | (30.4) | (6.6) |
| <i>Standard & Poor's 1500 Index</i> | (23.9) | (5.3) |
| Value lost from active management | (6.5) | (1.3) |
| Non-North American equities | (36.7) | (2.5) |
| <i>MSCI EAFE Index</i> | (34.4) | (2.9) |
| Value (lost) added from active management | (2.3) | 0.4 |
| Real Estate | 4.7 | 13.3 |
| <i>IPD Large Institutional All Property Index</i> | 1.6 | 10.6 |
| Value added from active management | 3.1 | 2.7 |
| Private equity | (16.8) | n/a |
| <i>Consumer Price Index (CPI) plus 8.0%</i> | 9.4 | n/a |
| Value lost from active management | (26.2) | n/a |
| Absolute return strategies | (23.8) | n/a |
| <i>HFRX Global Hedge Index</i> | (21.7) | n/a |
| Value lost from active management | (2.1) | n/a |
| Private income | 0.9 | n/a |
| <i>Consumer Price Index (CPI) plus 6.0%</i> | 7.4 | n/a |
| Value lost from active management | (6.5) | n/a |
| Timberland | (7.4) | n/a |
| <i>Consumer Price Index (CPI) plus 4.0%</i> | 5.4 | n/a |
| Value lost from active management | (12.8) | n/a |

NOTE 7 NET INVESTMENT LOSS (continued)

c) (continued)

The current sector benchmark indices are as of March 31, 2009. Benchmark indices may have been different in prior years, therefore the benchmark returns may be a blend of different indices.

NOTE 8 CONTINGENT LIABILITIES

There are no contingent liabilities to report as at March 31, 2009 (2008: \$nil).

NOTE 9 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2009 presentation.

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.

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN FIXED INCOME SECURITIES
As at March 31, 2009**

| | Plan's Share | |
|--|------------------|------------------|
| | (\$ thousands) | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 1,758 | \$ 1,520 |
| Fixed Income Securities (a) (b) | | |
| Government of Canada, direct and guaranteed | 636 | 2,703 |
| Alberta, direct | 2 | 4 |
| Other provinces, direct and guaranteed | 1,339 | 1,619 |
| Municipal | 1 | 1 |
| Corporate, public and private | 7,239 | 8,753 |
| | 9,217 | 13,080 |
| Receivable from sale of investments and accrued investment income | 109 | 231 |
| Accounts payable and accrued liabilities | (244) | (131) |
| | (135) | 100 |
| | \$ 10,840 | \$ 14,700 |

- a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Government of Canada bonds includes the notional amount of Canada bond futures contracts totalling \$1,005 (2008: \$nil).
- b) Fixed income securities held as at March 31, 2009 have an average effective market yield of 7.0 per cent per annum (2008: 5.0 per cent per annum) and the following term structure based on principal amount:

| | % | |
|----------------|------------|------------|
| | 2009 | 2008 |
| Under 1 year | 6 | 4 |
| 1 to 5 years | 37 | 29 |
| 6 to 10 years | 25 | 38 |
| 11 to 20 years | 16 | 11 |
| Over 20 years | 16 | 18 |
| | 100 | 100 |

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN CANADIAN EQUITIES
As at March 31, 2009**

| | Plan's Share | |
|--|-----------------|-----------------|
| | (\$ thousands) | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 169 | \$ 154 |
| Public Equities (a) (b) | | |
| Consumer discretionary | 266 | 333 |
| Consumer staples | 232 | 154 |
| Energy | 1,443 | 1,784 |
| Financials | 1,527 | 1,835 |
| Health care | 21 | 10 |
| Industrials | 334 | 355 |
| Information technology | 191 | 316 |
| Materials | 1,005 | 1,124 |
| Telecommunication services | 312 | 367 |
| Utilities | 85 | 57 |
| | 5,416 | 6,335 |
| Pooled investment fund | 122 | 278 |
| Receivable from sale of investments and accrued investment income | 41 | 40 |
| Accounts payable and accrued liabilities | (9) | (45) |
| | 32 | (5) |
| | \$ 5,739 | \$ 6,762 |

