ATRF Alberta Teachers' Retirement Fund Board

2011 Annual Report

PROFILE

The Alberta Teachers' Retirement Fund Board (ATRF) is a corporation established under the *Teachers' Pension Plans Act.*

ATRF is the trustee, administrator and custodian of the assets of the Teachers' Pension Plan for all Alberta teachers employed in school jurisdictions and charter schools.

ATRF is also the trustee, administrator and custodian of the Private School Teachers' Pension Plan for teachers employed by those private schools that have elected to join the plan.

The plans are defined benefit pension plans registered under the *Income Tax Act* and are sponsored by the Government of Alberta and the plan members, who are represented by The Alberta Teachers' Association. These plan sponsors are responsible for changes to plan design, benefits and funding, and share in plan gains and losses.

The Teachers' Pension Plan covers:

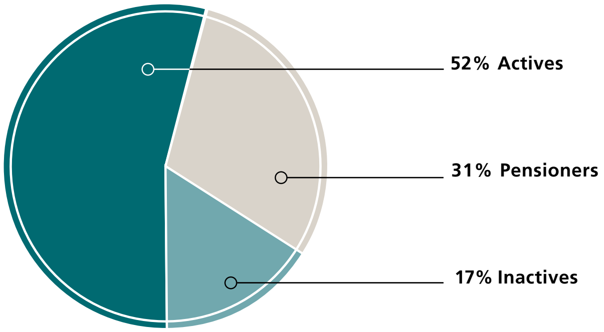
- 38,023 active teachers;
- 22,970 pensioners; and
- 12,131 inactive teachers.

The value of funding liabilities relating to service accrued subsequent to August 31, 1992 by members of the Teachers' Pension Plan exceeds the funding value of assets by $1.751 billion.

The Private School Teachers' Pension Plan has a deficiency of $5.617 million and covers:

- 188 active teachers;
- 163 pensioners; and
- 252 inactive teachers.

Total Membership Profile



Financial & Operational HIGHLIGHTS

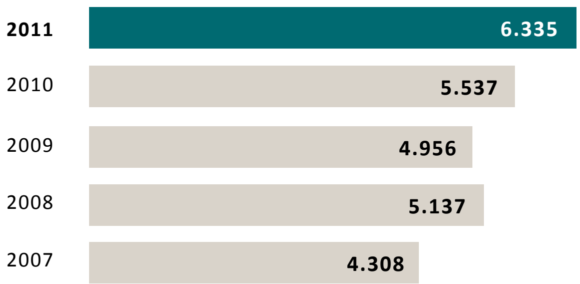
ATRF FINANCIAL POSITION AT AUGUST 31, 2011

$ Thousands	2011	2010
Investments		
Equities	$ 4,008,153	$ 3,507,585
Bonds and debentures	2,194,122	1,805,110
Money-market securities	114,973	190,053
	6,317,248	5,502,748
Cash	1,556	3,674
Contributions Receivable	11,955	11,324
Other Assets and Liabilities	4,313	19,199
Net Assets Available for Benefits	6,335,072	5,536,945
Actuarial Value of Accrued Pension Benefits	8,294,365	7,467,688
Deficiency	$ 1,959,293	$ 1,930,743

ACTIVITY DURING YEAR ENDED AUGUST 31, 2011

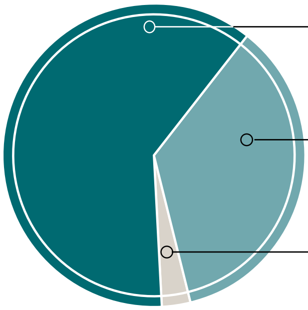
$ Thousands	2011	2010
Benefit and Investment Operations		
Investment earnings	$ 440,389	$ 274,299
Net contributions	577,446	499,197
Pension benefits	(194,453)	(173,029)
Operating costs	(25,255)	(19,962)
Increase in Net Assets	798,127	580,505
Increase in Cost of Accrued Pension Benefits	(826,677)	(606,034)
Increase in Deficiency	$ (28,550)	$ (25,529)

Net Assets of ATRF ($ Billions)

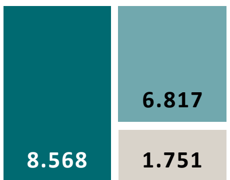


Asset Mix

at August 31, 2011



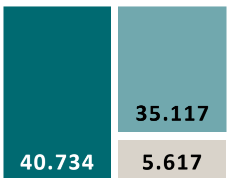
61.5% Return Enhancing	
Global Equity	40.0%
Canadian Equity	17.5%
Private Equity	4.0%
35.5% Liability Matching	
Universe Bonds	22.0%
Long-Term Bonds	11.5%
Money Market	2.0%
3.0% Inflation Sensitive	
Real Estate	1.0%
Infrastructure	2.0%



