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Finance and Enterprise

Annual Report
2008–2009

Government of Alberta ■

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Finance and Enterprise

Annual Report 2008-09

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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 30, 2009 contains the Ministers' accountability statements, the consolidated financial statements of the province and *The Measuring Up* report, which compares the actual performance results to desired results set out in the government's business plan.

This annual report of the Ministry of Finance and Enterprise contains the Minister's accountability statement, the audited consolidated financial statements of the ministry and comparison of the ministry business plan. This ministry annual report also includes:

- the financial statements of entities making up the ministry including the Department of Finance, regulated funds, provincial agencies, and Crown-controlled corporations for which the Minister is responsible;
- 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.

Minister's Accountability Statement

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

"Original signed by"

Iris Evans
Minister of Finance and Enterprise

September 8th, 2009

Message from the Minister

The 2008-09 year presented unprecedented challenges to governments around the world. The year started off on a strong note with oil and gas prices pushing toward an all-time high and continued robust economic growth in Alberta. By the end of the first quarter, the province was forecasting record energy revenues and a record surplus. The picture changed dramatically in the following months as Alberta, like the rest of the world, started feeling the effects of failing markets and plummeting energy prices. By year's end, Alberta had posted its first deficit in 15 years and saw its economy shrink into recession.

Despite this economic uncertainty, Alberta came through with a solid budget for 2009, several important pieces of legislation, and substantial work on initiatives to improve Alberta's fiscal situation. This progress will help ensure Alberta maintains its low tax regime, give Albertans more opportunities to experience financial security, and support strong and competitive industries. These achievements were the result of hard work and prudent decisions by Alberta Finance and Enterprise.

When times got tough, our department came through. We developed a budget that responded to the priorities of Albertans and addressed the economic uncertainty facing the province – one that included a new, simpler, more flexible and transparent fiscal framework.

Over the last year, the ministry was also busy developing and drafting several pieces of legislation which included amendments to help maintain Alberta's low personal and corporate taxes, helps cut down on the illegal distribution of tobacco, and ensure the implementation of the Teachers' Pension Plan agreement in a timely manner. Each of these issues is a priority for Albertans and improvements made will have a lasting effect on the long-term financial stability of our province.

Alberta Finance and Enterprise has also demonstrated its concern for the financial security of retirees. Substantial strides were made to improve Alberta's pension system. Through amendments to the Employment Pension Plans Regulation, short-term funding relief for plan sponsors, and ongoing work with other provinces, the financial future of retirees is becoming increasingly more secure. We are emerging as leaders in this area and continued work will benefit Albertans and possibly all Canadians.

As seen from the many accomplishments over the last year, Ministry of Finance and Enterprise employees are committed to providing high-quality service to Albertans. I am proud to be part of such a dedicated team.

Looking ahead, we will expand on these priorities as we continue to build a strong Alberta with opportunities to grow. The success and hard work from the past year will create a solid economic position for 2009-2010.

*“Original signed by”**

Iris Evans
Minister of Finance and Enterprise

Management's Responsibility for Reporting

The Ministry of Finance and Enterprise includes:

- Alberta Cancer Prevention Legacy Fund
- Alberta Capital Finance Authority
- Alberta Heritage Foundation for Medical Research Endowment Fund
- Alberta Heritage Savings Trust Fund
- Alberta Heritage Scholarship Fund
- Alberta Heritage Science and Engineering Research Endowment Fund
- Alberta Insurance Council
- Alberta Investment Management Corporation
- Alberta Local Authorities Pension Plan Corporation
- Alberta Pensions Administration Corporation
- Alberta Risk Management Fund
- Alberta Securities Commission
- Alberta Treasury Branches
- ATB Insurance Advisors Inc.
- ATB Investment Management Inc.
- ATB Investment Services Inc.
- ATB Securities Inc.
- Credit Union Deposit Guarantee Corporation
- Department of Finance and Enterprise
- Gainers Inc.
- N.A. Properties (1994) Ltd.
- Provincial Judges and Masters in Chambers Reserve Fund
- Supplementary Retirement Plan Reserve Fund

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

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

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

- Reliability – Information agrees with the underlying data and with the sources used to prepare it.

- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – Performance measures and targets match those included in Budget 2008. Actual results are presented for all measures.

As Deputy Minister, in addition to program responsibilities, I 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 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 my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

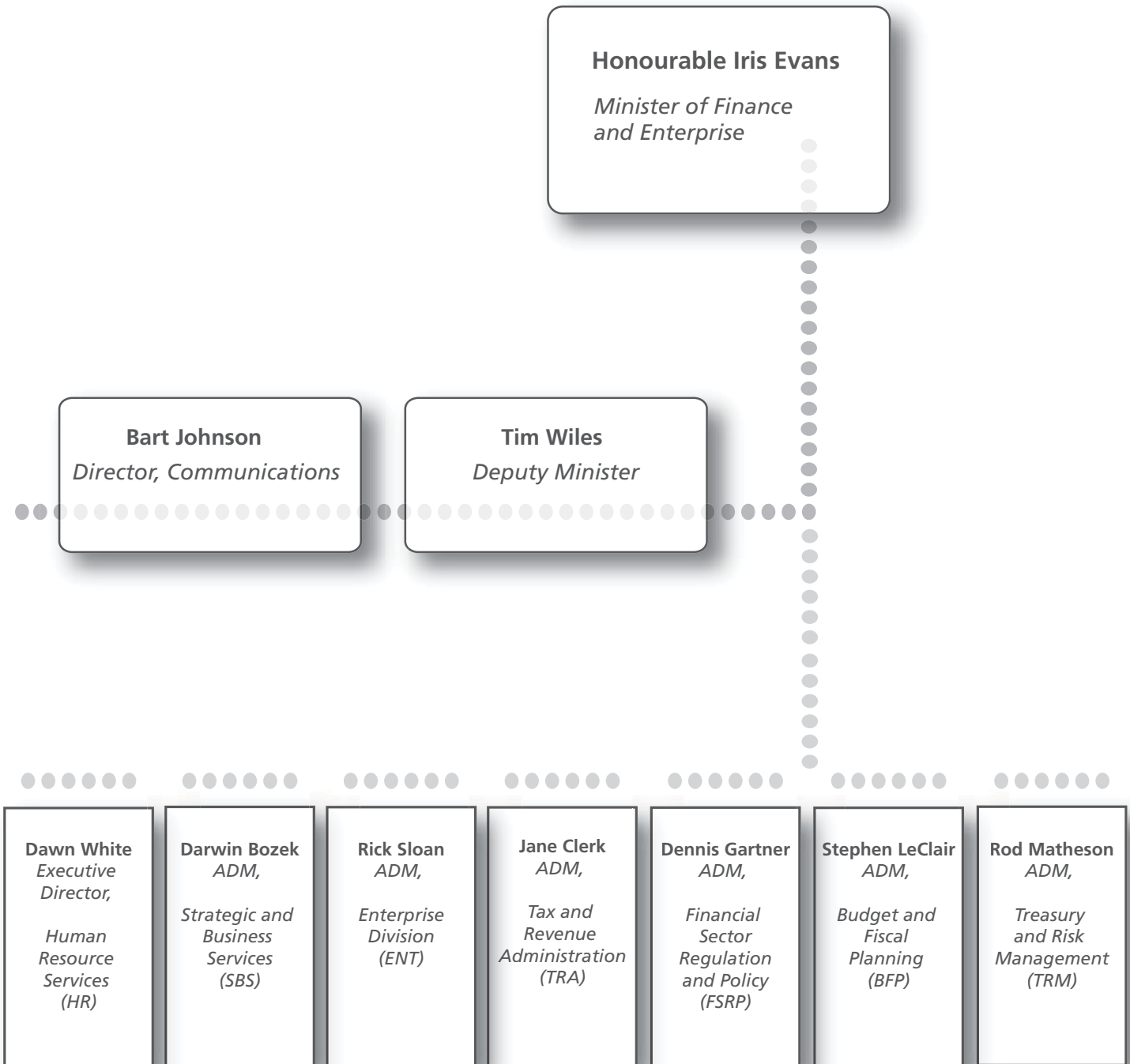
****Original signed by****

Tim Wiles
Deputy Minister of Finance and Enterprise
September 8th, 2009

Overview

- Organizational Chart
- Ministry Vision, Mission, Core Businesses and Goals
- Relationship of Finance Department and Reporting Entities to Core Businesses
- Operational Overview
- Summary of Key Activities in the Past Year

Organization Chart



Ministry Vision, Mission, Core Businesses and Goals

Vision

Financial and Economic Leadership that Strengthens Alberta

Mission

Provide expert economic, financial, and fiscal policy advice to government and effective tax and regulatory administration to enhance Alberta's present and future prosperity.