- a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of Canadian equity index swap contracts and equity index futures contracts totalling \$3,699 (2008: \$2,350).
- b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN UNITED STATES EQUITIES
As at March 31, 2009**

| | Plan's Share | |
|--|-----------------|-----------------|
| | (\$ thousands) | |
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 52 | \$ 227 |
| Public Equities (a) (b) | | |
| Consumer discretionary | 568 | 725 |
| Consumer staples | 741 | 789 |
| Energy | 758 | 987 |
| Financials | 750 | 1,325 |
| Health care | 962 | 914 |
| Industrials | 644 | 993 |
| Information technology | 1,134 | 1,223 |
| Materials | 233 | 329 |
| Telecommunication services | 230 | 248 |
| Utilities | 284 | 298 |
| | 6,304 | 7,831 |
| Pooled investment fund | 12 | 14 |
| Receivable from sale of investments and accrued investment income | 35 | 37 |
| Accounts payable and accrued liabilities | (92) | (368) |
| | (57) | (331) |
| | \$ 6,311 | \$ 7,741 |

- a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in U.S. public equities includes the notional amount of U.S. equity index swap contracts and equity index futures contracts totalling \$5,563 (2008: \$5,791).
- b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
As at March 31, 2009**

| | Plan's Share (\$ thousands) | |
|--|--------------------------------|-----------------|
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 168 | \$ 141 |
| Public Equities (a) (b) | | |
| Consumer discretionary | 633 | 816 |
| Consumer staples | 701 | 654 |
| Energy | 662 | 641 |
| Financial | 1,279 | 1,545 |
| Health care | 653 | 542 |
| Industrials | 705 | 1,076 |
| Information technology | 412 | 454 |
| Materials | 469 | 711 |
| Telecommunications services | 556 | 586 |
| Utilities | 314 | 414 |
| | 6,384 | 7,439 |
| Emerging markets pooled funds | 59 | 146 |
| | 6,443 | 7,585 |
| Receivable from sale of investments and accrued investment income | 142 | 115 |
| Accounts payable and accrued liabilities | (172) | (141) |
| | (30) | (26) |
| | \$ 6,581 | \$ 7,700 |

- a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Non-North American public equities includes the notional amount of EAFE equity index swap contracts and equity index futures contracts totalling \$1,951 (2008: \$1,632).
- b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's. Public equities by geographic location are as follows:

| | Plan's Share (\$ thousands) | |
|----------------|--------------------------------|-----------------|
| | 2009 | 2008 |
| Japan | \$ 1,444 | \$ 1,428 |
| United Kingdom | 1,310 | 1,607 |
| France | 727 | 840 |
| Germany | 503 | 727 |
| Switzerland | 486 | 500 |
| Australia | 361 | 314 |
| Spain | 262 | 341 |
| Netherlands | 203 | 307 |
| Italy | 201 | 267 |
| Hong Kong | 132 | 184 |
| Other | 814 | 1,070 |
| | \$ 6,443 | \$ 7,585 |

**LONG TERM DISABILITY INCOME CONTINUANCE PLAN –
MANAGEMENT, OPTED OUT AND EXCLUDED
SCHEDULE OF INVESTMENTS IN REAL ESTATE
As at March 31, 2009**

| | Plan's Share (\$ thousands) | |
|---|--------------------------------|-----------------|
| | 2009 | 2008 |
| Deposits and short-term securities | \$ 22 | \$ 5 |
| Real Estate (a) | | |
| Office | 1,676 | 1,494 |
| Retail | 1,083 | 1,048 |
| Industrial | 597 | 497 |
| Residential | 213 | 189 |
| | 3,569 | 3,228 |
| Foreign Private Real Estate Pool | - | 144 |
| Participation units | 134 | 121 |
| Accrued income and accounts receivable | 26 | 2 |
| | \$ 3,751 | \$ 3,500 |

a) The following is a summary of the Plan's investment in real estate by geographic locations:

| | Plan's Share (\$ thousands) | |
|------------------|--------------------------------|-----------------|
| | 2009 | 2008 |
| Ontario | \$ 1,814 | \$ 1,734 |
| Alberta | 1,366 | 1,150 |
| Quebec | 312 | 275 |
| British Columbia | 77 | 69 |
| | \$ 3,569 | \$ 3,228 |