Teachers' Pension Plan Post-1992 Period

Funding Liabilities	8.568
Funding Value of Assets	6.817
Funding Deficiency	1.751

at August 31, 2011 ($ Billions)



Private School Teachers' Pension Plan

Funding Liabilities	40.734
Funding Value of Assets	35.117
Funding Deficiency	5.617

at August 31, 2011 ($ Millions)

Fund Results

- For the year ended August 31, 2011, the fund returned 7.8% exceeding the fund's benchmark of 7.3% by 0.5%
- Over the 19-year period since the current funding structure was adopted by the plan sponsors, the Teachers' Pension Plan has on average earned 6.9% each year, exceeding the plan's funding rate-of-return objective of 6.6% by 0.3% each year; over the same period, the rate of return for the Private School Teachers' Pension Plan fund has been 6.6% matching the plan's funding rate-of-return objective

Key Accomplishments – 2010/11

- Successfully commenced the implementation plans related to the new policy asset mix relating to infrastructure, private equity, real estate and global equity asset classes
- Met or exceeded all service turnaround benchmarks for our services to active and inactive plan members and to pensioners
- Received high approval ratings from the results of plan member surveys
- Completed the first annual testing of the operational effectiveness of internal controls over financial reporting and based on the results, the Chief Executive Officer and Director, Financial Services certified that internal control over financial reporting, and disclosure controls and procedures are properly designed and operating effectively
- Continued further enhancements to On-Line Services, website and print communication
- Recognized as having one of the lowest plan member service costs in the industry at $69 per member

The BOARD

From left to right

HARRY BUDDLE
Retired - President and CEO of Capital City Savings, Servus Credit Union.

LOWELL K. EPP
Executive Director, Capital Markets, Alberta Finance and Enterprise;
Vice Chair of the Board; Chair of the Investment Committee.

KAREN A. ELGERT
Principal, Gwynne School, Wetaskiwin Regional School Division;
Vice Chair of the Finance and Planning Committee.

GREG MEEKER
Science Department Head at Victoria School of the Arts
in Edmonton; Chair of the Board and Chair of the Audit Committee.

SHARON L. VOGRINETZ
Coordinator, Teacher Welfare with The Alberta Teachers' Association;
Chair of the Human Resources and Compensation Committee;
Vice Chair of the Investment Committee.

GENE WILLIAMS
Executive Director, Strategic Financial Services, Alberta Education;
Chair of the Finance and Planning Committee; Vice Chair of the
Human Resources and Compensation Committee and the Audit Committee.

Report of the BOARD CHAIR

Greg Meeker

All pension plans, including the pension plans for Alberta teachers, continue to face funding challenges to secure the pensions promised under the plans. Generally, pension plans are designed such that investment returns provide for about 75% to 80% of the funding of pension plan benefits. However, the extremely low interest rate environment suggests that pension plans, and all savers, will earn lower returns for the foreseeable future as compared to the higher returns experienced in the 25 years prior to September 2000 during which ATRF's fund earned an average of 9.8% each year.

Returns from higher-risk and higher-return assets such as equities have been subjected to negative market extremes over the past 11 years, starting with the burst of the technology-stock bubble in 2000, followed by the 2007-09 financial crisis, to the current sovereign-debt crisis of the developed world economies. Pension plans have incurred funding deficiencies and the cost of future benefits has increased. Consequently, plan funding contributions have risen and will rise further. Good pension plans, like the plans for the teachers of Alberta that also provide for ancillary benefits such as cost-of-living adjustments and generous early retirement benefits, are expensive and are getting more expensive in part due to lower investment returns, but also because people are living longer.

It is important to note that the benefits under the plan are set by the plan sponsors, namely The Alberta Teachers' Association and the Government of Alberta. The ATRF Board's responsibility is to ensure that these benefits are funded within the prescribed legislative provisions. Since the Board cannot influence the rates of return that will arise from the investment markets and does not set plan benefits, the Board has only one lever available when funding losses arise, and that is to raise contribution rates as it is required to do by legislation.

Securing the pensions of Alberta teachers is the prime focus of the Board. The Board continues to oversee the implementation of the fund's new investment policy asset mix that is focused on diversifying the fund's investments in asset classes that reflect an appropriate balance between generating investment returns and matching the liabilities of the plan. Cost-effective implementation structures are being pursued to optimize the net return to the fund.