Core Businesses and Goals

Core Business: Fiscal Planning and Economic Analysis

Goal 1 – Strong and sustainable government finances

Goal 2 – Sound tax and economic policy

Core Business: Tax and Revenue Management

Goal 3 – Revenue programs are administered fairly, efficiently, and effectively

Core Business: Investment, Treasury and Risk Management

Goal 4 – Sound financial management and investment policy

Goal 5 – Effective leadership in risk management

Core Business: Financial Sector and Pensions

Goal 6 – Effective regulation of private sector pension, insurance, and financial products and services

Goal 7 – Accessible financial services for Albertans and local authorities

Goal 8 – An effective and efficient securities regulatory system

Goal 9 – Sustainable public sector pension plans in Alberta

Core Business: Enterprise

Goal 10 – Alberta has a competitive and sustainable economy

Goal 11 – Alberta has strong and vibrant regions and communities

Relationship of Finance Department and Reporting Entities to Core Businesses

Core Businesses	Investment, Treasury and Risk Management	Financial Sector and Pensions
Department and Reporting Entities*	<ul style="list-style-type: none"> Treasury Management 	<ul style="list-style-type: none"> Financial Sector Regulation and Policy
	Agencies, Boards and Commissions	Agencies, Boards and Commissions
	<ul style="list-style-type: none"> Alberta Investment Management Corporation 	<ul style="list-style-type: none"> Alberta Pensions Administration Corporation
	<ul style="list-style-type: none"> Alberta Capital Finance Authority 	<ul style="list-style-type: none"> Alberta Local Authorities Pension Plan Corporation
	Funds	<ul style="list-style-type: none"> Alberta Treasury Branches
	<ul style="list-style-type: none"> Alberta Risk Management Fund 	<ul style="list-style-type: none"> Automobile Insurance Rate Board
	<ul style="list-style-type: none"> Alberta Heritage Foundation for Medical Research Endowment Fund 	<ul style="list-style-type: none"> Alberta Insurance Council
	<ul style="list-style-type: none"> Alberta Heritage Scholarship Fund 	<ul style="list-style-type: none"> Alberta Securities Commission
	<ul style="list-style-type: none"> Alberta Heritage Science and Engineering Research Endowment Fund 	<ul style="list-style-type: none"> Credit Union Deposit Guarantee Corporation
	<ul style="list-style-type: none"> Alberta Cancer Prevention Legacy Fund 	

*Note: Only includes core businesses that have department and reporting entities

Operational Overview

Finance and Enterprise			www.finance.gov.ab.ca
Terrace Building 9515 – 107 Street Edmonton, Alberta T5K 2C3	Haultain Building 9811 – 109 Street Edmonton, Alberta T5K 2L5	Commerce Place 10155 – 102 Street Edmonton, Alberta T5J 4L5	1100-715-5th Avenue SW Calgary, Alberta T2P 2X6

Budget and Fiscal Planning Division (BFP)

The Budget and Fiscal Planning division is responsible for advising the government on overall fiscal, economic, tax and strategic allocation issues. Its major output is the province's annual budget. BFP has four branches: Budget Planning and Integration, Economics and Statistics, Tax Policy and Strategic Resource Allocation.

Budget Planning and Integration (BPI)

Through Budget Planning and Integration, BFP prepares fiscal outlooks as part of the Treasury Board, Cabinet and Caucus planning process. This branch also determines fiscal room available to the government and recommends fiscal policy options to encourage fiscal sustainability. As well, BPI monitors and recommends changes to the government's legislated fiscal framework. Based on government decisions, BPI prepares the annual budget and updates it quarterly. This branch works closely with the Treasury Board ministry.

Economics and Statistics (ES)

The Economics and Statistics branch provides economic analysis of major issues influencing Alberta's economy. ES prepares economic forecasts of the Alberta economy based on global developments and uses those forecasts to prepare revenue projections for income taxes. The branch also coordinates Alberta's position on federal-provincial fiscal transfers, provides selected statistical services for Finance and Enterprise and other ministries including demographic projections, and assists other departments in developing sector policies.

Tax Policy (TP)

The Tax Policy branch monitors tax developments in Canada and abroad for application in Alberta. TP also reviews the competitiveness of Alberta's tax system against leading systems and recommends tax policy options to keep Alberta competitive. Additionally, the branch provides advice to government departments on how to use the tax system to further Alberta's economic and social development, provides direction on rebate schemes, and liaises with the Energy department on royalty issues.

Strategic Resource Allocation (SRA)

Strategic Resource Allocation analyzes Alberta's spending patterns to ensure they meet fiscal objectives of sustainability and the government's strategic objectives. This branch also develops long-term forecasts of Alberta's future spending based on economic, demographic, social and other trends, and investigates innovative long-term fiscal sustainability ideas being pursued by other governments. SRA also assists other government departments in analyzing program and activity cost drivers, and participates on major government-wide policy initiatives with significant fiscal implications.

Tax and Revenue Administration Division (TRA)

The Tax and Revenue Administration division administers tax and related programs under the Alberta Corporate Income Tax, Tourism Levy, Fuel Tax, Tobacco Tax and Unclaimed Personal Property and Vested Property acts on behalf of the Minister of Finance and Enterprise. TRA also contributes to the development of Alberta tax policy. TRA will be administering the new Alberta Scientific Research and Experimental Development tax credit program.

The focus of TRA's activity is to ensure a fair, efficient and effective provincial tax and revenue system. TRA has five branches: Tax Services, Revenue Operations, Audit, Strategic and Client Services and Business Technology Management.

Tax Services (TS)

Through Tax Services, TRA partners with other Alberta ministries and other provincial and federal tax administrations on policy development, improvements to compliance, and implementation of educational strategies for the efficient administration of tax and revenue programs. TS provides information and responses to general enquiries, technical interpretations, ruling services to taxpayers, and administers the dispute resolution process.

Revenue Operations (RO)

The Revenue Operations branch registers corporations, individuals, and trusts for a variety of programs the division administers under the noted legislation. RO maintains taxpayer and claimant accounts, processes tax payments, validates and processes tax returns and rebate claims, and initiates filing compliance and collection actions.

Audit

To ensure compliance with provincial tax legislation, TRA auditors complete desk and field audits of corporate and commodity taxpayers' books and records. If auditors find tax or tax benefit errors, they take remedial action, including reassessment.

Strategic and Client Services (SCS)

The Strategic and Client Services branch supports strategic planning, risk management, business intelligence, and budgeting/forecasting for the division. SCS also ensures taxpayer awareness and education programs are in place for programs, policies and procedures administered by TRA, and manages stakeholder engagement in program and administrative changes.

Business Technology Management (BTM)

Business Technology Management provides TRA staff and taxpayers with the technology and support needed to effectively administer and comply with legislative requirements.

Treasury and Risk Management Division (TRM)

Treasury Management (TM)

Treasury Management is responsible for management of short-term borrowing and investments, banking and cash forecasting, arranging financing for the government and provincial corporations and monitoring and managing loans and guarantees. TM is also responsible for providing investment policy advice to the Minister and portfolio planning and evaluation for the investments of the General Revenue Fund and the government endowment funds. The division provides financial and banking advice to other government departments including active involvement in the

Province's Public Private Partnership (P3) projects. TM is divided into the following two areas: Capital Markets, and Banking and Cash Forecasting.

Risk Management (RMI)

Risk Management and Insurance collaborates with ministries and agencies throughout government to assist them with identifying, measuring, controlling and financing the risk of accidental loss. The program is responsible for all "participants" subject to the *Financial Administration Act*.

RMI is divided into two areas: Risk Management Operations and Claims Management. Risk Management Operations assists participants to identify, minimize and, where appropriate, finance adverse effects of accidental loss. Claims Management administers all claims covered under the Province's Risk Management Fund and makes recommendations aimed at reducing risk.

Agencies, Boards, and Commissions

Annual reports of all of the following organizations are available on the respective organization's Internet site, as shown below.

Alberta Investment Management Corporation (AIMCo)	www.aimco.alberta.ca
Terrace Building 9515 – 107 Street Edmonton, Alberta T5K 2C3	

Alberta Investment Management Corporation (AIMCo) is one of the largest public sector asset managers in Canada with \$ 67.7 billion in assets under management as of March 31, 2009. AIMCo acts as the investment manager for pools of capital assigned by statute to the Minister of Finance and Enterprise and for the assets of other provincial public sector bodies, where specific agreements have been made. These include the following:

• Pension Investments	\$ 22.8 billion
• Government Investments	\$ 43.3 billion
• Other Investments	\$ 1.6 billion
	<hr/>
Total	\$ 67.7 billion

AIMCo provides a comprehensive set of products, including fixed income, public and private equities, infrastructure, timberlands, real estate, commercial mortgages and absolute return strategies. In some cases, specialized private sector investment managers are used to manage specific investment mandates.

Alberta Capital Finance Authority (ACFA)	www.acfa.gov.ab.ca
2450 Canadian Western Bank Place 10303 Jasper Avenue Edmonton, Alberta T5J 3N6	

The Alberta Capital Finance Authority's (ACFA) mission is to provide local authorities within the province with flexible funding for capital projects at the lowest possible cost. ACFA does this by lending funds to local entities at interest rates based on ACFA's cost of borrowing. Since the obligations of ACFA are unconditionally guaranteed by the Province of Alberta, ACFA is able to borrow in the capital markets at interest rates much lower than those available to local authorities acting independently.

Financial Sector Regulation and Policy Division (FSRP)

The Financial Sector Regulation and Policy division is responsible for the regulation and oversight of credit unions, loan and trust corporations, insurance companies and private sector pension plans. It also provides policy support and analysis to the Minister of Finance and Enterprise in these areas, as well as for ATB Financial, public sector pension plans, capital markets and the Canada Pension Plan. The division is the government contact for the following entities that report to the Minister of Finance and Enterprise: Automobile Insurance Rate Board; Alberta Insurance Council; Credit Union Deposit Guarantee Corporation; Alberta Pensions Administration Corporation; Alberta Local Authorities Pension Plan Corporation; ATB Financial; and Alberta Securities Commission. FSRP is divided into the following six areas: Employment Pensions, Insurance, Financial Institutions, Public Sector Pension Policy, Capital Markets Policy and Divisional Support.

Agencies, Boards, and Commissions

Annual reports of all of the following organizations are available on the respective organization's Internet site, as shown below.

Automobile Insurance Rate Board (AIRB)	www.airb.alberta.ca
Terrace Building #200, 9515 – 107 Street Edmonton, Alberta T5K 2C3	

AIRB is responsible for setting premiums annually for compulsory automobile coverage and monitoring optional coverage.

Alberta Insurance Council (AIC)	www.abccouncil.ab.ca
#901 TD Tower, 10088 – 102 Avenue Edmonton, Alberta T5J 2Z1	

AIC is responsible for examining and licensing insurance agents, brokers and adjusters in Alberta and for investigating consumer complaints against insurance companies.

Credit Union Deposit Guarantee Corporation (CUDGC)	www.cudgc.ab.ca
18th floor, 10130 – 103 Street Edmonton, Alberta T5J 3N9	

CUDGC regulates and supervises the business practices of Alberta credit unions and guarantees deposits according to legislation. While CUDGC strives to maintain the Deposit Guarantee Fund at a level that will enable the corporation to independently provide the 100 per cent deposit guarantee, the Government of Alberta will ensure that CUDGC can fulfill its guarantee obligation. The corporation provides strategic and operational advice to Alberta credit union boards and management to facilitate sound business practices.

