Alberta

Freedom To Create. Spirit To Achieve.

Treasury Board

Annual Report
2009-2010

Government of Alberta

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Treasury Board Ministry

Annual Report

2009-2010

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 24, 2010 contains Ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

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

President's Accountability Statement

The Ministry's annual report for the year ended March 31, 2010, 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, 2010 with material economic or fiscal implications of which I am aware has been considered in the preparation of this report.

Original signed by
Lloyd Snelgrove
President of Treasury Board

Message from the President

The Ministry of Treasury Board annual report, which includes the Department of Treasury Board and Corporate Human Resources (CHR), for 2009-10 highlights the year's achievements that support the government's priorities. The Ministry works with all ministries to help ensure the government operates efficiently and effectively.

One of the primary roles of Treasury Board is to look at spending issues and ensure they are understood and addressed as part of the overall business planning and budgeting process. Treasury Board worked to strengthen and improve this process, along with overall efforts to improve public performance reporting.

In 2009-10 Treasury Board led a detailed review of Ministry spending and identified $1.3 billion in savings to re-invest in priority areas. CHR oversaw the hiring restraint to help reduce spending. In addition, each government ministry took action by looking internally at ways to more efficiently provide services to Albertans. The collective savings resulting from those efforts helped lower the deficit and improve the government's overall fiscal position.

As part of a government initiative to improve efficiency and effectiveness, Treasury Board began a reengineering process to streamline financial systems. A review of core financial systems and business processes was completed during the year. In addition, the specialized forensics and information technology audit services were enhanced to support departments.

Treasury Board through the capital planning process implemented in 2009-10 has a major role in ensuring the province has necessary infrastructure. A key role is to work with other ministries to identify and analyze alternatives for building and financing capital projects and negotiating public-private partnerships (P3s). Two P3 projects were approved by Cabinet in 2009-10. In addition, Treasury Board also coordinated the negotiations with the federal government of various infrastructure programs developed to stimulate economic growth under Canada's Economic Action Plan.

Treasury Board continued its work through the Oil Sands Sustainable Development Secretariat to promote responsible growth and management in the oil sands areas through cross-ministry collaboration and planning. An implementation plan and progress report were released in March 2010, detailing outcomes and highlighting key activities from the over 50 projects and initiatives that are a part of *Responsible Actions: a Plan for Alberta's Oil Sands.*

The role of CHR is to provide strategic leadership of human resource management for the Alberta Public Service (APS). CHR works collaboratively with ministries to ensure the Government of Alberta has a strong public service that delivers high quality programs and services to Albertans. Guided by the Alberta Public Service Workforce Plan, corporate programs and initiatives to develop, engage and attract employees were a key focus over the past year.

The past year was a busy one and I am proud of the Ministry's work to support government-wide strategic priorities, provide leadership in human resource management and maintain financial stability. I am also very proud of the innovative people in the APS, their positive attitude and creative energy, which are essential for the Alberta government to achieve its goals.

Original signed by
Lloyd Snelgrove
President of Treasury Board

Management's Responsibility for Reporting

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

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

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and 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 financial statements and performance results. The financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The financial statements are prepared in accordance with 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 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; and
- Completeness – Performance measures and targets match those included in Budget 2009. Actual results are presented for all measures.

As Deputy Minister and Public Service Commissioner, 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 Ministry business plans and annual reports required under the *Government Accountability Act*.

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

Original signed by
Grant Robertson
Deputy Minister
September 8, 2010

Original signed by
Dale Silver
Public Service Commissioner
September 8, 2010

Results Analysis

Ministry Overview – Treasury Board

Vision
An open, accountable and fiscally responsible government.

Mission
Leadership in accountability, strategic advice and services.

The Department of Treasury Board includes the following areas:

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

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

Office of the Controller
The Office of the Controller is responsible for government accounting standards and financial reporting, financial management and control policies and performance planning and reporting. It is also responsible for the annual financial statements and *Measuring Up.*

Oil Sands Sustainable Development Secretariat
The Secretariat is mandated to address rapid growth issues in the oil sands regions of Alberta and to lead a cross-ministerial 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.

Performance Measures Summary Table

Core Business: Spending Management and Planning

Goal: Disciplined government spending

		Prior Years' Results		Target	Current Actual
1.	Percentage change in actual government operating expense from authorized budget**	0.4% decrease 2007-08	0.4% decrease 2008-09	**< 1%**	0.3% decrease (2009-10)

Core Business: Strategic Capital Planning

Goal: Capital planning that supports Alberta's economy

		Prior Years' Results	Target	Current Actual
2.	A policy in place to govern corporate capital planning process for all ministries and a policy in place to govern capital asset management for existing owned and supported infrastructure**	n/a	**Developed**	Partially developed (2009-10)

Core Business: Accountability in Government

Goal: An accountable and financially well-managed government

		Prior Years' Results		Target	Current Actual
3.a	Auditor General opinion on Government of Alberta Financial Statements**	unqualified 2007-08	unqualified 2008-09	**unqualified**	unqualified (2009-10)
3.b	Percentage of corporate internal audit recommendations implemented from engagements rated as significant**	100% 2007-08	100% 2008-09	**90%**	86%[1] (2009-10)

New Measure:

Core Business: Responsible Oil Sands Development

Goal: Lead and support strategic planning, policy development and government decision-making for Alberta's oil sands regions.

Performance Measure Under Development "New performance measures are under development that will measure accountability and implementation of the long-term oil sands strategic plan*

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

1 The percentage of corporate internal audit recommendations implemented from engagements rated as significant was 86 per cent. 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 of the original review. In 2009-10, seven follow up reviews occurred. Nineteen of the 22 recommendations made in the original review have been implemented or adequately addressed.

Discussion, Analysis and Results

GOAL Linked to Core Business – Spending Management and Planning

Disciplined Government Spending

As part of the government's overall budgeting process, the Ministry of Treasury Board worked with the other Ministries to strengthen and improve the business planning and budgeting process. The Ministry identified capital and operating issues and provided advice and recommendations to ministries, Treasury Board Committee, Cabinet and Cabinet Policy Committees.

In-year operating savings of $430 million were achieved during 2009-10, through administrative reductions, effective management of discretionary spending, hiring restraint and other initiatives. Treasury Board led a detailed review of ministry spending, which resulted in identifying $1.3 billion in savings. Government was able to re-invest those savings into priority areas for 2010-11.

GOAL Linked to Core Business – Strategic Capital Planning

Capital Planning that Supports Alberta's Economy

A pilot capital planning process was implemented in July of 2009 for the 2010-15 Capital Plan. The process was outlined in a "draft" capital planning manual that promotes consistent capital planning practices across government. The capital planning manual addresses the following key areas:

- guidelines that define the roles and responsibilities of the government entities with an investment in the capital planning process;
- an outline of the project development process;
- an Accountability Policy for Supported Infrastructure Organizations Grant Funded Capital Programs;
- direction for ministries and supported infrastructure organizations to present detailed, consistent and accurate information when submitting projects; and
- a detailed guide and criteria used centrally to prioritize capital projects.

Changes and improvements will continue to be introduced as Treasury Board and Program Ministries continue to work with the process.

Treasury Board works with ministries to identify and analyze alternatives for building and financing capital projects and negotiating public-private partnerships (P3s). In 2009-10, Cabinet approved two P3 projects, the Southeast Stoney Trail ring road segment in Calgary and Phase Two of the Alberta Schools Alternative Procurement project.

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

GOAL Linked to Core Business – Accountability in Government

An Accountable and Financially Well-Managed Government

Treasury Board led the enhancement of financial management and reporting policies. Efforts were focused on areas identified by the Auditor General including salary and benefits disclosure and executive compensation. These policy areas have implications requiring significant research and consultation that will result in a longer implementation timeframe.

A proposed corporate enterprise risk management policy for the Government of Alberta has been developed. This draft policy defines the roles, responsibilities and expectations of the government, departments and public agencies; creates a formal community of practice of risk practitioners to share information and allows for the implementation of a single internationally recognized enterprise risk management standard across the government.

Corporate Internal Audit Services Office enhanced its specialized forensics and information technology audit capacity. In addition, recommendations from engagements rated as significant are followed up in a subsequent year to determine if they have been implemented. The percentage of corporate internal audit recommendations implemented from the engagements followed up in 2009-10 was 86 per cent.