Funding Review

The changing world economy, low growth in the developed world, and ongoing consumer and government deleveraging make for greater uncertainty in investment returns with potential for ongoing high volatility. Consequently, the margin for adverse plan experience in the current funding policy needs to be reassessed and may be increased to provide for additional reserves to enhance protection against uncertainty and mitigation of intergenerational liability transfers. The Board is undertaking a comprehensive review of plan funding that will examine the sustainability of the existing funding policy, and provide information for discussion with the plan sponsors, the Government of Alberta and The Alberta Teachers' Association, in 2012.

The funding review will consider the current funded status of the Alberta teachers' plans and what other plans are doing. Funding will be stress tested under alternative funding assumptions and the risk tolerance of plan contributors will be assessed.

It is anticipated that the review will provide all stakeholders with additional information to ensure that the pension plans for Alberta teachers remain sustainable for the foreseeable future and continue to secure the pension promise.

Funding Contribution Rate Increases

The actuarial funding valuation of the Teachers' Pension Plan as at August 31, 2011 showed that a total contribution rate increase of 1.14% of total teacher salaries may be required effective September 2012, 0.60% for teachers and 0.54% for the Government of Alberta. Just over half of the increase is related to a change to the mortality assumption to recognize ongoing improvements in life expectancy. The remainder of the increase is related to a portion of the deferred investment losses from the 2007-2009 financial crisis that will have to be recognized by August 31, 2012. Further contribution rate increases are anticipated, as we do not believe that the investment markets will provide the higher investment returns required over the next three years to offset the remaining deferred investment losses from the 2007-2009 financial crisis.

The funding review outlined above will provide the Board with additional information to set a revised funding policy to ensure a more sustainable funding structure for the plans. We anticipate that, by mid-2012, we will be in a position to provide information on the revised funding policy to all plan stakeholders and to set the required September 2012 contribution rates.

The actuarial funding valuation of the Private School Teachers' Pension Plan as at August 31, 2011 showed, that most likely, no contribution rate increase is required effective September 2012. However, further contribution rate increases are also anticipated for this plan for the same reasons as outlined above for the Teachers' Pension Plan. The funding review will fully consider the funding policy of the Private School Teachers' Pension Plan.

Acknowledgments

I want to thank the staff of ATRF for their day-to-day commitment and ongoing hard work in successfully serving the needs of plan members and in enhancing the operations of ATRF. A special thank you is extended to my fellow Board members and the external members of the Investment Committee for their strong corporate governance oversight of ATRF. We welcome our new Board member, Harry Buddle, who was appointed to the Board on March 10, 2011.

A special thank you is extended to Jim Drinkwater who retired as an external member of the Investment Committee after providing six years of invaluable counsel on the investment policies of the fund. We welcome Catherine Connolly as a new external member of the Investment Committee and look forward to working with her on overseeing the investment policies and performance of the fund.

Greg Meeker

Board Chair

The Board is committed to good governance and believes that ongoing improvement in the corporate governance of ATRF will lead to enhanced long-term value for plan members and sponsors. Our Statement of Corporate Governance Practices is found on our website. Go to www.atrf.com > About ATRF > Corporate Governance.

Report of the CHIEF EXECUTIVE OFFICER

Emilian Groch

The world's overall investment markets have provided poor investment returns over the past 11 years due to several financial and economic shocks. While there has been a modest recovery from the 2007-2009 financial crisis, economic and debt concerns continue in a number of countries in the developed world. Growth in these markets has been low with Europe struggling with the sovereign debt and banking crisis; and, the United States grappling with high debt, very low levels of job growth and a depressed housing market.

The ATRF fund had a very strong positive return of 7.8% in the 2010-11 fiscal year, exceeding the fund's benchmark by 0.5% and meeting the funding rate-of-return objective of the plans for this one-year period. However, due to very poor returns from the world's equity markets over the past 11 years, the fund of the Teachers' Pension Plan has returned on average only 3.5% each year, which is 3.4% per year short of the targeted funding rate-of-return objective. Consequently, substantial funding shortfalls have arisen over the past 11 years.

The Teachers' Pension Plan has a funding deficiency of $1.751 billion as at August 31, 2011, while the much smaller Private School Teachers' Pension Plan has a funding deficiency of $5.617 million. Under legislation, these funding deficiencies must be covered by additional contributions over a maximum period of 15 years. The additional contribution rates to amortize these deficiencies and bring the plans to a fully funded position are significant and will increase further as investment losses deferred from the 2007-2009 financial crisis are fully recognized over the next three years.