Alberta Pensions Administration (APA) Corporationwww.apaco.ab.ca

3rd floor,
10611 – 98 Avenue
Edmonton, Alberta
T5K 2P7

APA Corporation provides pension administration services to members, boards, employers, and pensioners of Alberta public sector pension plans. Those pension services consist of the collection of pension contributions, maintenance of member accounts, payment of pension benefits, and provision of information.

Services are provided to 481 employers and 285,000 members and pensioners.

Alberta Local Authorities Pension Plan (ALAPP) Corporationwww.lapp.ab.ca

P.O. Box 1315
Edmonton, Alberta
T5J 2M8

ALAPP Corporation was created in December of 2005 for the purpose of providing support to the Local Authorities Pension Plan (LAPP) Board of Trustees in the execution of its legislated objectives set out in the *Public Sector Pension Plans Act*.

ALAPP provides analysis and recommendations on matters related to the legislative obligations of the LAPP Board of Trustees as well as high-level strategic guidance on broader issues that may impact the plan. In fulfilling these roles, ALAPP works closely with the LAPP Board of Trustees, APA Corporation, and other LAPP stakeholders.

Alberta Treasury Branches (ATB)www.atb.com

9888 Jasper Avenue
Edmonton, Alberta
T5J 1P1

ATB is a full-service financial institution based in Edmonton, Alberta. It provides financial services to individuals, small business and the agri-industry in Alberta, and serves 660,000 Albertans in 244 communities through various branches and agencies, as well as through a Customer Contact Centre and the Internet. The repayment of all deposits held by ATB is guaranteed by the province.

Alberta Securities Commission (ASC)www.albertasecurities.com

4th Floor,
300-5th Ave SW
Calgary, Alberta
T2P 3C4

The ASC is the regulatory agency responsible for administering the province's securities laws. Its mission is to foster a fair and efficient capital market in Alberta and to protect investors. As a member of the Canadian Securities Administrators, the ASC works to improve, coordinate and harmonize the regulation of Canada's capital markets.

Enterprise Division (ENT)

The Enterprise division and its entities, work with industry and communities to enhance sustainable economic development by improving their competitiveness, innovation and productivity. The Enterprise division has staff working throughout the province.

The division:

- Advocates and is a catalyst for new investment, increased competitiveness, value-added industry development, and improved productivity within Alberta's key manufacturing and service sectors;
- Co-ordinates economic development policy efforts and resources;
- Provides Alberta's regions and communities with information and support to achieve regional economic viability and enhanced prosperity;
- Supports the Alberta Economic Development Authority, Northern Alberta Development Council, and Regional Economic Development Alliances;
- Provides support to the Regulatory Review Secretariat which leads regulatory reform within the Government of Alberta and oversees the ongoing review of regulations.

Business and Industry

The division works to support key sectors of Alberta's economy by setting out strategic direction for economic development in the province, and contributing to policy development and programs for increased industry productivity and growth.

Industry Development (ID)

The Industry Development Branch engages industry in the development of targeted programs and services to enhance and stimulate productivity, innovation and competitiveness. The branch is active in the sharing of industry best practices, and implementing strategies for industrial growth in the province. ID connects Alberta companies to timely and relevant business intelligence to assist them in making sound business decisions, including: supply chain and feedstock analysis, targeted business development opportunities, and competitiveness reports including sector-level competitive analysis. The branch is a lead advocate for industry development issues within government policy development.

Regional Development Programs and Initiatives

Managing and sustaining the province's growth and development is a major priority of the Alberta government. Currently, Alberta employs a number of economic development strategies designed for rural communities, communities in various economic regions across the province and industry sectors such as manufacturing. Alberta's development strategies have been created with sustainable growth in mind to ensure continued prosperity. The department provides regional support through the following branch.

Regional Development (RD)

Through its Edmonton Corporate Office and 11 regional offices, RD provides Alberta's Regional Economic Development Alliances (REDAs) with staff and financial resources to assist member

communities with their efforts to achieve long-term economic viability and prosperity. RD also supports The Business Link to deliver business information to Alberta small and medium sized enterprises, and AlbertaFirst.com to provide business directory and community profile information online. Federal funding enabled the department to provide additional economic development support to regions and communities adversely affected by global economic conditions.

Alberta Economic Development Authority (AEDA)

The Alberta Economic Development Authority works in partnership with the provincial government to provide recommendations and long-term strategic advice on key economic issues. Members of AEDA include business, academic and municipal leaders from across the province. Formed in 1994, AEDA excels at building consensus on issues that affect Alberta's growth and prosperity in all economic areas. AEDA's work helps to increase the province's ability to create new opportunities at home and abroad. AEDA also provides large and small business a direct working link to the Alberta government and strives to ensure industry's voice is heard when public policy is developed.

Northern Alberta Development Council (NADC)

The Northern Alberta Development Council is a regional development council made up of a 10 member-council chaired by a Member of the Legislative Assembly of Alberta. The mission of NADC is to identify and implement measures that will advance northern development, as well as advise government on opportunities and issues. NADC, in partnership with northern stakeholders, is involved with projects and initiatives in transportation, northern housing, value-maximization of agriculture, tourism, inter-jurisdictional projects and educational initiatives, including bursaries to assist post-secondary students.

Economic Development Policy and Analysis (EDPA)

Economic Development Policy and Analysis branch contributes to the interface between the ministry and other departments by identifying major economic development drivers, industry sector and regional trends impacting Alberta's economic performance and prosperity. The EDPA branch reviews economic development policy implications and raises awareness among staff, other departments and client groups. EDPA is a contributor to coordinated cross-ministry economic policy research and analysis, economic scanning, and strategy implementation.

Regulatory Review Secretariat (RRS)

The Regulatory Review Secretariat is a Three member MLA committee established to lead regulatory reform within the Government of Alberta. To ensure the regulatory environment remains effective, efficient and responsive to the needs of business stakeholders, the RRS provides oversight for the ongoing review of regulations. The Regulatory Review Secretariat provides support to ministries to identify areas for regulatory improvement, and encourages stakeholder engagement and coordination between ministries. The RRS supports departments through a consultative, capacity-building approach to assist with the comprehensive assessment of regulatory impacts.

Strategic and Business Services (SBS)

Strategic and Business Services is responsible for supporting the ministry's business and continuity planning (leadership and support for strategic and business plans, annual report, and coordinating the ministry's response to pandemics and continuity/disaster recovery), financial services (full range of financial advisory, planning, accounting and reporting services to the ministry and the Pension Plan Boards), corporate technology services, administrative and information services including coordinating the ministry's information and records management and administration of Freedom of Information and Protection of Privacy processes.

Human Resource Services (HR)

Human Resource Services plans, develops and delivers strategic human resource programs as well as day-to-day human resource services. The division's responsibilities include: promoting strategic HR planning in alignment with business goals and objectives; supporting the attraction and engagement of high caliber staff; and building employee capacity to achieve business plan goals. HR provides service and guidance in the areas of staffing, classification, recognition, wellness, learning and development, compensation, and employee relations.

Communications

Communications provides advice and support to the Minister and the ministry on providing clear and timely information to the public about the key initiatives, programs and services of Alberta Finance and Enterprise. Communications also provides consulting services in issues management, strategic planning, media relations, writing, publishing, and website content.

Summary of Key Activities in the Past Year

- Developed and coordinated Budget 2009: Building On Our Strength, which responds to the current economic and fiscal challenges facing Alberta and the rest of the world. This budget balances the needs of Albertans with the long-term goal of building on Alberta's existing fiscal strength. This good news budget enables government to meet Albertans' priorities without major tax increases or drastic cuts to programs.
- Maintained a strong position for recovery with nearly \$17 billion in emergency savings to protect and provide the things that matter most to Albertans, including health care, education, the environment and support for those who need it.
- Developed a new, more flexible fiscal framework to respond to the current economic and fiscal volatility. The new framework permits deficits only if offset by transfers from the Sustainability Fund. The framework permits borrowing for capital spending but prohibits borrowing for operating expenses. It also restricts in-year increases in operating expenses to one per cent of total ministry operating expenses.
- Drafted several pieces of legislation, such as the *Alberta Corporate Tax Amendment Act* and the *Alberta Personal Tax Amendment Act*, which ensure Alberta maintains a fair, equitable, and competitive tax regime. Other legislation drafted includes the *Tobacco Tax Amendment Act*, which strengthens the tobacco tax framework and supports the Province's Safe Communities Initiative by clarifying definitions, tightening rules, and providing more serious penalties for those breaching the Act.
- Continued improvements to the province's pension system through work with the Government of British Columbia to publish the Joint Expert Panel on Pension Standards Report. The project will harmonize pension standards regulations in Alberta and BC. There is ongoing work to establish a supplementary pension plan for Albertans and amendments to the Employment Pension Plans Regulation will provide necessary funding relief for sponsors of defined benefit pensions plans.
- Launched Alberta's Public Registry for Regulations, an online tool to provide the public with advance notification of government regulatory proposals relevant to business. The registry facilitates the exchange of information, supports dialogue with stakeholders, and enhances government transparency.
- Established a regulatory unit for financial institutions to regulate and supervise the financial institutions that government is responsible for providing regulatory oversight.
- Drafted amendments to the *Securities Act* to further harmonize and streamline securities law requirements across Canada, assisting in the implementation of the passport system, which will provide market participants with a single window of access to Canadian capital markets effective September 1, 2009.
- Supported the Construction Owners Association of Alberta in a benchmarking study that assessed Alberta construction productivity versus that of our competitors in the Gulf Coast. Companies can now look at specific areas of their projects that this study highlighted to make improvements to their practices, ultimately saving time and money, and increasing productivity.
- Collected a total of \$5.8 billion in taxes. More than a quarter of a million claims and returns were processed, including 263,938 corporate and commodity tax returns and 23,505 benefit claims. This is a 7 per cent increase over the last three years.
- Expanded access to e-commerce for more revenue programs. Access to returns and renewal of registrations was made available online for the International Fuel Tax program and additional reporting was provided for the Tax Exempt Fuel Sales program via TRACS (Tax and Revenue Administration Client Self-service).