With respect to improvements to the Government of Alberta's *Measuring Up*, nine of the 19 accepted recommendations from the Improving Public Performance Reporting in Alberta report are complete or are being implemented. A performance measure reporting pilot project is currently underway that will address another seven of the remaining 10 recommendations and enhance the effectiveness of those already in place.

Treasury Board initiated a project to examine the corporate financial processes of the Government of Alberta. In January 2010, a comprehensive report was written that detailed a series of recommendations to reengineer financial processes to streamline operations, improve consistency in systems and reporting, and realize cost savings. Work on a number of the report's recommendations is underway and the remainder of the improvements will be implemented over the next few years.

GOAL Linked to Core Business – Responsible Oil Sands Development

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

In March 2010, the government released the Implementation Plan for the 20-year Strategic Plan, *Responsible Actions: A Plan for Alberta's Oil Sands*. The Implementation Plan provided the detail on a number of desired outcomes for each of the six strategies laid out in Responsible Actions, and defined accountability and timeframes for implementation in regards to responsible and sustainable development in Alberta's oil sands areas. The first Annual Progress Report was also released in March 2010, which highlighted key activities in 2009 from the over 50 projects and initiatives currently underway. Both the Implementation Plan and the Annual Progress Report are available on the Ministry website at www.treasuryboard.alberta.ca.

Treasury Board, through the Oil Sands Sustainable Development Secretariat, continues to work with all government ministries to adopt a one-government approach to oil sands areas and promote responsible development.

Ministry Overview – Corporate Human Resources

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

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

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

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 *Alberta Public Service Act* establishes the authorities for the Public Service Commissioner and conditions of employment for Alberta Public Service (APS) employees.

Labour and Employment Practices
In consultation with ministries, develops human resource strategies and policy frameworks to ensure terms and conditions of employment are effective in attracting and engaging APS employees, within a fiscally responsible mandate. Labour and Employment Practices provides expert consulting and training to ministries relating to employee benefits, job evaluation, compensation, labour relations and workplace health. The area manages employee programs including health, dental, life insurance and Long Term Disability plans, employee assistance programs and the GoA Occupational Health and Safety program. In addition, it 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 APS employees. Manages programs and develops policies and guidelines to support and promote employee and management development, succession management, orientation, performance management and recognition. Workforce Development and Engagement leads the APS Workforce Plan, the Premier's Award of Excellence, the GoA Learning Centre, the Corporate Employee Survey, and a variety of development programs for managers and employees.

Attraction, Technology and Human Resource Community Development
In collaboration with ministries, provides strategic leadership to identify and implement strategies to attract talent to the 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 GoA 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, assists departments in facilitating internal and external moves.

Key Achievements

The Alberta Public Service (APS) Workforce Plan was developed to outline the GoA's commitment to and strategies for developing, engaging and attracting employees.

Development of APS employees was supported through the following initiatives:

There were 179 Management Development Program (MDP) and 75 Senior and Executive Managers' Development Program (SEMDP) graduates. The programs are offered in partnership with the University of Alberta to provide managers with the opportunity to learn from world-class instructors.

New strategies were identified for educational delivery to increase course availability. More classroom sessions were added, new courses in policy development were piloted, and a variety of e-learning courses were made available.

The Government of Alberta Learning Centre processed over 27,400 course registrations for over 3,000 sessions for government employees. This includes registration support for over 10,000 GoA employees for the Alberta Government Integrated Management Information System (IMAGIS) Version 9 training.

Over 60 contracts for classroom and e-learning delivery and design were signed. These contracts will enhance the GoA Learning Centre Catalogue for 2010-11, offering over 80 classroom courses and 15 new e-learning courses and packages.

Three Orientations to Government sessions were held this year with an average of 81 per cent of survey respondents stating the sessions were of value to them.

The Leading in Learning Series, called The Next Generation Workplace, was launched with such topics as supervising different generations and the future of work. On average 89 per cent of participants found the topics to be relevant and timely.

The development and delivery of Human Resource Community capacity building initiatives continued with a comprehensive learning and training curriculum, professional development events, awards of excellence, and a human resource business case competition.

A 16 month policy internship program was piloted and launched in May 2009 with 15 interns. Two eight-month department placements were created for the interns that included mentoring and training with GoA policy experts.

A positive and supportive work environment was fostered through the following initiatives:

The Government of Alberta celebrated the work of 25 teams at the Premier's Award of Excellence ceremony.

Goal Setting Workshops were developed to provide supervisors with the tools and information required to assist their staff in developing individual performance goals to support their respective business plans.

An enhanced version of the Employee Support and Recovery Assistance (ESRA) program took effect, increasing services and accessibility for GoA employees who are returning to work after an illness or injury.

The revised Occupational Health and Safety (OH&S) program was rolled out in 2009 and was supported by the development and delivery of OH&S training, including development and delivery of the GoA OH&S certificate program.

Human resource guidelines for pandemic preparedness in the GoA were developed to support ministries during the 2009 H1N1 Pandemic Influenza season.

The GoA's ability to attract and recruit employees was enhanced through the following:

Executive Search provided services to attract and recruit candidates, and managed appointment processes for executive manager, senior official and board member roles in Alberta government departments, agencies, boards and commissions. In 2009-10, 49 new job competitions were initiated.

The Corporate Recruitment Unit facilitated collaborative recruitment initiatives to fill Finance Management vacancies in eight ministries and Human Resource Consultant vacancies in four ministries.

A review of the GoA's recruitment and selection business processes was conducted. Fourteen recommendations for enhancements were identified and a related implementation plan was endorsed.

The GoA launched its upgraded human resource and financial management information system, IMAGIS. The upgrade enables employees to complete online time entry and receive bi-weekly pay, and leverages technology to enhance recruitment and selection processes.

The GoA has more than 480 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 2009-10, 25 corporately coordinated events including career fairs, forums and presentations were attended by ambassadors.

A team of 44 policy ambassadors promoted GoA policy work options at career fairs, forums, speaker panels and mock interviews.

A review of the northern Alberta attraction and retention pilot programs was conducted and the programs were extended to June 2011.

Choice Time 2009 for 1st choice management and non-union employees to review their benefits selections and make changes was held in June-July 2009.

A five-level Legal Administration job stream ranging from entry level legal administration to senior level specialized legal administration functions was implemented.

Quality assurance initiatives to maintain the management and non-management classification plans continued. Ministries commenced updating senior manager and manager job descriptions and evaluations to be completed over a three-year period. In the first year of the review (April 2008 to June 2009), 24 per cent of manager and senior manager jobs across the GoA were updated and reviewed. Subsidiary 2 and Opted Out & Excluded benchmarks were updated effective November 1, 2009.

Note: Supplemental information (including employee count, age distribution, salary distribution and work location of Alberta Public Service employees) is included on the Corporate Human Resources website at www.chr.alberta.ca/annual-reports.

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as “Reviewed by Auditor General” for Corporate Human Resources as part of the *Ministry of Treasury Board’s 2009-10 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 2009. 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 my Office 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 2009-10 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
Merwan N. Saher, CA
Auditor General

Edmonton, Alberta
July 30, 2010

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Performance Measures Summary Table

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

Goal: Effective human resource policies to build and sustain the Alberta Public Service

		Prior Year Result	Target	Current Actual
1.a	Stakeholder agreement that the Alberta Public Service has effective human resource policies*	61% 2008	**64%**	72% 2009
1.b	Stakeholder agreement that support is provided by CHR to implement cross-government human resource policies	49% 2008	**52%**	70% 2009
1.c	Stakeholder agreement that the tools and supports provided to implement cross-government human resources policies and initiatives are useful	63% 2008	**65%**	66% 2009

Goal: Attract, develop and engage employees needed to achieve government goals

		Prior Year Result	Target	Current Actual
2.a	Stakeholder agreement that overall, the Alberta Public Service has effective strategies to attract, develop and engage employees*	57% 2008	**60%**	71% 2009
2.b	Stakeholder agreement that overall, effective support is provided by CHR to develop, implement and communicate cross-government human resource initiatives	52% 2008	**55%**	68% 2009
2.c	Stakeholder satisfaction with working relationships with CHR	78% 2008	**80%**	76% 2009

* **Indicates Performance Measures that have been reviewed by the Office of the Auditor General.**
The performance measures indicated with an asterisks were selected for review by ministry management based on the following criteria established by government:

1. Enduring measures that best represent the goal and mandated initiatives,
2. Measures that have well established methodology and data reporting,
3. Measures that have outcomes over which the government had a greater degree of influence, and
4. Each goal has at least one audited performance measure.