Implementation of New Target Policy Asset Mix

Based on a comprehensive reassessment of the funding, liability and investment structures of the plans in the 2008-09 fiscal year, the Board approved a new long-term target policy asset mix that includes new or increased allocations to non-publicly traded assets including real estate, infrastructure and private equity. Following the completion of implementation planning for this new target policy asset mix in the 2009-10 fiscal year, we commenced the implementation of the new policy asset mix in the past fiscal year.

Historically, the biggest challenge to success in these non-publicly traded asset classes for many investors has been the high cost associated with funds and fund-of-funds in the form of manager fees and carried interest. The growth in the assets of the fund, and the significant total allocation of 35% of fund assets to these asset classes, will give ATRF the scale to reduce, but not eliminate its reliance on high-cost external providers. Our investment into these asset classes will take considerable time to fully implement, and our approach is to manage these asset classes by building internal capability and leveraging strategic partnerships to source funds and to co-invest with like-minded investors.

In the 2010-11 fiscal year, we commenced the implementation of the long-term vision, strategy, process and resource requirements involved in building and maintaining a successful, cost-effective investment program for non-publicly traded asset classes. This required us to make a significant commitment to internal resources for additional staff and advisory services required to continue to build the investment programs for infrastructure, real estate and private equity.

We have doubled our investment staff over the last two years and will continue to add more staff as needed. This will position us to be able to evaluate investment opportunities that arise in infrastructure, private equity and real estate on a much more cost-effective basis than reliance on fund-of-fund managers and asset managers.

In addition, in the past fiscal year we examined all non-core investment processes, controls and reporting. We identified the ATRF departments that should be responsible for these matters and set a related implementation plan that will be carried out in the next fiscal year.

Enhancements to Plan Member Services

We continue to focus on quality and cost-effective services that meet the needs of the plan members. We have improved customer service and operational efficiency through best-practice reviews, and the identification and implementation of enhancements to our customer service processes and communication vehicles.

The results of our bi-annual plan member survey in 2011 revealed that 95% of survey respondents rated our overall service as good to excellent. Our ongoing survey of new pensioners showed that 98% of survey respondents rated service and communication during their pension application process as good to excellent. We plan to continue to make cost-effective enhancements to plan member services and communication.

Acknowledgements

I wish to recognize the staff of ATRF for their successful, ongoing commitment to serving the needs of the plan members and our other stakeholders. Staff are not only successful in effectively carrying out the critical day-to-day activities required to meet our responsibilities to the plan members, but also undertake new initiatives to ensure the ongoing growth and successful operation of ATRF.

I want to express my sincere appreciation to the members of the Board for their counsel and engaged review of our strategies and business plans, and for their ongoing focus on effective oversight of the governance of ATRF.

Emilian Groch

Chief Executive Officer

Management Discussion & ANALYSIS

This section of the Annual Report provides a detailed overview from management's perspective of the liabilities, assets, investments and service activities of ATRF that will assist readers in reviewing ATRF's performance and financial position. It contains forward-looking statements reflecting management's objectives, outlook, and expectations that involve risks and uncertainties. Our actual results will differ from those anticipated.

PLAN LIABILITY, FUNDING AND INVESTMENT STRUCTURES

The Teachers' Pension Plan and the Private School Teachers' Pension Plan have unique liability structures and funding arrangements. The liabilities relate to three distinct components:

- the pre-September 1992 benefit period for the Teachers' Pension Plan (Pre-1992 Period);
- the post-August 1992 benefit period for the Teachers' Pension Plan (Post-1992 Period); and
- the Private School Teachers' Pension Plan.

Teachers' Pension Plan: Pre-1992 Period

The liabilities of the Pre-1992 Period consist of the actuarial value of the accrued Pre-1992 Period pension benefits. There are no fund assets in respect of these liabilities. The Government of Alberta guarantees the payment of benefits related to the Pre-1992 Period and is providing ATRF sufficient funds each month to pay these benefits as they become due, and provided ATRF a total of $421 million in the past fiscal year.

Teachers' Pension Plan: Post-1992 Period

The cost of benefits being earned for service after August 1992, including the 60% cost-of-living pension adjustment provision, is shared equally between active members and the Government of Alberta. Active members are responsible for the additional 10% cost-of-living pension adjustment provision.