Results Analysis

- Review Engagement Report
- Ministry Financial Highlights
- Performance Measures, Targets and Results



Review Engagement Report

To the Members of the Legislative Assembly

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

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

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

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

Based on my review, nothing has come to my attention that causes me to believe that the “Reviewed by Auditor General” performance measures in the ministry’s 2008-09 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

“Original signed by”

*Fred J. Dunn
FCA
Auditor General*

*Edmonton, Alberta
September 4, 2009*

Ministry Financial Highlights

Revenue (thousands of dollars)	2008-09		2007-08
	Budget	Actual	Actual
	16,705,635	13,183,577	17,721,971

Revenue for the Ministry was \$4,538 million, or 26 per cent, lower than last year.

(Actual – Actual)

- Continued strong personal income growth for Albertans resulted in personal income tax revenue being \$437 million higher than in 2007-08.
- Corporate income taxes were lower than last year by \$443 million due to increases in corporate tax refunds.
- Other taxes were lower by \$20 million in 2008-09. Tobacco tax decreased by \$17 million due to lower sales and fuel tax decreased by \$33 million due to lower consumption. These decreases were partially offset by insurance taxes which were \$27 million higher as a result of higher premiums written.
- Transfers from the Government of Canada increased by \$16 million as a result of the funding received from the Federal Community Development Trust.
- Lower realized capital gains associated with the overall decline in U.S. and non-North American equity markets and write downs of investments in the endowment funds resulted in a decrease of \$4,317 million in investment income.
- Net income from commercial operations was \$22 million lower mainly attributed to a \$24 million decrease of ATB Financial net income. The decrease in net income of ATB Financial was due to a decrease of \$12 million in net interest income, an \$84 million increase in operating expenses, a \$30 million increase in the provision for credit losses, offset partially by an increase of \$74 million in other income. The provision for asset-back commercial paper was \$28 million less than the provision required in the prior year.
- For premiums, fees and licenses, there was an \$18 million increase due to a \$10 million increase in investment manager fee revenue and an \$8 million increase in deposit guarantee fee revenue over the prior year.
- Lower Lottery Fund revenue allocation resulted in a decrease of \$221 million as compared to the previous year.

Revenue for the Ministry was \$3,522 million, or 21 per cent, under budget.

(Budget – Actual)

- Personal income tax revenue was \$94 million higher than budgeted due to stronger-than-expected growth in personal income.
- Corporate income tax revenue was \$478 million higher than budgeted as 2008-09 was a better year for the corporate sector than initially expected, and in particular for the oil and gas and construction industries.
- Other taxes were \$89 million lower than budget as tobacco sales were less than anticipated, and a decrease in fuel consumption was realized with a weakening economy.
- Investment returns were \$3,924 million lower than budgeted. The sharp decline in world equity markets caused by the world credit crisis and ensuing global recession was the primary reason for the lower investment returns.

- Net income from commercial operations was \$255 million under budget as ATB Financial recorded an additional \$225 million provision for asset backed commercial paper in the year.
- Premiums, fees and licenses were \$110 million over budget. Of this, \$101 million is related to the external manager fee revenue. The reporting of revenue and expenses for external manager fees changed, subsequent to the budget, from reporting on a net basis to a gross basis. The corresponding budget of \$100 million for external manager fee revenue is reported in net investment income.
- Lower than expected Lottery Fund revenue resulted in transfers \$10 million less than budget.

Expenses (thousands of dollars)	2008-09		2007-08
	Budget	Actual	Actual
		1,495,425	3,170,163

Ministry expenses were \$497 million, or 14 per cent, lower than in 2007-08.

(Actual – Actual)

- Investment, treasury and risk management expenses were \$38 million higher than prior year. Of this \$17 million was due to an increase in external investment manager fee expenses.
- Financial Sector and Pensions expenses were \$59 million lower than last year caused by a decrease in Alberta Capital Finance Authority borrowing costs of \$70 million over the prior year, partially offset by a \$9 million increase in pension administration costs and a \$2 million increase in pension liability funding.
- The Teachers' Pension liability funding was \$45 million higher than the prior year due to the funding of a full year of contributions in 2008-09.
- Valuation adjustments are \$515 million lower as the extent of pension obligation adjustments were lower than the prior year.
- Debt servicing costs were \$17 million lower than the prior year due to lower interest rates.

Expenses for the Ministry were \$1,674 million, or 112 per cent, over budget.

(Budget – Actual)

- Investment, treasury and risk management expenses were \$142 million higher than budget. The main cause of this is related to external manager fee expenses of \$173 million. The reporting of revenue and expenses for external manager fees changed, from a net basis to a gross basis subsequent to the budget. The corresponding budget of \$172 million has been budgeted in net investment income.
- Financial Sector and Pensions expenses were \$89 million lower due to decreased borrowing costs of Alberta Capital Finance Authority and lower expenses by Alberta Securities Commission.
- Valuation adjustments are \$1,645 million over budget as the Teachers' Pre-92 Pension Plans required a valuation adjustment of \$1,702 due to a change in the discount rate from 7.25 per cent to 5.0 per cent. There was \$123 million in further adjustments due to increased deficiencies in the pension plans due to investment losses. The losses are being amortized over the Expected Average Remaining Service Life of the employee group of each pension plan.
- Debt servicing costs were \$12 million less than budget due to lower than expected interest rates.

Expense by Core Business

MINISTRY EXPENSE BY 2008-09 CORE BUSINESS			
(thousands of dollars)			
	2008-09 Budget	2008-09 Actual	2008-09 Actual
Fiscal Planning and Economic Analysis	5,297	3,882	4,394
Tax and Revenue Management	56,865	55,049	46,624
Investment, Treasury and Risk Management *	488,398	622,245	597,177
Financial Sector and Pensions **	906,705	2,465,710	2,997,088
Enterprise	38,160	23,277	21,911
	1,495,425	3,170,163	3,667,194

*Note: The core business of Investment, Treasury and Risk Management includes debit servicing and a portion of ministry support services.

**Note: The core business of Financial Sector and Pensions includes the Teachers' pre-1992 pensions liability funding, valuation adjustments and a portion of ministry support services.

Expense by Function

MINISTRY EXPENSE BY FUNCTION			
(thousands of dollars)			
	2008-09 Budget	2008-09 Actual	2008-09 Actual
Health	102,679	96,613	91,297
Education	85,665	81,931	71,857
Agriculture, Resource Management and Economic Development	68,054	47,852	33,530
Regional Planning and Development	335,589	256,006	320,244
Protection of Persons and Property	38,717	30,703	29,093
General Government	494,537	653,627	406,402
Debt Servicing	194,184	182,539	199,107
Pension Provisions	176,000	1,820,892	2,515,664
	1,495,425	3,170,163	3,667,194

Performance Measures, Targets and Results

In prior years, the Auditor General applied specified auditing procedures to all ministry performance measures included in the annual report. In the current year the Auditor General conducted a limited assurance review of selected performance measures that are identified in the annual reports as “Reviewed by the Auditor General” by shading the audited measures. The measures were selected for review by ministry management based on the following criteria established by government:

- measures that best represent the goal and mandated initiatives;
- measures have well established methodology and reporting of data;
- measures have outcomes over which the government has a greater degree of influence.

Core Business: Fiscal Planning and Economic Analysis

A major component of Alberta’s fiscal planning and budgeting is the legislated fiscal framework, enshrined mainly in the *Fiscal Responsibility Act* (FRA). The fiscal framework reflects the rules and limitations the government places on itself for budgeting purposes. Responsibility for the framework rests with Alberta Finance and Enterprise.

In 2008/09, Alberta Finance and Enterprise undertook a comprehensive review of the fiscal framework to ensure that it was reflective of changing economic and fiscal circumstances. The current fiscal framework was mainly intended to provide limitations during times of revenue growth. However, the framework had not been adequately tested during periods of major revenue downturn and fiscal stress as occurred in 2008/09. The framework had also become extremely complex and less transparent over the years. The results of the review of the fiscal framework are reflected in the 2009 budget and are designed to improve flexibility and increase transparency.

In 2008/09, Alberta Finance and Enterprise also continued to examine refinements to its saving strategy in conjunction with the report of the Financial Investment and Planning Advisory Commission (FIPAC). Since 2003, Alberta has saved over \$16 billion in its Sustainability Fund and Capital Accounts, and deposited over \$4 billion in the Alberta Heritage Savings Trust Fund. The decision at fiscal year-end to restructure the Sustainability Fund, and save cash available from future surpluses in the Fund, represents the first corner stone in Alberta’s new savings strategy.

Alberta Finance and Enterprise continued to work with Treasury Board and other ministries on a number of initiatives. Assistance was provided in developing the Capital Plan, including advice on alternative financing proposals such as Public-Private Partnerships. The fiscal planning perspective was also articulated on various accounting changes being proposed to public sector accounting standards. For the fourth year, the Government of Alberta Annual Report (including the audited financial statements) used a broader scope of reporting, adding the increase in the net equity of Crown-controlled organizations in the SUCH sector (schools, universities, colleges and health authorities) to revenue.

Financial Information (thousands of dollars)	Budget	Actual	Variance
Expenses for Core Business: Fiscal Planning and Economic Analysis	5,297	3,882	1,415

The Fiscal Planning and Economic Analysis core business was \$1.4 million under budget mainly due to staff vacancies and time delays in filling positions.

Goal 1 Strong and Sustainable Government Finances

Sound fiscal planning and prudent economic and revenue forecasting are required to meet today's priorities and sustain essential programs and services over the longer term. The legislated fiscal framework supports sound fiscal planning to help deal with revenue volatility and to maintain balanced budgets.

The ministry provides economic and fiscal forecasts, develops fiscal policy options and coordinates and prepares the annual budget and quarterly budget updates to Albertans on the Government of Alberta's financial position.

The volatility of Alberta's revenue base presents a unique challenge in maintaining the sustainability and stability of government finances. This was the case in 2008/09 when the impact of the global economic downturn resulted in a significant decline in Alberta's actual non-energy revenues from the budget estimate.