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

Source and Methodology for 2009 Performance Measures

Data for performance measures was gathered through a survey of Stakeholders conducted by an independent survey organization. A census survey of our stakeholder groups (Deputy Ministers, Assistant Deputy Ministers, Human Resource Directors and Human Resource Community) took place between November 9 and December 14, 2009. A total of 308 surveys were completed both online and via telephone, with an overall response rate of 84 per cent.

Discussion and Analysis of Results

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

Effective Human Resource Policies to Build and Sustain the Alberta Public Service

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.

1. a Stakeholder agreement that the Alberta Public Service has effective human resource policies

Seventy two per cent of stakeholders either strongly or somewhat agree that "*The Alberta Public Service has effective human resource policies*." This result was eight per cent above the target.

CHR works to develop effective human resource policies that are relevant and help departments achieve their business goals with a one-employer approach. We work with stakeholders on an ongoing basis through several groups such as Deputy Minister's Council, the Human Resource Director's Council and various Steering Teams and Advisory Teams, to hear input on human resource policies. In the past year, meetings were held between senior leadership with CHR, and Executive Committees and Human Resource (HR) branches across the GoA, to share information and provide opportunity for dialogue on HR related policies. Training was also provided throughout the year to enhance awareness and common understanding of the intent and application of HR policies in such areas as staffing, classification, occupational health and safety and interpretation of the collective agreement.

1. b Stakeholder agreement that support is provided by CHR to implement cross-government human resource policies

Seventy per cent of stakeholders either strongly or somewhat agree that "*CHR works effectively with stakeholders to implement cross-government human resource policies.*" This result was eighteen per cent above the target.

CHR supports implementation of human resource policies through regular, ongoing communication with stakeholders, and providing training to the HR community. Tools and information to support implementation of cross-government HR policies are developed with input from stakeholder groups to ensure the supports are easy to use and meet department needs. Information and supports are provided through the CHR website, information sessions and other communication vehicles. Training was provided throughout the year to enhance awareness and common understanding of the intent and application of HR policies in such areas as staffing, classification, occupational health and safety and interpretation of the collective agreement.

1. c Stakeholder agreement that the tools and supports provided to implement cross-government human resources policies and initiatives are useful

Sixty six per cent of stakeholders either strongly or somewhat agree that "*Tools and supports provided to implement cross-government human resource policies and initiatives are useful.*" This result was one per cent above the target.

CHR works in partnership with key stakeholder groups to identify and develop tools and supports that will meet department needs as human resource policies and initiatives are implemented across government. Open, ongoing dialogue and input is sought around what should be developed, how supports can be provided, and with what timing and approach. This information ensures appropriate, helpful tools and supports are developed. Input is received by CHR through ongoing groups such as Deputy Minister's Council, the Human Resource Director's Council and various Steering and Advisory Teams.

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

Attract, Develop and Engage Employees Needed to Achieve Government Goals

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 APS 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.

2.a Stakeholder agreement that overall, the Alberta Public Service has effective strategies to attract, develop and engage employees

Seventy one per cent of stakeholders either strongly or somewhat agree that "*Overall, the Alberta Public Service has effective strategies to attract, develop and engage employees*." This result was eleven per cent above the target.

CHR works in close partnership with key stakeholders to identify strategies in the APS Workforce Plan that set strategic, cross-government human resource direction for attracting, developing, and engaging employees. Planning sessions were held with all Deputy Ministers and members of Advisory Teams, composed of HR Directors and Assistant Deputy Ministers, to provide input on strategies to address these priority areas. Work on specific initiatives throughout the year is guided by the APS Workforce Plan Deputy Minister Steering Team, and occurs with input from Advisory Teams and the Human Resource Director's Council.

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

Sixty eight per cent of stakeholders either strongly or somewhat agree that "*CHR works effectively with stakeholders to develop, implement and communicate cross-government human resource programs and initiatives.*" This result was thirteen per cent above the target.

CHR works as a strategic partner with stakeholder groups to develop corporate human resource initiatives and to support their implementation and communication to employees across the GoA. The focus is to ensure useful supports are available to assist with implementation at the departmental level, and to support consistent and effective communication of available cross-government human resource initiatives to employees. To achieve this, CHR works in partnership with Advisory Teams and task teams composed of key stakeholders such as Assistant Deputy Ministers, Human Resource Directors and other members of the HR Community, and input is also gathered from the APS Workforce Plan Deputy Minister

Steering Team as work proceeds.
2.c Stakeholder satisfaction with working relationships with CHR

Seventy six per cent of stakeholders either strongly or somewhat agree that ”*When you think about your working relationships with CHR overall, would you say you are [level of satisfaction] with your working relationships with CHR?*” This result was four per cent below the target.

Throughout the year CHR focused on a variety of initiatives to promote strong working relationships with our stakeholders. Senior leaders in the department met with all Executive Committees and HR Branches across the GoA to share information on HR policies, programs and initiatives and to hear how CHR could more effectively support implementation and work collaboratively with stakeholders. CHR also focused on developing internal staff awareness through information sharing at staff sessions with a view of having all staff focus on building strong working relationships and being ambassadors of our collective work.

Ministry Expense by Function

(In thousands of dollars)	**2009-10 Budget**	**2009-10 Actual**	**2008-09 Actual**
Regional Planning and Development	4,800	3,336	2,532
General Government	239,240	62,461	39,124
Total Expense by Function	$ 244,040	$ 65,797	$ 41,656

Financial Highlights

The Ministry of Treasury Board includes the financial results of the department of Treasury Board and Corporate Human Resources. The Ministry's operating expenses for 2009-10 were marginally lower than 2008-09 actual expenses due to the prudent management of discretionary spending. Excluding the Capital Projects program, the Ministry's expenses for 2009-10 were over $6 million lower than budgeted. Corporate Internal Audit Services and Strategic Capital Planning are the two areas that account for almost 75 per cent of this amount. In these areas, certain projects were reprofiled to 2010-11 to better accommodate the needs of other ministries. Also, Strategic Capital Planning's role in P3s changed to provide additional oversight of these partnerships while other ministries led the delivery and direct management of these partnerships.

With respect to the Capital Projects program that had a budget of $193 million in 2009-10, $175 million was available to other ministries to help fund Alberta's contribution towards projects eligible to receive federal stimulus funding under Canada's Economic Action Plan. The remaining $18 million was available for planning future capital projects and for reengineering initiatives that are expected to generate efficiencies. This funding was earmarked to be transferred to other ministries upon the approval of the Treasury Board Committee. Actual spending within this program by Treasury Board was zero.

Treasury Board also budgeted $290 million in revenue relating to the Federal Building Canada Plan agreed to by the Governments of Alberta and Canada in August 2008. The revenue was earmarked for recognition by other ministries as they met the eligibility criteria established by the Government of Canada within the underlying framework agreement. As a result of these transfers to other ministries, the actual revenue reported by Treasury Board for this program was zero.

Corporate Human Resources' actual expenses for 2009-10 includes one time employee separation payments of approximately $23 million for the Government of Alberta arising from the fiscal correction and government restructuring, these decisions having been made during the fiscal year and therefore not anticipated in the initial budget. Corporate Human Resources actively worked to find redeployment opportunities for affected employees in order to minimize the impacts of restructuring and help to ensure continuity throughout government.

Ongoing operating expenses in Corporate Human Resources were approximately $2 million lower than budget and marginally lower than 2008-09 actual expenses primarily due to a lower than expected participation rate in the Senior and Executive Manager Mobility Program and from the prudent management of discretionary spending.