Alphabetical List of Entities' Financial Statements in Ministry 2008-09 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

| Ministry, Department, Fund or Agency | Ministry Annual Report |
|---|---------------------------------------|
| Access to the Future Fund | Advanced Education and Technology |
| Agriculture Financial Services Corporation | Agriculture and Rural Development |
| Alberta Alcohol and Drug Abuse Commission | Health and Wellness |
| Alberta Cancer Prevention Legacy Fund | Finance and Enterprise |
| Alberta Capital Finance Authority | Finance and Enterprise |
| Alberta Energy and Utilities Board ¹ | Energy |
| Alberta Enterprise Corporation ² | Advanced Education and Technology |
| Alberta Foundation for the Arts | Culture and Community Spirit |
| Alberta Gaming and Liquor Commission | Solicitor General and Public Security |
| Alberta Heritage Foundation for Medical Research Endowment Fund | Finance and Enterprise |
| Alberta Heritage Savings Trust Fund | Finance and Enterprise |
| Alberta Heritage Scholarship Fund | Finance and Enterprise |
| Alberta Heritage Science and Engineering Research Endowment Fund | Finance and Enterprise |
| Alberta Historical Resources Foundation | Culture and Community Spirit |
| Alberta Insurance Council | Finance and Enterprise |
| Alberta Investment Management Corporation ³ | Finance and Enterprise |
| Alberta Livestock and Meat Agency ⁴ | Agriculture and Rural Development |
| Alberta Local Authorities Pension Plan Corporation | Finance and Enterprise |
| Alberta Pensions Administration Corporation | Finance and Enterprise |
| Alberta Petroleum Marketing Commission | Energy |
| Alberta Research Council Inc. | Advanced Education and Technology |
| Alberta Risk Management Fund | Finance and Enterprise |
| Alberta School Foundation Fund | Education |
| Alberta Securities Commission | Finance and Enterprise |
| Alberta Social Housing Corporation | Housing and Urban Affairs |
| Alberta Sport, Recreation, Parks and Wildlife Foundation | Tourism, Parks and Recreation |
| Alberta Treasury Branches | Finance and Enterprise |
| Alberta Utilities Commission ¹ | Energy |
| ATB Insurance Advisors Inc. | Finance and Enterprise |
| ATB Investment Management Inc. | Finance and Enterprise |
| ATB Investment Services Inc. | Finance and Enterprise |
| ATB Securities Inc. | Finance and Enterprise |
| Child and Family Services Authorities: | Children and Youth Services |
| Calgary and Area Child and Family Services Authority | |
| Central Alberta Child and Family Services Authority | |
| East Central Alberta Child and Family Services Authority | |