Alberta's legislated fiscal framework, the *Fiscal Responsibility Act* (FRA), was able to accommodate the decline in Alberta's actual non-energy revenues through a withdrawal from the Sustainability Fund, ensuring that core programs in health care, education and infrastructure were protected.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results	Previous Year's Result(s)		
Alberta's credit rating (blended credit rating domestic debt)	AAA	AAA (2008-09)	AAA (2007-08)	AAA (2006-07)	AAA (2005-06)

Source: Three rating agencies: Dominion Bond Rating Service, Moody's Investor Services and Standard and Poor's Rating Services

Note: The rating agencies meet with the province during the summer months and release their rating reports in the fall of each year. They continue to monitor the province throughout the year and if a material event occurs subsequent to the release of their report they would issue another report based on the impact of the subsequent event.

In the 2008-09 fiscal year, Alberta once again maintained its Triple A rating, the highest possible rating from all three major credit rating agencies. This means Alberta achieved its target for this measure and makes Alberta the most highly rated province in Canada. Alberta's credit rating is a broad measure of the province's financial stability and reflects the rating agencies positive assessment of the province's fiscal, economic, and political environment. The three major credit rating agencies are Standard and Poor's Rating Services, Moody's Investor Services and Dominion Bond Rating Service.

Goal 2 Sound Tax and Economic Policy

The tax system must be fair and promote self-reliance. The system must also be competitive with those in other provinces and countries in order to attract investment and skilled workers to Alberta. The government's policy of low overall tax rates promotes strong economic growth. Alberta has the lowest personal and corporate taxes of all provinces with a low single-rate personal income tax, low corporate tax rates and the lowest tax on gasoline. Alberta is the only province without a capital tax, general payroll, or retail sales tax.

Alberta has an export-oriented economy that is affected by the vagaries of global markets (commodities and financial) and global trends. Finance and Enterprise provides the government's macro economic forecast and works with other ministries to ensure that the government's economic policy framework supports sustainable long-run growth that enhances the well-being of Albertans. The ministry analyzes the implications of various developments on Alberta's economic

performance and helps other ministries to assess the economic and fiscal implications of alternative policy options.

Alberta's low tax regime leaves more money in the hands of Albertans and Alberta businesses to spend and invest. The province's tax advantage was improved significantly, as the health care insurance premium was eliminated entirely on January 1, 2009. The elimination of the premium will save Albertans and Alberta businesses about \$1 billion annually. Families will benefit by up to \$1,056 each year, and single Albertans will benefit by as much as \$528.

The province continued to phase in the changes to the dividend tax system and the increases to the small business threshold that were announced in September 2006. The small business threshold increased to \$460,000 on April 1, 2008. As of January 1, 2009, the dividend tax credit for dividends paid out of income that was taxed at the general corporate income tax rate rose to 10 per cent while the dividend tax credit on dividends paid out of income taxed at the small business rate was lowered to 3.5 per cent. These changes will result in similar tax treatment between dividends received from small businesses and large corporations, and from wages and salaries.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results	Previous Year's Result(s)		
Provincial tax load for a family of four	Lowest in Canada	Lowest in Canada (2008-09)	Lowest in Canada (2007-08)	Lowest in Canada (2006-07)	Lowest in Canada (2005-06)

Source: Alberta Finance and Enterprise, Interprovincial Tax and Health Care Insurance Premium Comparison, 2008, p. 160 of Budget 2008

In 2009, Alberta had the lowest provincial tax load for the \$75,000 and the \$125,000 income families, and the third-lowest provincial tax load for the \$30,000 income families. Alberta's high basic personal and spousal amounts, which are the most generous among provinces, and low 10 per cent single tax rate, continue to provide tax advantages for Albertans. The advantage is further enhanced by the Alberta Family Employment Tax Credit program, the lack of a provincial sales tax, low taxes on fuel and the elimination of health care premiums.

Alberta continued to index its personal income tax system to inflation. In 2009, credit amounts were increased by 3.8 per cent, saving Alberta taxpayers \$115 million. Alberta has indexed its personal income tax system since 2001.

The Alberta Family Employment Tax Credit (AFETC) provides benefits to working families and also assists families in moving off income support programs. Beginning July 2008, the government enhanced the maximum credit by 10 per cent in addition to the annual inflation adjustment. The credit was increased to \$669 for one child, \$1,277 for two children, \$1,642 for three children and \$1,764 for four or more children. In addition, the point at which the credit starts to phase out increased by \$5,000 to \$32,633.

Interprovincial Tax and Health Care Insurance Premium Comparison - 2009			
Province	One-income family with two children, earning \$30,000 (\$)	Two-income family with two children, earning \$75,000 (\$)	Two-income family with two children, earning \$125,000 (\$)
AB	-1,031	3,084	7,300
BC	1,412	5,021	8,814
SK	-2,014	4,263	9,873
MB	1,718	7,038	13,644
ON	1,393	6,046	11,307
QC	-2,204	7,071	17,128
NB	1,973	6,817	13,455
NS	2,450	7,089	14,211
PE	2,788	7,523	14,214
NL	2,874	7,097	13,641

Calculations are based on the following assumptions:

- Business is assumed to bear between 25 per cent and 60 per cent of the provincial sales tax, depending upon the provincial tax regime;
- Health care insurance premiums are net of premium subsidies;
- In provinces that impose payroll taxes, 75 per cent is assumed to be borne by employees and 25 per cent by employers. The same 75/25 split is assumed for the net health care insurance premiums;
- Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families;
- Registered Retirement Savings Plan/Registered Pension Plan (RRSP/RPP) contributions of \$1,000, \$9,700 and \$16,800 are included in the calculation of personal income tax for the \$30,000, \$75,000 and \$125,000 families, respectively;
- For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses; and
- The children in each family are assumed to be 6 and 12 years old.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)**		
Provincial tax load on businesses	Lowest in Canada	Second Lowest in Canada (2008-09)	Lowest in Canada (2007-08)	Lowest in Canada (2006-07)	Second-lowest in Canada (2005-06)
					Second-lowest in Canada <i>(historical data was revised by the Federal Department of Finance resulting in Alberta being the second lowest, after New Brunswick)</i>

Source: Federal Department of Finance

Note: *Data is preliminary.

Note: **Data for this measure has been revised by the Federal Department of Finance since these results were originally published. As a result of the revisions, Alberta had the second lowest business tax load in Canada for 2005-06.

Based on preliminary data, Alberta's tax load on business was the second lowest among provinces in 2008-09. Manitoba ranked ahead of Alberta by 0.5 percentage points, while British Columbia ranked next behind Alberta by 3.9 percentage points. Although this measure does a reasonable job of showing the relative tax loads across provinces, it may not present a complete picture. For example, results can be skewed in provinces that have a greater proportion of small versus large businesses because the small business rates are generally significantly lower than the general corporate rate.

Alberta continues to provide a competitive tax environment to support the growth and success of Alberta's businesses. Alberta has the lowest general corporate income tax rate and fourth lowest small business income tax rate among provinces, and has no capital taxes, payroll taxes, or retail sales taxes on business purchases. Further, Alberta businesses that paid the health care insurance premium as a benefit for employees would have seen an immediate savings upon the January 1, 2009 elimination of the premium.

To encourage Alberta companies to do more research and development and to make Alberta a more attractive location for knowledge intensive companies, Alberta introduced a refundable tax credit for expenditures on research and development. The credit is worth 10 per cent, with a maximum credit of \$400,000, for all expenditures incurred after December 31, 2008 that are also eligible for the federal Scientific Research and Experimental Development Credit.

Tax Load On Business		
	2008-09	2007-08
Manitoba	76.6	83.4
Alberta	77.1	73.9
British Columbia	81.0	88.1
Newfoundland and Labrador	102.4	111.0
Ontario	105.1	105.1
New Brunswick	107.1	109.0
Nova Scotia	109.1	105.5
Prince Edward Island	111.1	108.1
Quebec	115.3	115.1
Saskatchewan	181.6	167.5

Source: Federal Department of Finance

Provincial tax load, or tax effort, compares actual tax revenues generated within a province to the revenue the province would generate if it taxed at national-average tax rates. Therefore, because this is a relative measure, individual provincial tax load figures can change both because of changes made within the specific province or because of changes made in other provinces. Business taxes examined include business income taxes, capital taxes and insurance corporation taxes.

Each year, the provinces report their tax revenues by these categories to the federal government as part of the reporting requirements for the Equalization Program. The steps to calculate provincial tax loads are:

1. National-average tax rates are calculated by dividing total national tax revenues by the national tax base. The tax base for corporate income taxes, for example, is corporate profits.
2. The revenue the province would generate if it taxed at national rates is equal to the national average tax rate multiplied by the provincial tax base for each of the tax categories.
3. The provincial tax load is equal to the ratio of actual provincial revenues divided by the results of the previous calculation multiplied by 100.

Core Business: Tax and Revenue Management

Financial Information (thousands of dollars)	2008-09 Budget	2008-09 Actual	Variance
Expenses for Core Business: Tax and Revenue Management*	56,865	55,049	1,816

*Note: Including statutory interest expense

Goal 3 Revenue Programs are Administered Fairly, Efficiently and Effectively

The Ministry of Finance and Enterprise designs tax and revenue programs, collects revenue owing to the province, administers tax and revenue laws, makes payments of refunds and rebates, and provides information to stakeholders, taxpayers and claimants.

The design and administration of Alberta tax and revenue programs contribute to a fair and competitive tax environment in Alberta and in Canada. Collecting revenue fairly means that all taxpayers and claimants are treated equally under the law and with respect; efficiently means obtaining measurable value for money spent; and effectiveness means to increase revenues by improving self-compliance.

Reviewed by Auditor General Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)		
Ratio of amounts added to net revenue to costs of administration	12:1	25:1	13:1 (2007-08)	15:1 (2006-07)	12:1 (2005-06)

Source: Alberta Finance and Enterprise Tax and Revenue Administration

*Note: The ratio for the 2008-09 year was significantly higher than the previous year's results and the current target as a result of significant recoveries made by applying reassessments made by Canada Revenue Agency (CRA) in a similar fashion in Alberta and by TRA's audit actions on corporate tax avoidance schemes. For example, applying three very large reassessments made by CRA in the year to Alberta's tax returns led to incremental Alberta reassessments of over \$191 million. These reassessments are currently under objection. Removing the impact of these three reassessments result in a revised ratio of 18:1 for 2008-09.