Ministry of Treasury Board

Financial Statements

Years Ended March 31, 2010 and 2009

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Auditor's Report

To the Members of the Legislative Assembly

I have audited the statements of financial position of the Ministry of Treasury Board as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Ministry of Treasury Board's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Merwan N. Saher, CA
Auditor General

Edmonton, Alberta
June 16, 2010

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

MINISTRY OF TREASURY BOARD
STATEMENTS OF OPERATIONS
Years Ended March 31
(in thousands)

	2010		2009
	Budget (Schedule 2)	Actual	Actual
Revenues			
Transfer from the Government of Canada-Building Canada (Note 2(b) and Note 3)	$ 290,000	$ -	$ -
Other Revenue	-	349	220
	290,000	349	220
Expenses - Directly Incurred (Note 2(b) and Schedule 5)			
Voted (Schedules 1 and 2)			
Ministry Support Services	2,282	2,049	2,124
Oil Sands Sustainable Development Secretariat	2,400	2,374	2,306
Corporate Internal Audit Services	4,803	3,394	4,189
Office of the Controller	3,205	3,010	2,805
Spending Management and Planning	3,915	3,363	3,210
Strategic Capital Planning	6,171	2,995	2,845
Capital Projects	192,931	-	-
Air Services	5,248	4,566	4,912
Corporate Human Resources	21,035	42,010	19,276
	241,990	63,761	41,667
Statutory (Schedules 1 and 2)			
Valuation Adjustments (Note 8)	2,050	2,036	(11)
Loss on Disposal of Tangible Capital Assets	-	-	221
Net Operating Results	$ 45,960	$ (65,448)	$ (41,657)

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

MINISTRY OF TREASURY BOARD
STATEMENTS OF FINANCIAL POSITION
As at March 31
(in thousands)

	2010	2009
Assets		
Accounts Receivable (Note 4)	$ 56	$ 174
Inventories (Note 5)	1,418	1,541
Tangible Capital Assets (Note 6)	19,690	20,115
	$ 21,164	$ 21,830
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 38,447	$ 23,210
Net Liabilities		
Net (Liabilities) Assets at Beginning of Year	(1,380)	5,545
Net Operating Results	(65,448)	(41,657)
Net Financing Provided from General Revenues	49,545	34,732
Net Liabilities at End of Year	(17,283)	(1,380)
	$ 21,164	$ 21,830

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

MINISTRY OF TREASURY BOARD
STATEMENTS OF CASH FLOWS
Years Ended March 31
(in thousands)

	2010	2009
Operating Transactions		
Net Operating Results	$(65,448)	$(41,657)
Non-cash items included in Net Operating Results		
Amortization of Tangible Capital Assets and Consumption of Inventories	740	673
Loss on Disposal of Tangible Capital Asset	-	221
Provision for Doubtful Accounts	(1)	2
Provision for the Government of Alberta's share of the Long Term Disability Continuance Plan Liability	1,666	74
Provision for Vacation Pay	371	(87)
	(62,672)	(40,774)
Decrease (Increase) in Accounts Receivable	119	(100)
Increase in Accounts Payable and Accrued Liabilities	13,200	5,633
Cash Applied to Operating Transactions	(49,353)	(35,241)
Capital Transactions		
Acquisition of Tangible Capital Assets and Inventory for Internal Use	(192)	(271)
Proceeds on Disposal of Tangible Capital Assets	-	780
Cash Provided by (Applied to) Capital Transactions	(192)	509
Financing Transactions		
Net Financing Provided from General Revenues	49,545	34,732
Cash Provided by Financing Transactions	49,545	34,732
Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	$ -	$ -

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

MINISTRY OF TREASURY BOARD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

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

The Ministry 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 primarily 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 Ministry.

(a) Reporting Entity

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

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

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenues by the ministry accountable for the capital project when authorized by federal legislation or federal/provincial agreements; eligibility criteria, if any are met; and a reasonable estimate of the amounts can be made.

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

Expenses

Directly Incurred

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

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

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

Incurred by Others

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

Assets

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

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

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

Liabilities

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

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

Net Assets/Net Liabilities

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

Measurement Uncertainty

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

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

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

Valuation of Financial Assets and Liabilities

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

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

NOTE 3 REVENUE

In 2009-10, the budgeted revenue of $290 million relates to the Federal Building Canada Plan of which Alberta and Canada signed the framework agreement in August 2008. This amount, to the extent received by the Ministry of Treasury Board, was transferred to other ministries and was recorded by other ministries responsible for administering projects under the program.

NOTE 4 ACCOUNTS RECEIVABLE
(in thousands)

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 57	$ (1)	$ 56	$ 174

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 INVENTORIES
(in thousands)

	2010	2009
Inventories consist of the following:		
Rotable and Consumable Aircrafts Parts and Supplies	$ 1,418	$ 1,541

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

				2010	2009
	Equipment[1]	Computer Hardware and Software	Other[2]	Total	Total
Estimated Useful Life	10 years	3-10 years	5-24 years		
Historical Cost					
Beginning of year	$ 171	$ 20	$ 26,105	$ 26,296	$ 28,297
Additions	-	-	80	80	93
Disposals	-	-	-	-	(2,094)
	$ 171	$ 20	$ 26,185	$ 26,376	$ 26,296
Accumulated Amortization					
Beginning of year	$ 11	$ 20	$ 6,150	$ 6,181	$ 6,768
Amortization expense	17	-	488	505	507
Effect of disposals	-	-	-	-	(1,094)
	$ 28	$ 20	$ 6,638	$ 6,686	$ 6,181
Net Book Value at March 31, 2010	$ 143	$ -	$ 19,547	$ 19,690	
Net Book Value at March 31, 2009	$ 160	$ -	$ 19,955		$ 20,115

1 Equipment includes furniture.
2 Other consists of aircrafts and major enhancement costs to aircrafts. It includes work-in-progress of $50.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2010	2009
Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability [(a)]	$ 12,807	$ 11,141
Separation Payment Accruals	19,685	-
Other Payables and Accruals	5,955	12,069
	$ 38,447	$ 23,210

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.

NOTE 8 VALUATION ADJUSTMENTS
(in thousands)

	2010	2009
Provision for vacation pay	$ 371	$ (87)
Provision for doubtful accounts	(1)	2
Provision for the Government of Alberta's Share of the Long Term Disability Income Continuance Plan Liability [(a)]	1,666	74
	$ 2,036	$ (11)

a) The provision represents the change in liabilities in the year in the amount of $ 1,666 (2009 – $74). The accrued benefit liability for the two multi-employer Long-Term Disability Income Continuance Plans at March 31, 2010 amounted to 12,807 (2009 – $11,141) and is included in accounts payable and accrued liabilities (Note 7).

NOTE 9 CONTRACTUAL OBLIGATIONS
(in thousands)

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

	2010	2009
Service contracts	$ 3,948	$ 11,464
Long-term Leases	162	243
	$ 4,110	$ 11,707

NOTE 9 CONTRACTUAL OBLIGATIONS (continued)

(in thousands)

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

	Contracts	Leases	Total
2011	$ 1,392	$ 81	$ 1,474
2012	1,106	81	1,187
2013	1,120	-	1,120
2014	219	-	219
2015	110	-	110
	$ 3,948	$ 162	$ 4,110

NOTE 10 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 $4,058 for the year ended March 31, 2010 (2009 – $3,664).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 – deficiency $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 deficiency – $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 – deficiency $7,111).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of $8,335 (2009 – deficiency of $33,540) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,431 (2009 – deficiency of $1,051). 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, 2009, the employers contribute at a rate of 1.825 per cent of monthly insurable salary. Long-term disability benefits are funded equally by the employer and employees of this plan. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of $8,335 (2009 – deficiency of $33,540) of which $4,843 is unamortized gains that will be amortized over the employee average remaining service life expected under the plan.

NOTE 10 BENEFIT PLANS (continued)
(in thousands)

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, 2010, Management, Opted Out and Excluded plan reported an actuarial surplus of $7,431 (2009 deficiency– $1,051). Long-term disability benefits are funded by the employers in this plan.

At March 31, 2010, the Government of Alberta's share of the estimated accrued benefit liability for these two plans amounting to $12,807 (2009 – $11,141) 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.

Group Life Insurance Plans

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

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

At March 31, 2010, the Bargaining Unit plan reported an estimated surplus of $10,859 (2009 – $7,841) and the Management, Opted Out and Excluded plan reported an estimated surplus of $12,488 (2009 – $5,771). These amounts currently subsidize claim costs and stabilize premium rates for the plans. Management produced estimates based on available March 2009 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.