Ministry, Department, Fund or Agency**Ministry Annual Report**

| | |
|---|---------------------------------------|
| Edmonton and Area Child and Family Services Authority | |
| North Central Alberta Child and Family Services Authority | |
| Northeast Alberta Child and Family Services Authority | |
| Northwest Alberta Child and Family Services Authority | |
| Southeast Alberta Child and Family Services Authority | |
| Southwest Alberta Child and Family Services Authority | |
| Métis Settlements Child and Family Services Authority | |
| C-FER Technologies (1999) Inc. | Advanced Education and Technology |
| Climate Change and Emissions Management Fund ⁵ | Environment |
| Credit Union Deposit Guarantee Corporation | Finance and Enterprise |
| Colleges: | Advanced Education and Technology |
| Alberta College of Art and Design | |
| Bow Valley College | |
| Grande Prairie Regional College | |
| Grant MacEwan College | |
| Keyano College | |
| Lakeland College | |
| Lethbridge Community College | |
| Medicine Hat College | |
| Mount Royal College | |
| NorQuest College | |
| Northern Lakes College | |
| Olds College | |
| Portage College | |
| Red Deer College | |
| Department of Advanced Education and Technology | Advanced Education and Technology |
| Department of Agriculture and Rural Development | Agriculture and Rural Development |
| Department of Children and Youth Services | Children and Youth Services |
| Department of Culture and Community Spirit | Culture and Community Spirit |
| Department of Education | Education |
| Department of Energy | Energy |
| Department of Finance and Enterprise | Finance and Enterprise |
| Department of Environment | Environment |
| Department of Health and Wellness | Health and Wellness |
| Department of Housing and Urban Affairs | Housing and Urban Affairs |
| Department of Municipal Affairs | Municipal Affairs |
| Department of Seniors and Community Supports | Seniors and Community Supports |
| Department of Solicitor General and Public Security | Solicitor General and Public Security |
| Department of Sustainable Resource Development | Sustainable Resource Development |
| Department of Tourism, Parks and Recreation | Tourism, Parks and Recreation |
| Energy Resources Conservation Board ¹ | Energy |
| Environmental Protection and Enhancement Fund | Sustainable Resource Development |

Ministry, Department, Fund or Agency

Gainers Inc.
Government House Foundation
Historic Resources Fund
Human Rights, Citizenship and Multiculturalism Education Fund
iCORE Inc.
Lottery Fund
Ministry of Aboriginal Relations⁶
Ministry of Advanced Education and Technology
Ministry of Agriculture and Rural Development
Ministry of Children and Youth Services
Ministry of Culture and Community Spirit
Ministry of Education
Ministry of Employment and Immigration⁶
Ministry of Energy
Ministry of Environment
Ministry of Executive Council⁶
Ministry of Finance and Enterprise
Ministry of Health and Wellness
Ministry of Housing and Urban Affairs
Ministry of Infrastructure⁶
Ministry of International and Intergovernmental Relations⁶

Ministry of Justice⁶
Ministry of Municipal Affairs
Ministry of Seniors and Community Supports
Ministry of Service Alberta⁶
Ministry of Solicitor General and Public Security
Ministry of Sustainable Resource Development
Ministry of Tourism, Parks, and Recreation
Ministry of Transportation⁶
Ministry of Treasury Board⁶
N.A. Properties (1994) Ltd.
Natural Resources Conservation Board
Persons with Developmental Disabilities Community Boards:
 Calgary Region Community Board
 Central Region Community Board
 Edmonton Region Community Board
 Northeast Region Community Board
 Northwest Region Community Board
 South Region Community Board
Provincial Judges and Masters in Chambers Reserve Fund

Ministry Annual Report

Finance and Enterprise
Culture and Community Spirit
Culture and Community Spirit
Culture and Community Spirit

Advanced Education and Technology
Solicitor General and Public Security
Aboriginal Relations
Advanced Education and Technology
Agriculture and Rural Development
Children and Youth Services
Culture and Community Spirit
Education
Employment and Immigration
Energy
Environment
Executive Council
Finance and Enterprise
Health and Wellness
Housing and Urban Affairs
Infrastructure
International, and Intergovernmental Relations
Justice
Municipal Affairs
Seniors and Community Supports
Service Alberta
Solicitor General and Public Security
Sustainable Resource Development
Tourism, Parks, and Recreation
Transportation
Treasury Board
Finance and Enterprise
Sustainable Resource Development
Seniors and Community Supports

Finance and Enterprise

Ministry, Department, Fund or Agency**Ministry Annual Report**

Regional Health Authorities and Provincial Health Boards:

Health and Wellness

Alberta Cancer Board
Alberta Mental Health Board
Aspen Regional Health Authority
Calgary Health Region
Capital Health
Chinook Regional Health Authority
David Thompson Regional Health Authority
East Central Health
Health Quality Council of Alberta
Northern Lights Health Region
Peace Country Health
Palliser Health Region