Through the revisions of returns and claims, the collection of overdue accounts, and audit activities, the Tax and Revenue Administration (TRA) division of Finance and Enterprise recovers tax revenues that otherwise may be lost. This measure is calculated by dividing the additional revenue obtained through administration actions, by TRA's operating budget.

The amount added to net revenue for 2008-09 was \$742.0 million and the associated TRA operating costs were \$30.2 million, resulting in a value added ratio of 24.6 to 1, recoveries of almost \$25 for every \$1 spent.

Performance Measure	2008-09 Target *	Current Results	2007-08 Previous Results
Percentage of revenue obtained through self-compliance	92%	88.1%	94.2%

Source: TRA Monthly Status Report (IMAGIS)

*Note: The ratio for the 2008-09 year was significantly lower than the previous year's results and the target as a result of significant recoveries made by applying reassessments made by Canada Revenue Agency (CRA) in a similar fashion in Alberta and by TRA's audit actions on corporate tax avoidance schemes. For example, applying three very large reassessments made by CRA in the year to Alberta's tax returns led to incremental Alberta reassessments of over \$191 million. These reassessments are currently under objection. Removing the impact of these three reassessments results in a revised ratio of 92 per cent for 2008-09.

Voluntary compliance calculates whether the taxpaying public is complying with tax legislation. This measure is calculated by subtracting the revenue obtained through TRA efforts (intervention) from total revenue. The voluntary revenue is then compared to total revenue and expressed as a percentage.

Core Business: Investment, Treasury and Risk Management

The Minister of Finance and Enterprise sets the long term asset allocation policies and guidelines for the funds under her administration, based on advice from the Treasury Management division and Alberta Investment Management Corporation (AIMCo). It is expected that the asset allocation decision will be responsible for most of the funds' returns. AIMCo implements these policies through a wide range of investment products that they have developed to meet their clients' needs with respect to returns and risk tolerances. AIMCo will add incremental returns through its tactical asset allocation and security selection decisions.

Financial Information (thousands of dollars)	2008-09 Budget	2008-09 Actual	Variance
Expenses for Core Business: Investment, Treasury and Risk Management	488,398	622,245	(133,847)

As the government's outstanding debt balances continue to decline, the cost of servicing the debt decreases. In 2008-09 the government also saw lower than anticipated interest rates which resulted in lower borrowing costs. General government debt servicing costs were \$12 million lower than budgeted and \$11 million lower than last year.

Other activity in the Investment, Treasury and Risk Management business included:

- Transfers of \$47 million to Advanced Education for the Access to the Future Fund;
- A \$19 million transfer from the Alberta Cancer Legacy Prevention Fund to Health; and
- A \$15 million interest bearing loan advance to AIMCo.

Goal 4 Sound Financial Management and Investment Policy

Under the *Financial Administration Act* the Ministry of Finance and Enterprise provides leadership to other ministries with respect to sound financial management and decision making.

The ministry is responsible for the investment of the Alberta Heritage Savings Trust Fund (AHSTF), endowment funds and other government funds. The Minister establishes investment policies for these funds with advice and recommendations provided by the department. The Minister provides oversight of the Alberta Investment Management Corporation (AIMCo), established to implement the investment policies of the AHSTF, other government endowment and investment funds and public sector pension plans.

AIMCo is the fifth largest public sector investment manager in the country and the largest in Alberta. The investment operation provides investment products and advice for government endowments, public sector pension plan boards and various other clients. The ministry is also responsible for the province's cash management, including short-term borrowing and investing, management of banking arrangements, and short and long-term financing for the government and provincial corporations.

The AHSTF was created in 1976 to save a portion of non-renewable resource revenue. The mission of this fund is to provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans. The investment strategy for the fund focuses on earning the greatest long-term returns for Albertans, within an acceptable level of risk.

During the fiscal year 2008-09, the market value of the Heritage Fund decreased by \$3 billion from \$17 billion to \$14 billion. The decrease can be attributed to a sharp decline in world equity markets and the global credit crisis.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)
Five-year market value rate of return of the selected asset mix (<i>policy benchmark</i>) of the Alberta Heritage Savings Trust Fund will be compared against the Consumer Price Index (CPI) plus 4.5 per cent to determine whether the long-term investment policy is achieving the returns expected based on long-term capital market assumptions	6.4% (CPI + 4.5%)	2.9% (3.5% below target) (2008-09)	7.6% (1.1% above target) (2007-08)

Source: Alberta Investment Management Corporation

*Note: This measure is used to determine whether the long-term investment policy is achieving the returns expected based on long-term capital market assumptions

Performance Measure	2008-09 Target *	Current Results	2007-08 Previous Results
Five-year annualized weighted average market value rate of return for endowment funds compared against the weighted average policy asset mix rate of return (<i>benchmark</i>) for those funds to determine the impact of active fund management on performance	Policy Benchmark plus 0.75%	All funds underperformed target benchmarks (2008-09)	All funds exceeded target benchmarks (2007-08)

*Note: Each year since this measure's inception, the performance measure and target were changed based on how many years the new measure was in use until it built up to five years in 2008-09. For 2009-10, the premium is increasing to 1.00 per cent. Therefore the performance measure will be calculated as an annualized five-year weighted average market value rate of return of each endowment fund compared against the annualized five-year weighted average policy asset mix rate of return plus the applicable premium as approved by the Ministry's business plan.

Five-year market value rate of return of the endowment funds and their policy benchmark plus 0.75 per cent as of March 31, 2009:

Endowment fund	Five-year annualized market value rate of return (per cent)	Five-year annualized market value rate of return of the policy benchmark plus 0.75 per cent
Alberta Heritage Savings Trust Fund	2.6	3.6
Alberta Heritage Foundation for Medical Research Endowment Fund	1.7	3.0
Alberta Heritage Scholarship Fund	2.2	3.4
Alberta Heritage Science and Engineering Research Endowment Fund	1.4	2.7

Source: Alberta Investment Management Corp.

All of the Endowment funds underperformed their target of adding 75 basis points above the return of the policy benchmarks over the annualized five years ending March 31, 2009. The variances in the performance based on policy benchmarks reflect the diversity of the asset mix structures of all endowment plans. The variance is further impacted by investment manager skill and the situation in the global financial markets.

Performance Measure	2008-09 Target *	Current Results	Last Actual (2006- 07)
Five-year weighted average market value rate of return for the public sector pension funds compared against the weighted average policy asset mix rate of return (<i>benchmark</i>) for those funds to determine the impact of active fund management on performance	Policy Benchmark plus 75 basis points*	All funds underperformed target benchmarks (2008-09)	Six of the eight pension funds exceeded the target

*Note: This measure is in effect since fiscal year 2006-07; therefore, only three-year annualized market value rate of return is disclosed.

Pension Fund	2008-09 Target	2008-09 Actual
Local Authorities	-0.1	-1.8
Management Employees	-1.7	-3.7
Provincial Judges and Masters in Chambers	-0.7	-3.5
Provincial Judges and Masters in Chambers Unregistered	-1.1	-3.8
Public Service	-2.8	-4.9
Supplementary Retirement	-1.2	-4.0
Plan for Public Service Managers (closed)		
Special Forces	-2.3	-4.1
Universities Academic	-3.7	-5.2

All of the pension plans underperformed their policy benchmark plus 75 basis points over the annualized three years ending March 31, 2009. The variances in the performance results reflect the diversity of the asset mix structures of all pension plans. Performance is further impacted by investment manager skill and the situation in the global financial markets.

Goal 5 Effective Leadership in Risk Management

The Ministry serves all government ministries and agencies as well as other bodies identified under the *Financial Administration Act* by providing leadership in identifying, measuring, controlling and financing risk of accidental loss. Risk management strategies provide awareness, improve public safety and reduce costs to government in the long-term.

The Alberta Risk Management Fund operates under the authority of the *Financial Administration Act*. The Fund facilitates the provision of risk management services to ministries by assuming the risk of liability, property and other losses.

Performance Measure	2008-09 Target	Current Results	Previous Years' Result(s)*		
Client satisfaction with the services provided by the Risk Management and Insurance division (survey issued every two years)	80% satisfaction	86% satisfaction (2008-09)	n/a (2007-08)	86% (2006-07)	n/a (2005-06)

Source: Client satisfaction survey Risk Management & Insurance

*Note: The 2006-07 survey result is unaudited

Performance Measure	2008-09 Target	Current Results	Previous Years' Result(s)*		
Government of Alberta employee risk awareness (survey issued every three years)	Meet or exceed 70%	Survey was not conducted (2008-09)	n/a ¹ (2007-08)	n/a ¹ (2006-07)	70% (2005-06)

Source: Risk Awareness Survey Risk Management & Insurance

*Note: 1 Survey issued every three years.

The Alberta Risk Management Fund operates under the authority of the *Financial Administration Act*. The fund facilitates the provision of risk management services to participants by assuming general and automobile liability and the risk of property and other losses.

Core Business: Financial Sector and Pensions

Alberta Finance and Enterprise regulates pensions, insurance, financial institutions and capital markets through a legislative and regulatory framework that designates the duty of regulation and oversight to Alberta Finance and Enterprise as well as delegated Crown organizations. By balancing the interests of stakeholders, including plan members, depositors, policyholders, investors and the companies themselves, the department helps to promote an efficient, fair and competitive financial sector in Alberta.

The department regulates the Credit Union Central Alberta Ltd. (CUCA) and provides oversight to the Credit Union Deposit Guarantee Corporation (CUDGC), a Crown agency that regulates credit unions in Alberta. Through CUDGC, the repayment of all deposits held within credit unions is guaranteed and the Government of Alberta ensures CUDGC is able to fulfill its guarantee to credit union depositors.

In order to protect Albertans from a loss as a result of an automobile collision, all Albertans are required to carry a minimum level of automobile insurance. The Alberta government, through the Automobile Insurance Rate Board (AIRB), regulates the insurance premiums insurers charge for compulsory automobile insurance. In addition, all insurance companies are regulated under the *Insurance Act* in terms of their ability to pay claims and fairness of insurance to all Albertans.