NOTE 10 BENEFIT PLANS (continued)

(in thousands)

At December 31, 2009, the Government of Alberta Dental plan reported an actuarial surplus of $7,091 (2008 – $5,868) and the Government Employees' Group Extended Medical Benefits plan reported an actuarial surplus of $12,252 (2008 – $6,927). 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 11 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Ministry administers trust funds which are managed for the purpose of various trusts and employee benefit plans, over which the Legislature has no power of appropriation. Because the province has no equity in the funds, these amounts are not included in the Ministry's financial statements. As at March 31, 2010 trust funds under administration were as follows:

	2010			2009
	Total Assets	Total Liabilities	Net Assets / (Liabilities)	Net Assets / (Liabilities) (Restated)
Long Term Disability Income Continuance Plans [1]:				
Bargaining Unit	$ 145,292	$153,627	$ (8,335)	$ (33,540)
Management, Opted Out and Excluded	49,194	41,763	7,431	(1,051)
Group Life Insurance Plans [2]:				
Bargaining Unit	37,625	26,766	10,859	7,841
Management, Opted Out and Excluded	23,695	11,207	12,488	5,771
Government of Alberta Dental Plan Trust [3]	9,493	2,402	7,091	5,868
Government Employees' Group Extended Medical Benefits Plan Trust[3]	16,927	4,675	12,252	6,927
	$ 282,226	$240,440	$ 41,786	$ (8,184)

(1) Financial statements of these funds can be found in the supplementary Ministry Financial Information section of the Ministry of Treasury Board 2009-10 annual report.

(2) This Group Life Insurance Plan is inclusive of Basic Group Life, Accidental Death and Dismemberment, Dependent Life, Enhanced Life, Critical Illness and Retiree Life Insurance coverage.

(3) Trusts have a year ending December 31st.

NOTE 12 COMPARATIVES

Certain 2009 figures have been reclassified to conform to 2010 presentation.

NOTE 13 APPROVALS OF FINANCIAL STATEMENTS

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

NOTE 14 SUBSEQUENT EVENTS

Effective April 1, 2010, the Agency Governance Secretariat transferred from the Ministry of Executive Council to the Ministry of Treasury Board.

The Agency Governance Secretariat promotes continuous improvement in good governance by supporting departments and agencies to implement the *Alberta Public Agencies Governance Act* (APAGA), guided by policies in the Public Agencies Governance Framework.

Schedule 1

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

	2010 Budget	2010 Actual	2009
Voted			
Salaries, Wages and Employee Benefits [(a)]	$ 35,906	$ 35,686	$ 31,467
Supplies and Services [(b)]	11,908	27,016	9,267
Supplies and Services from Support Service Arrangements with Related Parties [(c)]	-	146	97
Grants to Others	192,931	-	-
Financial Transactions and Other	215	173	163
Amortization of Tangible Capital Assets and Consumption of Inventories	1,030	740	673
	$ 241,990	$ 63,761	$ 41,667
Statutory			
Loss on Disposal of Tangible Capital Assets	-	-	221
Valuation Adjustments	2,050	2,036	(11)
	$ 2,050	$ 2,036	$ 210

a) Includes vacation payouts and CPP and EI contributions of $3,993 relating to Government of Alberta employees separation payments.
b) Includes $19,124 of separation payments.
c) The Ministry receives business serices from the Ministry of Service Alberta and insurance coverage from the Risk Management Fund.

Schedule 2

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

Voted Expense	2009-2010 Estimates	Authorized Supplementary (a)	2009-2010 Authorized Budget	2009-2010 Actual	Unexpended (Over Expended)
Ministry Support Services					
1.0.1 Minister's Office	$ 500	-	$ 500	$ 396	$ 104
1.0.2 Deputy Minister's Office	612	-	612	591	21
1.0.3 Corporate Services [b]	1,170	-	1,170	1,062	108
	2,282	-	2,282	2,049	233
Oil Sands Sustainable Development Secretariat					
2.0.1 Oil Sands Sustainable Development Secretariat	2,400	-	2,400	2,374	26
Corporate Internal Audit Services					
3.0.1 Corporate Internal Audit Services	4,803	-	4,803	3,394	1,409
Office of the Controller					
4.0.1 Office of the Controller	3,205	-	3,205	3,010	195
Spending Management and Planning					
5.0.1 Spending Management and Planning	3,915	-	3,915	3,363	552
Strategic Capital Planning					
6.0.1 Strategic Capital Planning	2,131	-	2,131	1,098	1,033
6.0.2 Alternative Capital Financing Office	4,040	-	4,040	1,897	2,143
	6,171	-	6,171	2,995	3,176
Capital Projects					
7.0.1 Provision for Future Federal Stimulus Fund [C]	175,000	(104,500)	70,500	-	70,500
7.0.2 Capital Projects Development	17,931	(4,768)	13,163	-	13,163
	192,931	(109,268)	83,663	-	83,663
Air Services					
8.0.1 Air Services	4,248	-	4,248	3,843	405
8.0.2 Amortization and Consumption of Inventory	1,000	-	1,000	723	277
	5,248	-	5,248	4,566	682
Corporate Human Resources					
9.0.1 Public Service Commissioner's Office	625	-	625	545	80
9.0.2 Communications and Human Resources	365	-	365	337	28
9.0.3 Executive Search	629	-	629	625	4
9.0.4 Workforce Development and Engagement	4,005	-	4,005	3,823	182
9.0.5 Labour and Employment Practices	5,873	-	5,873	5,556	317
9.0.6 Attraction, Technology and Human Resources Community Development	3,923	-	3,923	3,650	273
9.0.7 Corporate Workforce Initiatives	5,615	-	5,615	4,357	1,258
9.0.8 Separation Payment	-	30,000	30,000	23,117	6,883
	21,035	30,000	51,035	42,010	9,025
Voted Equipment / Inventory Purchases					
Corporate Services	$ 100	$ -	$ 100	$ -	$ 100
Air Services	391	-	391	192	199
	$ 491	$ -	$ 491	$ 192	$ 299
Voted Expense and Equipment Purchases					
Operating Expense	$ 241,990	$ (79,268)	$ 162,722	$ 63,761	$ 98,961
Equipment Purchases	491	-	491	192	299
	$ 242,481	$ (79,268)	$ 163,213	$ 63,953	$ 99,260
Statutory Expenses					
Loss on disposal of tangible capital assets	$ -	$ -	$ -	$ -	$ -
Valuation Adjustments and other provisions	2,050	-	2,050	2,036	14
	$ 2,050	$ -	$ 2,050	$ 2,036	$ 14

(a) Included in the Supplementary Estimates are tranfers from Provision for Future Federal Stimulus Funds and Capital Projects Development approved on November 4, 2009 and on January 20, 2010. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act.*

(b) Includes amortization amounting to $17.

(c) In 2009-10, the budget included a one-time provision of $175 million relating to federal stimulus funds for infrastructure. This was primarily transferred to other ministries.

Schedule 3

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

	2010				2009
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Treasury Board					
Deputy Minister (4) (5)	262,499	35,480	54,381	352,359	375,985
Controller (4)	197,381	-	47,842	245,223	265,691
Chief Internal Auditor (6)	165,371	591	41,092	207,053	227,810
Assistant Deputy Ministers					
Spending Management and Planning	182,578	-	43,923	226,501	240,721
Strategic Capital Planning	171,703	-	41,806	213,509	337,458
Corporate Human Resources					
Public Service Commissioner (7)	267,570	8,440	63,575	339,584	371,777
Assistant Commissioners					
Labour and Employment Practices (8)	81,996	-	17,700	99,696	229,231
Workforce Development and Engagement	185,117	-	44,501	229,618	254,711
Attraction, Technology and Human Resource Community Development (9)	172,852	-	41,164	214,016	165,615
Director, Executive Search (5)	117,747	12,850	24,814	155,411	169,887
Executive Director, Labour Relations	151,545	-	36,808	188,353	199,859
Executive Director, Compensation, Job Evaluation and Benefits(10)	59,927	-	20,010	79,937	-
Senior Advisor, Public Service Commissioner's Office	-	-	-	-	10,748
Treasury Board and Corporate Human Resources					
Senior Financial Officer	151,545	-	37,758	189,303	196,717
Human Resources Director	110,105	-	27,736	137,841	122,108

(1) Base salary includes pensionable base salary.
(2) Other cash benefits include vacation payouts. There were no bonuses paid in 2010.
(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, and professional memberships.
(4) Automobile provided, no dollar amount is included in benefits and allowances.
(5) This position was occupied by two people.
(6) This position was occupied by three people.
(7) The other cash benefits includes modifier in lieu of car.
(8) Amount shown for fiscal year 2010 was from April 1, 2009 to October 31, 2009.
(9) The Position of Assistant Commissioner, Attraction, Technology and Human Resources Community Development was created in July 2008.
(10) Amount shown for fiscal year 2010 was from October 19, 2009 to March 31, 2010.