Safety Codes Council

Municipal Affairs

School Boards and Charter Schools:

Education

Almadina School Society
Aspen View Regional Division No. 19
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Calgary Science School Society
Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence
Institute
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional
Division No. 3
Clearview School Division No. 71
East Central Alberta Catholic Separate Schools Regional
Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
FFCA Charter School Society

Ministry, Department, Fund or Agency**Ministry Annual Report**

Foothills School Division No. 38
Fort McMurray Roman Catholic Separate School District
No. 32
Fort McMurray School District No. 2833
Fort Vermilion School Division No. 52
Golden Hills School Division No. 75
Grande Prairie Public School District No. 2357
Grande Prairie Roman Catholic Separate School District
No. 28
Grande Yellowhead Regional Division No. 35
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region
No. 2
Greater Southern Public Francophone Education Region
No. 4
Greater Southern Separate Catholic Francophone
Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division
No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District
No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Moberly Hall School Society
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7
Prairie Land Regional Division No. 25

Ministry, Department, Fund or Agency

Ministry Annual Report

| | |
|--|---------------------------------------|
| Prairie Rose School Division No. 8 | |
| Red Deer Catholic Regional Division No. 39 | |
| Red Deer School District No. 104 | |
| Rocky View School Division No. 41 | |
| St. Albert Protestant Separate School District No. 6 | |
| St. Paul Education Regional Division No. 1 | |
| St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38 | |
| Sturgeon School Division No. 24 | |
| Suzuki Charter School Society | |
| Westmount Charter School Society | |
| Westwind School Division No. 74 | |
| Wetaskiwin Regional Division No. 11 | |
| Wild Rose School Division No. 66 | |
| Wolf Creek School Division No. 72 | |
| Supplementary Retirement Plan Reserve Fund | Finance and Enterprise |
| Technical Institutes and The Banff Centre: | Advanced Education and Technology |
| Northern Alberta Institute of Technology | |
| Southern Alberta Institute of Technology | |
| The Banff Centre for Continuing Education | |
| Universities: | Advanced Education and Technology |
| Athabasca University | |
| The University of Alberta | |
| The University of Calgary | |
| The University of Lethbridge | |
| Victims of Crime Fund | Solicitor General and Public Security |
| The Wild Rose Foundation | Culture and Community Spirit |

Entities Not Included in the Consolidated Government Reporting Entity

| Fund or Agency | Ministry Annual Report |
|---|-----------------------------------|
| Alberta Foundation for Health Research | Advanced Education and Technology |
| Alberta Heritage Foundation for Medical Research | Advanced Education and Technology |
| Alberta Heritage Foundation for Science and Engineering Research | Advanced Education and Technology |
| Alberta Teachers' Retirement Fund Board | Education |
| Improvement Districts' Trust Account | Municipal Affairs |
| Local Authorities Pension Plan | Finance and Enterprise |
| Long-Term Disability Income Continuance Plan - Bargaining Unit | Treasury Board |
| Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded | Treasury Board |
| Management Employees Pension Plan | Finance and Enterprise |
| Provincial Judges and Masters in Chambers (Registered) Pension Plan | Finance and Enterprise |
| Public Service Management (Closed Membership) Pension Plan | Finance and Enterprise |
| Public Service Pension Plan | Finance and Enterprise |
| Special Areas Trust Account | Municipal Affairs |
| Special Forces Pension Plan | Finance and Enterprise |
| Supplementary Retirement Plan for Public Service Managers | Finance and Enterprise |
| Workers' Compensation Board | Employment and Immigration |

Footnotes:

- 1 Effective January 1, 2008, the Alberta Energy and Utilities Board was realigned into two separate regulatory bodies: the Alberta Utilities Commission and the Energy Resources Conservation Board.
- 2 The Act was proclaimed and came into force on December 5, 2008.
- 3 Began operations July 1, 2008.
- 4 Incorporated on January 29, 2009
- 5 Began operations July 1, 2007.
- 6 Ministry includes only the departments so separate financial statements are not necessary.

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