Alberta Finance and Enterprise is responsible for administration of the *Employment Pension Plans Act*. The purpose of the Act is to safeguard benefits promised to members of registered pension plans, mainly in the private sector, by setting minimum standards for plan funding, investments, disclosure and qualifications for benefits. In addition, Alberta Finance and Enterprise is responsible for providing policy advice to government for several Alberta public sector pension plans and the Canada Pension Plan. The Alberta Pensions Administration Corporation (APA) provides administrative services for the public sector pension plans.

Financial Information (thousands of dollars)	2008-09 Budget	2008-09 Actual	Variance
Expenses for Core Business: Financial Sector and Pensions	906,705	2,465,710	1,559,005

The main contributing variance is the \$1,645 million from valuation adjustments being over budget as the Teachers' Pre-92 Pension Plans required a valuation adjustment of \$1,702 million due to a change in the discount rate from 7.25 per cent to 5.0 per cent. There was a \$123 million in further adjustments due to increased deficiencies in the pension plans due to investment losses. A slight offset to this was \$89 million in expenses less than budget due to lower borrowing costs for Alberta Capital Finance Authority and some lower than planned expenses by Alberta Securities Commission.

Goal 6 Effective Regulation of Private Sector Pension, Insurance, and Financial Products and Services

Albertans need to know the financial services and products they receive are secure. The Ministry of Finance and Enterprise helps to reduce risks relating to these products by regulating private sector pension plans, the insurance industry, credit unions, and loan and trust corporations in Alberta.

The Ministry monitors the financial marketplace and develops rules and regulations that govern credit unions, loan and trust corporations, the insurance industry and pension plans. These rules and regulations facilitate services to deposit holders, policyholders, pension plan members and trust beneficiaries while maintaining a competitive environment in which companies can operate.

Pension plan members need to be assured that their benefits are secure. Alberta Finance and Enterprise assesses private sector pension plan compliance with the standards set out in the Employment Pension Plans Act (EPPA).

Alberta Finance and Enterprise currently monitors 792 private sector pension plans. Of these, 693 are active, nine are in the process of being registered, five are suspended, and 85 are in the process of winding up. These plans have 225,802 active members. Total contributions were approximately \$1.8 billion for the year ended March 31, 2009. The market value of total assets and going concern liabilities were \$26.2 billion and \$21.2 billion respectively, at the same reporting date.

Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)		
Percentage of private sector pension plans that meet minimum funding requirements	99%	99%	99% (2007/2008)	98% (2006/2007)	99% (2005/2006)

Source: Alberta Finance and Enterprise, Employment Pensions

*Note: Current service cost and any required deficit payments within timelines set by legislation

Private sector pension plan sponsors must demonstrate they have adequate funding to pay out all promised benefits by filing annual information returns and audited financial statements, and having triennial actuarial valuations completed for defined benefit plans.

The EPPA requires defined benefit pension plan sponsors to meet minimum funding requirements by making current service contributions, special payments to eliminate any unfunded liabilities over a fifteen-year period, and special payments to eliminate any solvency deficits over a five-year period. Sponsors of defined contribution plans must make contributions in the amounts specified under the terms of the plan, and within legislated time frames. The department's performance benchmark is that at least 99 per cent of pension plans registered in Alberta meet these minimum funding requirements.

This result was achieved as 99 per cent of pension plans registered in Alberta met the minimum funding requirements outlined above. Of those plans not meeting the minimum funding requirements, some are union-sponsored pension plans that were unable to meet the minimum solvency requirements in the past year. Others have come to the attention of the Superintendent of Pensions because the respective employers have not remitted sufficient contributions, or they have not remitted contributions within the prescribed timelines. The Superintendent is actively working with each of the non-compliant plans to ensure they are able to meet the minimum funding requirements.

Goal 7 Accessible Financial Services for Albertans and Local Authorities

Alberta's dynamic economy and entrepreneurial spirit requires readily accessible and technologically advanced financial services and products. In addition to private sector financial institutions, the Alberta Treasury Branches (ATB Financial) and the Alberta Capital Finance Authority (ACFA) make financial services and products available to Albertans and local authorities.

The mandate for ATB Financial is to provide financial services predominantly to Alberta residents and corporations headquartered in all areas of the province. In doing so, ATB Financial must operate using sound financial institution and business principles with the objective of earning a fair return and in a manner that is operationally independent from government. In addition to the *Alberta Treasury Branches Act* and regulations, ATB Financial must comply with statutory provisions that apply to Alberta crown agents in general, with government policies specified by the Minister, and with management principles adopted by government.

ATB Financial is a full-service financial institution serving over 670,000 Albertans through 164 branches and 133 agencies in Alberta. About 60 per cent of its loans are in residential mortgages and consumer loans, with the balance divided between commercial, agricultural and independent business loans.

Strong operating results in 2008-09 enabled ATB Financial (ATB) to record a year-end profit in spite of taking a provision for potential losses on asset-backed commercial paper (ABCP) of \$224.8 million. Excluding the ABCP provision, net income would have been \$231.2 million; including the ABCP provision, ATB's net income was \$6.4 million. This compares with the \$283 million earned in the previous year. Total assets were \$26.5 billion (up 13.7 per cent from the previous year); total equity remained at over \$1.75 billion.

ATB's return on average assets for the year was 0.03 per cent, below the targeted return of 1.14 per cent as a result of the provision for potential losses on ABCP holdings and spread compression resulting from the downward trend of prime and increased competition for deposits. Excluding the ABCP provision the return on average assets would have been 0.93 per cent.

Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)		
			(2007/2008)	(2006/2007)	(2005/2006)
ATB Financial return on average assets (before tax)	1.14% (2008/2009)	0.03% (2008/2009)	0.14% (2007/2008)	1.44% (2006/2007)	1.20% (2005/2006)

Source: ATB Financial (for further information, refer to ATB Financial Annual Report for year ended March 31, 2009)

*Note: Return on average assets is net income for the year divided by average total assets for the year.

The Alberta Capital Finance Authority's (ACFA) mission is to provide local authorities within the province with flexible funding for capital projects at the lowest possible cost. ACFA does this by lending funds to local entities at interest rates based on ACFA's cost of borrowing. Since the obligations of ACFA are unconditionally guaranteed by the Province of Alberta, ACFA is able to borrow in the capital markets at interest rates much lower than those available to local authorities acting independently.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results	Previous Years' Result(s)		
Cost to Alberta local authorities of borrowing from ACFA compared to other municipality/ aggregating agencies for a comparable loan.	Lowest of comparable cases	Met (in both cases compared) (2008-09)	Met (in both cases compared) (2007-08)	Met (in both cases compared) (2006-07)	Met (in both cases compared) (2005-06)

Source: ACFA Annual Report 2008, OSIFA, ACFA – www.acfa.gov.ab.ca

ACFA aims to offer the lowest borrowing costs to local authorities when compared to similar lenders in Canada. The target was met.

ACFA compares Alberta local authorities' indicative loan rates to the cost of borrowing by Ontario municipalities from the Ontario Strategic Infrastructure Financing Authority (OSIFA). ACFA's indicative loan rates are estimates of what the Authority would achieve under similar terms and circumstances to the actual rate used by OSIFA. ACFA's rates were consistently below OSIFA throughout the year.

Goal 8 An Effective and Efficient Securities Regulatory System

An effective, efficient and streamlined securities regulatory framework is essential for a strong and vibrant economy. It assists in the development of strong national and local capital markets and promotes the interests of both issuers seeking capital and investors providing that capital through their investment dollars.

The Ministry of Finance and Enterprise delivers this through a crown agent, the Alberta Securities Commission (ASC). The ASC is responsible for maintaining the efficiency and integrity of the capital market in Alberta through the administration of the *Securities Act*.

Performance Measure	2008-09 Target	Current Results	Previous Years' Result(s)		
Inter-provincial/territorial securities regulatory system	Phase Two of the Passport System Implemented	Full Implementation of Phase Two of the Passport System deferred to fall 2009 ¹	Phase Two of the Passport System implemented for issuers - March 17, 2008	Amendments passed to enable Phase Two of the Passport system (2006/2007)	Phase One of the passport system implemented (2005/2006)

Source: Alberta Finance and Enterprise, Capital Markets Policy

One of the key objectives of the 2004 Provincial/Territorial Memorandum of Understanding (MOU), signed by all provinces and territories except Ontario, was the establishment of the passport system to provide market participants with a single window of access to Canadian capital markets. In April 2005, Alberta amended the *Securities Act* to facilitate the creation and development of a passport system. Phase One of the passport system was implemented through a rule and related policy changes effective September 19, 2005.

1

Targeted implemented date of new national registration rule deferred to fall 2009 due to second publication for comment of revised draft rule in February 2008.

The MOU contemplates moving to Phase Two, an expanded passport system that builds on and largely replaces the first phase of the passport system - making it simpler, faster and cheaper for a market participant to clear a prospectus, register as a dealer, adviser or representative, or obtain an exemption.

In May 2006, Alberta amended the *Securities Act* to enable implementation of Phase Two of the passport system. In April 2007, Alberta amended the registration provisions of the *Securities Act* to support a new national registration rule. In November 2008, Alberta made further registration-related amendments to the *Securities Act* to support the new national registration rule.

Phase Two of the passport system is being implemented by the regulators in stages, beginning March 17, 2008, for prospectuses, takeover bids, continuous disclosure and exemptive relief applications. Phase Two will be fully implemented by fall 2009 with the implementation of the national registration rule.

Alberta continues to provide a leadership role as Chair of the Taskforce supporting the Council of Ministers of Securities in ensuring that the commitments in the MOU are met in a timely way.