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.

Schedule 4

MINISTRY OF TREASURY BOARD
RELATED PARTY TRANSACTIONS
Year Ended March 31
(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 Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2010	2009
Receivable from Related Parties	$ 34	$ 64
Payable to Related Parties	$ 772	$ 14

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 Statements of Operation and Statements of Financial Positions.

	2010	2009
Revenues		
Internal Audit Services	$ 1,485	$1,553
Air Transportation Services	3,352	3,714
Government of Alberta Learning Centre	1,147	986
Separation Payment	23,117	-
	$29,101	$6,253
Expenses — Incurred by Others		
Accommodation	$ 2,682	$1,893
Legal	994	1,208
Other Services	867	852
	$ 4,543	$3,953

Schedule 5

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

	2010								2009
					Valuation Adjustments				
Program	Expenses[1]	Accommodation Costs[2]	Other Services[2]	Legal Services[3]	Vacation Pay [4]	Doubtful Accounts	Other Costs[5]	Expenses	Expenses
Ministry Support Services	$ 2,049	$ 141	$ 33	$ 102	$ 12	-	-	$ 2,337	$ 2,383
Oil Sands Sustainable Development Secretariat	2,374	141	33	27	25	-	-	2,600	2,385
Corporate Internal Audit Services	3,394	261	62	15	131	-	-	3,863	4,442
Office of the Controller	3,010	231	54	29	27	-	-	3,351	3,061
Spending Management and Planning	3,363	271	64	1	19	-	-	3,718	3,411
Strategic Capital Planning	2,995	191	45	744	5	-	-	3,980	4,176
Air Services	4,566	241	57	-	2	-	-	4,866	5,158
Corporate Human Resources	42,010	1,205	519	76	150	(1)	1,666	45,625	20,593
	$ 63,761	$ 2,682	$ 867	$ 994	$ 371	$ (1)	$ 1,666	$ 70,340	$ 45,609

1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.
2) Costs shown for Accommodation and Other Services on Schedule 4, allocated by budgeted Full Time Equivalent count.
3) Costs shown for Legal Services on Schedule 4, allocated by number of legal hours provided to each program.
4) Includes provision for vacation and overtime pay.
5) 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

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Auditor's Report

To the Minister Responsible for Corporate Human Resources

I have audited the Statements 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, 2010 and 2009 and the Statements of Changes in Net Assets Available for Benefits for the years 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 audits.

I conducted my audits 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, 2010 and 2009 and the Changes in its Net Assets Available for Benefits for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Merwan N. Saher, CA
Auditor General

Edmonton, Alberta
June 22, 2010

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form

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

	($ thousands)	
	2010	**2009**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 144,070	$ 103,466
Accounts receivable	1,187	70
Receivable from sale of investment	35	-
	$ 145,292	$ 103,536
Liabilities		
Accounts payable and accrued liabilities	13,663	381
Net assets available for benefits	$ 131,629	$ 103,155
Accrued long term disability benefits (Note 6)	(139,964)	(136,695)
Actuarial deficiency (Note 6)	**$ (8,335)**	**$ (33,540)**

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
Years Ended March 31

	($ thousands)	
	2010	**2009**
Increase in assets		
Contributions:		
Employers	$ 17,686	$ 15,190
Employees	17,677	15,171
Net investment income (loss) (Note 7)		
Investment income (loss)	20,965	(24,318)
Investment expenses	(557)	(460)
	$ 20,408	$ (24,778)
	$ 55,771	$ 5,583
Decrease in assets		
Benefits	24,392	23,454
Adjudication	1,382	1,593
Severance	752	1,224
Rehabilitation	440	488
Administration expenses	331	273
	$ 27,297	$ 27,032
Increase (decrease) in net assets	28,474	(21,449)
Net assets available for benefits at beginning of year	103,155	124,604
Net assets available for benefits at end of year	**$ 131,629**	**$ 103,155**

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, 2010

(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

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

a) General

The Plan provides disability benefits and 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 March 31, 2010 were 1.825 per cent (2009: 1.725 per cent) of insurable salary for employers and 1.825 per cent (2009: 1.725 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 $1,839.08 biweekly 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.

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

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

d) Decrease in Assets

Expenses of the Plan include benefits paid out, adjudication fees, 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 (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) Valuation of Assets and Liabilities

Investments are recorded in the financial statements at fair value.

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

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

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

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

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

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

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 valuators.

The fair values of deposits, receivables, accrued investment income and payables 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.

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.

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

Differences between actual results and expectations are disclosed as net experience gains or losses that change the value of 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

	($ thousands)			
	2010		2009	
	Fair Value		Fair Value	
		%		%
Interest bearing securities				
Deposits and short-term securities (a)	$ 20,366	14.1	$ 4,878	4.7
Bonds and mortgages (b)	35,798	24.9	26,429	25.5
	$ 56,164	39.0	$ 31,307	30.2
Equities and alternative investments				
Public equities				
Canadian equities (c)	19,953	13.9	15,477	15.0
Global developed equities (d)	52,023	36.1	36,293	35.1
Emerging markets equities (e)	297	0.2	347	0.3
Absolute return strategy hedge funds (f)	1,306	0.9	2,862	2.8
Foreign private equities (g)	1,459	1.0	1,325	1.3
Inflation sensitive				
Private real estate (h)	7,798	5.4	11,158	10.8
Private infrastructure investments (i)	3,854	2.7	3,997	3.8
Timberland (j)	645	0.4	700	0.7
Inflation sensitive real return bonds (k)	571	0.4	-	-
	$ 87,906	61.0	$ 72,159	69.8
Total investments	$ 144,070	100.0	$ 103,466	100.0

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

a) Deposits and short-term securities include primarily interest bearing securities which have a maximum term to maturity of less than three years. At March 31, 2010, deposits and short-term securities had a time-weighted return of 1.0 per cent per annum (2009: 3.0 per cent per annum).

NOTE 3 INVESTMENTS (continued)

b) Interest bearing bonds and mortgages include government direct and guaranteed bonds and mortgage-backed securities, corporate bonds and asset-backed securities, private debt issues, private mortgages, repurchase agreements and debt related derivatives. At March 31, 2010, interest bearing bonds and mortgages had an average effective market yield of 5.0 per cent per annum (2009: 7.2 per cent per annum) and the following term structure based on principal amount: under 1 year: 3 per cent (2009: 5 per cent); 1 to 5 years: 33 per cent (2009: 36 per cent); 5 to 10 years: 36 per cent (2009: 27 per cent); 10 to 20 years: 13 per cent (2009: 15 per cent); and over 20 years: 15 per cent (2009: 17 per cent). At March 31, 2010, Government of Canada bonds are used as underlying securities to support the notional value of bond index futures contracts totalling nil (2009: $2,906).

c) The Plan's Canadian public equity portfolio includes directly held investments in Canadian public companies and indirect exposure to Canadian public equity markets through structured equity products using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index and S&P/TSX 60 Index. At March 31, 2010, cash and floating rate notes are used as underlying securities to support the notional value of Canadian equity index swaps and futures contracts totalling $6,169 (2009: $9,844).

d) The Plan's global developed public equity portfolio includes directly held investments in public companies in the U. S., Europe, Australasia and the Far East (EAFE), and Canada. The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's indirect exposure to global developed markets and emerging markets is also attained by investing in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and Emerging Markets Free Net Index. A component of the Fund's global portfolio includes investments in North American concentrated equities which include larger holdings in mid-size Canadian and American companies ranging from 5 per cent to 20 per cent of outstanding common shares. At March 31, 2010, cash and money market securities are used as underlying securities to support the notional value of global equity index swaps and futures contracts totalling $17,210 (2009: $21,383).

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

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

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

NOTE 3 INVESTMENTS (continued)

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

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

j) Timberland investments are located primarily in Canada. The Canadian timberland investment includes an interest in timber and related land located in the Province of British Columbia.

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

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.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

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

	%		
	Policy Benchmark	**Minimum**	**Maximum**
Interest bearing securities	**27**	**22**	**32**
Deposits and short-term securities	1	0	10
Bonds	26	15	30
Private mortgages	0	0	10
Total equities and alternative investments	**73**	**68**	**78**
Public equities			
Canadian equities	17	13	23
Global developed equities	38	28	50
Emerging markets equities	0	0	5
Absolute return strategies	3	1	8
Private equities	2	1	5
Inflation sensitive			
Private real estate	8	5	10
Private infrastructure investments	3	0	5
Timberland	2	0	5

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.

NOTE 5 DERIVATIVE CONTRACTS (continued)

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, 2010:

	%			*($ thousands)*			
	Maturity			**2010**		**2009**	
	Under 1 Year	**1 to 3 Years**	**Over 3 Years**	**Notional Amount**	**Net Fair Value (a)**	**Notional Amount**	**Net Fair Value (a)**
Credit default swap contracts	29	39	32	$ 25,666	$ (201)	$ 38,393	$ (662)
Equity index swap contracts	99	1	-	25,371	693	25,466	76
Forward foreign exchange contracts	100	-	-	24,866	286	15,514	(447)
Futures contracts	100	-	-	19,388	1,299	8,799	1,350
Interest rate swap contracts	30	56	14	6,841	(220)	9,197	(487)
Cross-currency interest rate swaps	30	28	42	4,305	292	7,234	(274)
Swap option contracts	100	-	-	3,315	(16)	-	-
Bond index swap contracts	-	-	-	-	-	1,163	9
				$ 109,752	$ 2,133	$ 105,766	$ (435)

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

NOTE 5 DERIVATIVE CONTRACTS (continued)

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, 2009 by Mercer and was then extrapolated to March 31, 2010. The 2010 extrapolation resulted in an actuarial deficiency of $8,335 (2009: deficiency of $33,540) 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, 2010 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:

	%	
	2010	**2009**
	Extrapolation	**Valuation**
Interest discount rate	5.1	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 the Plan's adjudication practices and claims termination experience as of March 2008.

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 5.1 per cent (2009: 6.5 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who applied for Canada Pension Plan benefits but who have not yet been approved.

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

NOTE 6 ACCRUED LONG TERM DISABILITY BENEFITS (continued)

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

($ thousands)

	2010	2009
Benefit obligation at end of prior year	**$ 136,695**	**$ 130,923**
Interest accrued on benefits	8,094	7,748
Actual benefit payments	(24,392)	(23,454)
New claims	43,952	30,782
Terminations	(27,116)	(25,891)
Other net experience loss	2,731	16,587
Benefit obligation at end of year	**$ 139,964**	**$ 136,695**

b) Sensitivity of Changes in Major Assumptions

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

As at March 31, 2010, based on the extrapolation performed from the December 31, 2009 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5 per cent decrease in the assumed interest discount rate would increase the actuarial deficiency of the Plan by $2.9 million.

NOTE 7 NET INVESTMENT INCOME (LOSS)

a) Investment Income (Loss)

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

($ thousands)

	2010			2009		
	Gross income (loss)	Expenses	Net income (loss)	Gross income (loss)	Expenses	Net income (loss)
Interest bearing securities	$ 3,519	$ 33	$ 3,486	$ (1,290)	$ 40	$ (1,330)
Canadian public equities	6,179	28	6,151	(6,658)	15	(6,673)
Foreign public equities	11,247	151	11,096	(15,848)	160	(16,008)
Private real estate	(535)	29	(564)	538	38	500
Inflation sensitive real return bonds	20	-	20	-	-	-
Absolute return strategies	438	19	419	(849)	32	(881)
Private infrastructure investments	148	40	108	66	37	29
Foreign private equities	(5)	47	(52)	(231)	44	(275)
Timberland	(46)	5	(51)	(46)	6	(52)
Plan investment expenses	-	205	(205)	-	88	(88)
	$ 20,965	$ 557	$ 20,408	$ (24,318)	$ 460	$ (24,778)

NOTE 7 NET INVESTMENT INCOME (LOSS) (continued)

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

	%				
					Return
	2010	**2009**	**4 years**	**8 years**	**13 years**
Time-weighted rates of return*					
Actual Gain (loss)	**20.6**	(19.9)	**1.2**	**4.4**	**4.7**
Benchmark gain (loss)**	18.1	(15.8)	2.0	4.4	4.5
Value added (lost) by investment manager	2.5	(4.1)	(0.8)	0.0	0.2

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

** The policy benchmark is a product of the weighted average policy sector weights and sector returns. Some of the sector benchmark returns used in the determination of the overall policy benchmark are based on management's best estimate which may vary significantly from the final benchmark return. Differences between the estimated sector benchmark returns and the final benchmark returns are recorded in the period of the change.

b) Investment Expenses

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

Investment services provided directly by AIMCo are charges 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 included daily trading of securities, portfolio research and analysis, custody of securities, performance measurement, maintenance of investment systems and internal audit.

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

NOTE 8 CONTINGENT LIABILITIES

At March 31, 2010, the Plan was named as defendant in two (2009: two) 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 the Alberta Risk Management Fund.

NOTE 9 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2010 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

Financial Statements

Years Ended March 31, 2010 and 2009

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Auditor's Report

To the Minister Responsible for Corporate Human Resources

I have audited the Statements 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, 2010 and 2009 and the Statements of Changes in Net Assets Available for Benefits for the years 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 audits.

I conducted my audits 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, 2010 and 2009 and the Changes in its Net Assets Available for Benefits for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Merwan N. Saher, CA
Auditor General

Edmonton, Alberta
June 22, 2010

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

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

	($ thousands) 2010	2009
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 48,818	$ 35,835
Accounts receivable	351	38
Receivable from sale of investment	25	-
	$ 49,194	$ 35,873
Liabilities		
Accounts payable and accrued liabilities	3,665	118
Net assets available for benefits	$ 45,529	$ 35,755
Accrued long term disability benefits (Note 6)	(38,098)	(36,806)
Actuarial surplus (deficiency) (Note 6)	**$ 7,431**	**$ (1,051)**

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
Years Ended March 31

	($ thousands) 2010	2009
Increase in assets		
Employer contributions	$ 10,364	$ 9,756
Net investment income (loss) (Note 7)		
Investment income (loss)	7,447	(8,572)
Investment expenses	(221)	(172)
	$ 7,226	$ (8,744)
	$ 17,590	$ 1,012
Decrease in assets		
Benefits	7,342	7,142
Adjudication	211	212
Rehabilitation	63	82
Severance	145	213
Administration expenses	55	50
	$ 7,816	$ 7,699
Increase (decrease) in net assets	9,774	(6,687)
Net assets available for benefits at beginning of year	35,755	42,442
Net assets available for benefits at end of year	**$ 45,529**	**$ 35,755**

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

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

a) General

The Plan provides disability benefits and 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, 2010 was 1.5 per cent (2009: 1.5 per cent) of insurable salary for employers and the Government of Alberta, and 2.05 per cent (2009: 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.

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN (continued)

Benefits terminate upon the earliest of the date the member resigns or is gainfully employed or is no longer disabled, three months after the adjudicator declares the member is suitable for gainful employment, or the date the member attains age 65 and is eligible for an unreduced public service pension. For Judges and Full-Time Justices of 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 (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) Valuation of Assets and Liabilities

Investments are recorded in the financial statements at fair value.

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

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

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

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 valuators.

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.

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.