Performance Measure	2008-09 Target	Current Results	Previous Years' Result(s)		
Highly harmonized securities law (includes highly harmonized rules, regulation and legislation)	Continuation of development and enactment of highly harmonized securities laws	Continuation of development and enactment of highly harmonized securities laws (2008/2009)	Continuation of development and enactment of highly harmonized securities laws (2007/2008)	Law passed (2006/2007)	Continuation of development and enactment of highly harmonized securities laws (2005/2006)

Source: Alberta Finance and Enterprise, Capital Markets Policy

Since 2005, Alberta has amended the *Securities Act* to support highly harmonized national securities law, including Bill 21, passed April 12, 2007, and Bill 38, passed November 3, 2008, amending the Act to harmonize Alberta's securities regulation. These amendments were developed in consultation with other provinces and territories as part of our commitment under the MOU. Some of the amendments remain unproclaimed until related national rules are implemented (e.g. rule dealing with registration requirements) in 2010.

In February 2009 Alberta introduced additional amendments to the *Securities Act* that will, among other things, support the introduction of new simplified Fund Facts disclosure documents for mutual fund investors across Canada.

The Alberta government continues to lead the development of highly harmonized securities legislation. For additional information, visit the website at www.securitiescanada.org.

Goal 9 Sustainable Public Sector Pension Plans in Alberta

Finance and Enterprise provides policy support to government as trustee and sponsor of several public sector pension plans. The Ministry is responsible for Alberta's Public Sector Pension Plans including the Local Authorities Pension Plan, the Special Forces Pension Plan, the Public Service Pension Plan and the Management Employees Pension Plan. Pension boards are responsible for setting investment policies for their funds and for monitoring performance within defined objectives and constraints¹.

As part of negotiations during 2007-08, the government and the Alberta Teachers' Association (ATA) agreed that the government would assume all of the pre-1992 pension liability for the Teachers' Pension Plan. Finance and Enterprise will be responsible for managing this liability and will work with Alberta Education to implement the changes.

Alberta Pensions Administration Corporation provides administrative services for public sector pension boards, employers, members and pensioners of seven different pension plans and two retirement plans. Alberta Local Authorities Pension Plan (ALAPP) Corporation provides strategic guidance and support to the Local Authorities Pension Plan Board (LAPP).

The Ministry also provides advice in relation to Alberta's role as one of the joint stewards of the Canada Pension Plan. Alberta takes part in a triennial review of the Canada Pension Plan.

Performance Measure	2008-09 Target	Current Results	Previous Years' Result(s)
Improved pension plan governance	Governance review complete	Phase II of the Governance review is deferred to (2009/2010)	Governance review ongoing throughout the year (2007/2008)

Source: Alberta Finance and Enterprise, Pension Policy

Public sector pension plans must be sustainable so that they can provide the promised benefits to plan beneficiaries at costs which are affordable.

The governance of the pension plans is currently being reviewed by Alberta Finance and Enterprise in consultation with the pension boards and other stakeholders. Phase I of the governance review focused on clarification of roles and accountabilities of those involved in the administration of the plans. Operating protocols which clarify roles and responsibilities were put in place in 2008/2009. Governance arrangements were reviewed to ensure consistency with the Public Agencies Governance Framework. Phase II of the governance review, which addresses board structure, the stakeholder role in governance, and effective consultation processes with key stakeholders, will continue through 2009-2010.

¹

Link to Goal 4, Sound Financial Management and Investment Policy.

Core Business: Enterprise

By strengthening and growing Alberta's businesses, Alberta's industrial sectors and workplaces will contribute to overall prosperity even through difficult economic conditions. Finance and Enterprise, Enterprise division works with industry, economic development organizations, and communities to encourage sustainable economic development and enhance competitiveness, innovation and productivity.

This core business supported the following goals in the Government of Alberta Business Plan:

- **Goal 1** – Alberta will have a prosperous economy
- **Goal 4** – Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally
- **Goal 7** – Alberta will be a safe place to live, work and raise families

In 2008-09, Enterprise division successfully implemented strategies to support Alberta Finance and Enterprise core business. This was accomplished through various activities including the continued development of value-added goods and service industries; collaboration with Regional Economic Development Alliances (REDAs) and the Northern Alberta Development Council to promote regional and northern economic development opportunities; work with multiple stakeholders to encourage productivity and competitiveness both at the firm level and in government policy development. Economic information products were developed to help our government and Alberta companies make sound business decisions based on emerging economic information.

Financial Information (thousands of dollars)	2008-09 Budget	2008-09 Actual	Variance
Expenses for Core Business: Enterprise	38,160	23,277	14,883

The Enterprise core business had the budget for the grants to be provided under the Federal Community Development Trust funding, however, the spending authority was transferred to the specific ministries providing the grants.

Goal 10 Alberta has a Competitive and Sustainable Economy

Finance and Enterprise is well-positioned to set the long-term strategic direction for value-added industry and economic development for Alberta. The Ministry works with the Alberta Economic Development Authority, industry, businesses, communities, and the Regional Economic Development Alliances and Northern Alberta Development Council to make Alberta globally competitive in priority sectors by competency and productivity. In addition, the Ministry produces economic information products to help Alberta companies make sound business decisions based on emerging economic information. Direct support is provided to the Regulatory Review Secretariat, which has been appointed to lead initiatives to improve regulatory quality and reduce the regulatory burden on businesses and citizens by streamlining requirements and eliminating duplication and redundancy.

In 2008, the real gross domestic product (GDP) for manufacturing and business and commercial services was \$34.6 billion. The dollar amount did not meet the established target of \$35.7 billion

as it declined by 0.3 per cent from the 2007 result. The manufacturing sector declined by 2.1 per cent due to the United State's recession (the housing sector was especially hard-hit), and the strong value of the Canadian dollar. GDP for business and commercial services grew by 1.4 per cent in Alberta, as domestic demand growth in Alberta was much weaker in 2008 than in the previous five years (domestic demand increased by 1.4 per cent in 2008 compared with an average annual increase of 7.0 per cent during the previous five years).

For a comparative frame of reference, Alberta's overall GDP declined by 0.2 per cent in 2008.

Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)
Real Gross Domestic Product of Manufacturing and Business and commercial services <ul style="list-style-type: none"> • Billions • Percent change from previous year 	\$35.7 billion 4.0%	\$34.6 billion -0.3%	\$34.7 billion 4.0% (2007-08)

*Note The targets are based on an annual percent change. The targets are calculated by multiplying the unrounded targets from the previous year. In November 2007, all real Gross Domestic Product (GDP) estimates were revised by Statistics Canada with the base year changing from 1997 to 2002. Statistic Canada typically changes the base year for real GDP estimates every five years and this leads to revisions in the real GDP dollar values.

The value of new capital expenditures on construction and machinery and equipment in manufacturing and service industries continued its upward trend in 2008 to \$21.2 billion, exceeding the target of \$19.4 billion by 9 per cent. The pipeline and electricity infrastructure industries accounted for the entire increase in the dollar value between 2007 and 2008, as capacity constraints caused very strong investment growth in these two sectors. Another contributor was the continued decline of the United States dollar versus the Canadian dollar, which made machinery and equipment imported from the United States more affordable and encouraged strong investment in Alberta. Rapidly rising Alberta construction costs also contributed to the higher value of this measure, for example non-residential construction costs in Calgary and Edmonton rose 13.2 per cent in 2008.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)
Manufacturing and service industry investment: the value of new capital expenditures on construction and machinery and equipment in Alberta's manufacturing and services industry <ul style="list-style-type: none"> • Billions • Percent change from previous year 	\$19.4 billion 7.0%	\$21.2 billion 10.1%	19.3 billion 9.2% (2007-08)

Source: Statistics Canada, Public and Private Investment, Catalogue #61-205.

Goal 11 Alberta has Strong and Vibrant Regions and Communities

Vibrant and sustainable rural communities with increased economic and social capacity contribute to a prosperous Alberta. Finance and Enterprise collaborates with other Ministries and regions to strengthen regional economic development throughout the province. The Ministry also works to advance northern development and support Regional Economic Development Alliances. The Northern Alberta Development Council focuses attention and awareness on northern Alberta's

unique opportunities and challenges. Specifically, the Northern Alberta Development Council initiates, co-ordinates and develops policies and strategies to advance sustainable northern development.

Regional Economic Development Alliances (REDAs) are not-for-profit corporations or societies that encompass a geographical area defined by its members. REDA members are communities and other regional stakeholders that collaborate to achieve economic prosperity based on a shared vision for the region's economic future. REDA membership is self-selecting and voluntary. Working together with community leaders, REDAs aim to grow and develop through regional co-operation and collaboration.

This measure monitors the number of communities participating in REDAs and regional partnerships. The 2008-09 result of 251 indicates a decrease of 10 communities from the previous year. AFE supported the ongoing development and operations of existing REDAs throughout Alberta and provided information and advice to other regional partnerships.

Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)
Number of communities participating in Regional Economic Development Alliances and partnerships ¹	265	251 ²	261 (2007-08)

Source: Survey conducted by Finance and Enterprise Regional Development Branch

Note:

1 While there are 360 communities in Alberta, not all communities wish to participate in Regional Economic Development

2 The Alberta Capital Region Alliance ceased operations in December 2008, thereby reducing the number of communities participating in REDAs province wide.

Alberta Finance and Enterprise assists the rural REDAs (i.e. excluding Edmonton and Calgary) by providing advisory management services for their development and operations. This measure examines REDA board members' satisfaction with the Ministry's support to ensure continuous improvement in services provided to the alliances.

<i>Reviewed by Auditor General</i> Performance Measure	2008-09 Target	Current Results*	Previous Years' Result(s)
Percentage of Regional Economic Development Alliances board members satisfied with support received to help address regional economic development priorities in Alberta	90%	89%	86% (2007-08)

Source: Survey conducted by Finance and Enterprise Regional Development Branch

Note:

1 While there are 360 communities in Alberta, not all communities wish to participate in Regional Economic Development

2 The Alberta Capital Region Alliance ceased operations in December 2008, thereby reducing the number of communities participating in REDAs province wide.

In 2008-09, 89 per cent of REDA board members surveyed were very satisfied or somewhat satisfied with the Ministry's support. This reflects the Ministry's efforts in assisting REDA management boards with business planning, communications, financial advisory services, project management, as well as investment attraction support, administrative services and capacity building. The survey was conducted using two data collection methods: mail surveys and telephone surveys. Survey results are the combined totals of both data collection methods. 106 members participated in the survey out of the 147 board members. The percent satisfied includes those who were very satisfied and somewhat satisfied.