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

Differences between actual results and expectations are disclosed as net experience gains or losses that change the value of 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

	($ thousands)			
	2010		2009	
	Fair Value		Fair Value	
		%		%
Interest bearing securities				
Deposits and short-term securities (a)	$ 5,646	11.6	$ 1,387	3.9
Bonds and mortgages (b)	12,792	26.2	9,453	26.4
	$ 18,438	37.8	$ 10,840	30.3
Equities and alternative investments				
Public equities				
Canadian equities (c)	7,019	14.4	5,739	16.0
Global developed equities (d)	18,258	37.4	12,772	35.6
Emerging markets equities (e)	105	0.2	120	0.3
Absolute return strategy hedge funds (f)	447	0.9	994	2.8
Foreign private equities (g)	381	0.8	319	0.9
Inflation sensitive				
Private real estate (h)	2,713	5.6	3,751	10.5
Private infrastructure investments (i)	1,082	2.2	1,114	3.1
Inflation sensitive real return bonds (j)	203	0.4	-	-
Timberland (k)	172	0.3	186	0.5
	$ 30,380	62.2	$ 24,995	69.7
Total investments	$ 48,818	100.0	$ 35,835	100.0

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

a) Deposits and short-term securities include primarily interest bearing securities which have a maximum term to maturity of less than three years. At March 31, 2010, deposits and short-term securities had a time-weighted return of 1.0 per cent per annum (2009: 3.0 per cent per annum).

NOTE 3 INVESTMENTS (continued)

b) Interest bearing bonds and mortgages include government direct and guaranteed bonds and mortgage-backed securities, corporate bonds and asset-backed securities, private debt issues, private mortgages, repurchase agreements and debt related derivatives. At March 31, 2010, interest bearing bonds and mortgages had an average effective market yield of 5.0 per cent per annum (2009: 7.2 per cent per annum) and the following term structure based on principal amount: under 1 year: 3 per cent (2009: 5 per cent); 1 to 5 years: 33 per cent (2009: 36 per cent); 5 to 10 years: 36 per cent (2009: 27 per cent); 10 to 20 years: 13 per cent (2009: 15 per cent); and over 20 years: 15 per cent (2009: 17 per cent). At March 31, 2010, Government of Canada bonds are used as underlying securities to support the notional value of bond index futures contracts totalling nil (2009: $1,005).

c) The Plan's Canadian public equity portfolio includes directly held investments in Canadian public companies and indirect exposure to Canadian public equity markets through structured equity products using index swaps and futures contracts linked to the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index and S&P/TSX 60 Index. At March 31, 2010, cash and floating rate notes are used as underlying securities to support the notional value of Canadian equity index swaps and futures contracts totalling $2,168 (2009: $3,699).

d) The Plan's global developed public equity portfolio includes directly held investments in public companies in the U.S., Europe, Australasia and the Far East (EAFE), and Canada. The global developed market is used to describe countries whose economies and capital markets are well established and mature. The Plan's indirect exposure to global developed markets and emerging markets is also attained by investing in structured equity products using index swaps and futures contracts linked to the Morgan Stanley Capital International (MSCI) World Total Return Index, MSCI EAFE Index, S&P 500 Index and Emerging Markets Free Net Index. A component of the Fund's global portfolio includes investments in North American concentrated equities which include larger holdings in mid-size Canadian and American companies ranging from 5 per cent to 20 per cent of outstanding common shares. At March 31, 2010, cash and money market securities are used as underlying securities to support the notional value of global equity index swaps and futures contracts totalling $6,130 (2009: $7,514).

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

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

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

NOTE 3 INVESTMENTS (continued)

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

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

j) Timberland investments are located primarily in Canada. The Canadian timberland investment includes an interest in timber and related land located in the Province of British Columbia.

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

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.

NOTE 4 INVESTMENT RISK MANAGEMENT (continued)

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

	%		
	Policy Benchmark	**Minimum**	**Maximum**
Interest bearing securities	**27**	**22**	**32**
Deposits and short-term securities	1	0	10
Bonds	26	15	30
Private mortgages	0	0	10
Total equities and alternative investments	**73**	**68**	**78**
Public equities			
Canadian equities	17	13	23
Global developed equities	38	28	50
Emerging markets equities	0	0	5
Absolute return strategies	3	1	8
Private equities	2	1	5
Inflation sensitive			
Private real estate	8	5	10
Private infrastructure investments	3	0	5
Timberland	2	0	5

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.

NOTE 5 DERIVATIVE CONTRACTS (continued)

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 rate interest 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, 2010:

	%			*($ thousands)*			
	Maturity			**2010**		**2009**	
	Under 1 Year	**1 to 3 Years**	**Over 3 Years**	**Notional Amount**	**Net Fair Value (a)**	**Notional Amount**	**Net Fair Value (a)**
Credit default swap contracts	29	39	32	$ 9,254	$ (72)	$ 13,922	$ (239)
Equity index swap contracts	99	1	-	9,008	244	9,049	29
Forward foreign exchange contracts	100	-	-	8,379	80	4,723	(139)
Future contracts	100	-	-	6,805	456	3,219	500
Interest rate swap contracts	30	56	14	2,412	(77)	3,313	(175)
Cross-currency interest rate swaps	29	29	42	1,529	105	2,580	(98)
Swap option contracts	100	-	-	1,179	(6)	-	-
Bond index swap contracts	-	-	-	-	-	422	3
				$ 38,566	$ 730	$ 37,228	$ (119)

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

NOTE 5 DERIVATIVE CONTRACTS (continued)

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, 2009 by Mercer and was then extrapolated to March 31, 2010. The 2010 extrapolation resulted in an actuarial surplus of $7,431 (2009: deficiency $1,051) 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, 2010 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:

	%	
	2010 Extrapolation	**2009 Valuation**
Interest discount rate	5.9	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 the Plan's adjudication practices and claims termination experience as of March 2008.

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 5.9 per cent (2009: 6.5 per cent). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who applied for Canada Pension Plan benefits but who have not yet been approved.

NOTE 6 ACCRUED LONG TERM DISABILITY BENEFITS (continued)

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

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

	($ thousands) 2010	2009
Benefit obligation at end of prior year	**$ 36,806**	**$ 34,568**
Interest accrued on benefits	2,152	2,015
Actual benefit payments	(7,342)	(7,142)
New claims	13,457	9,385
Terminations	(7,501)	(7,037)
Other net experience loss	526	5,017
Benefit obligation at end of year	**$ 38,098**	**$ 36,806**

b) Sensitivity of Changes in Major Assumptions

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

As at March 31, 2010, based on the extrapolation performed from the December 31, 2009 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5 per cent decrease in the assumed interest discount rate would reduce the actuarial surplus of the Plan by $0.7 million.

NOTE 7 NET INVESTMENT INCOME (LOSS)

a) Investment Income (Loss)

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

	2010			2009		
($ thousands)	Gross income (loss)	Expenses	Net income (loss)	Gross income (loss)	Expenses	Net income (loss)
Interest bearing securities	$ 1,271	$ 11	$ 1,260	$ (452)	$ 13	$ (465)
Canadian public equities	2,205	10	2,195	(2,382)	6	(2,388)
Foreign public equities	3,969	52	3,917	(5,583)	51	(5,634)
Private real estate	(187)	10	(197)	181	13	168
Inflation sensitive real return bonds	7	-	7	-	-	-
Absolute return strategies	152	7	145	(292)	11	(303)
Private infrastructure investments	40	11	29	19	11	8
Foreign private equities	2	13	(11)	(50)	12	(62)
Timberland	(12)	1	(13)	(13)	1	(14)
Plan investment expenses	-	106	(106)	-	54	(54)
	$ 7,447	$ 221	$ 7,226	$ (8,572)	$ 172	$ (8,744)

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

%	2010	2009	4 years	8 years	Return 13 years
Time-weighted rates of return*					
Actual gain (loss)	**21.0**	(20.2)	**1.1**	**4.3**	**4.6**
Benchmark gain (loss)**	18.1	(15.8)	2.0	4.4	4.5
Value added (lost) by investment manager	2.9	(4.4)	(0.9)	(0.1)	0.1

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

** The policy benchmark is a product of the weighted average policy sector weights and sector returns. Some of the sector benchmark returns used in the determination of the overall policy benchmark are based on management's best estimate which may vary significantly from the final benchmark return. Differences between the estimated sector benchmark returns and the final benchmark returns are recorded in the period of the change.

b) Investment Expenses

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

NOTE 7 NET INVESTMENT INCOME (LOSS) (continued)

Investment services provided directly by AIMCo are charges 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 included daily trading of securities, portfolio research and analysis, custody of securities, performance measurement, maintenance of investment systems and internal audit.

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

NOTE 8 CONTINGENT LIABILITIES

There are no contingent liabilities to report as at March 31, 2010 (2009: nil).

NOTE 9 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2010 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.