Funding deficiencies under the plan are amortized by additional contributions from active members and the Government of Alberta over a 15-year period. Since Post-1992 Period benefits are not guaranteed if the plan is terminated, the primary objective is to ensure there are sufficient assets to pay all Post-1992 Period benefits.

Funding Policy

The Board reviews the funding policy for the Post-1992 Period annually. This policy sets out the principles and guidelines governing the funding requirements of the benefits in respect of service under the plan in accordance with the plan's legislation and the objectives of the Board. The overall objective is to ensure the sustainability of the Post-1992 Period plan over the long term and to ensure the provision of benefits to plan members and their beneficiaries. The key elements of the current funding policy are as follows:

- The primary objective is benefit security focused on maximizing the likelihood of attaining and maintaining a plan funded ratio of at least 100%. This is a critical component in the sustainability of the plan, and is enhanced by the governance structure of ATRF and the extremely low likelihood of the plan winding up.
- Contribution rate stability is a key secondary objective. The cost of the plan should be sustainable over time and reflect a long-term view of the plan's assets and liabilities. The plan should be funded to ensure that the level of required contributions remains relatively stable without undue fluctuations, and do not increase to unaffordable levels.
- Based on the plan's cost-sharing arrangement, it is expected that, to the extent possible, each generation of active members and provincial taxpayers will fund the benefits accruing for that generation of active members.

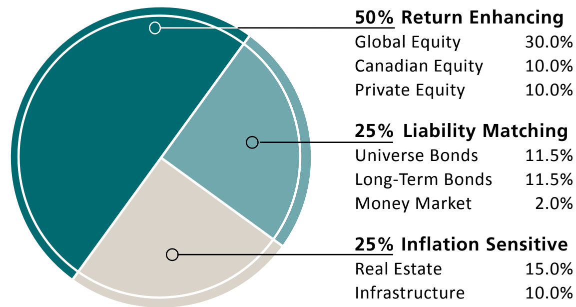
- The actuarial liability of the plan is determined under both a best-estimate-assumption basis, using management's best-estimate of future events, and a funding-assumption basis. Under the funding-assumption basis, management's best-estimate assumptions for the long-term investment rate of return, inflation and/or salary increases may be adjusted for a provision for potential adverse plan experience.
- The funding-assumption basis is determined by the plan's actuary, in consultation with ATRF, to achieve the funding objectives. The funding-assumption basis is set such that the liabilities fall within a range of 100% and 110% of the liabilities based on the best-estimate-assumption basis, with a target level equal to 105% of the best-estimate liabilities.
- To achieve stability in contribution rates, the funding-assumption basis can be adjusted to achieve liabilities not less than 100% of best-estimate liabilities in order to reduce deficits where the plan and fund are under more extreme financial pressures, or to achieve liabilities of up to 110% of best-estimate liabilities, thereby providing a reserve for future adverse plan funding experience.

As noted in the Report of the Board Chair, the Board is undertaking a comprehensive review of plan funding with management and the plan's actuary, in light of the changing economic and financial environment. The margin for adverse plan experience will be reassessed and may be increased to provide for additional reserves to enhance protection against uncertainty and mitigation of intergenerational liability transfers. An increase in the provision for potential adverse plan experience will increase plan liabilities and result in increases to overall plan funding contribution rates. We anticipate that the review will be completed by mid-2012 and information on the changes to the funding policy and contribution rates will be presented at that time.

Target Policy Asset Mix

The Board has adopted the following long-term target policy asset mix. It was based on a comprehensive asset-liability study of the plan in 2009, the funding policy outlined above and the fact that the Post-1992 Period plan has relatively immature liabilities and will have positive cash flow for the next 15 years.

Long-Term Target Policy Asset Mix



The change to this new long-term target policy mix is significant and will be gradually implemented over the next few years. In particular, the investment into the illiquid, inflation-sensitive asset classes of real estate and infrastructure, and the increased allocation to private equity will take considerable time to fully implement. We are pursuing cost-effective internal operations, and partnerships with external managers and like-minded investors to manage these illiquid asset classes.

Funding Valuation Results

An actuarial funding valuation of the Post-1992 Period Teachers' Pension Plan was completed as at August 31, 2011. The discount rate for this valuation was based on the long-term expected return of the fund considering the long-term target policy asset mix and funding policy outlined above. The valuation assumptions were the same as those used in the funding valuation as at August 31, 2009 and used a discount rate of 6.75% and a long-term Alberta inflation rate of 2.75%.

The following table outlines the results of the funding valuation as at August 31, 2011.

Teachers' Pension Plan Post-1992 Period
at August 31, 2011 ($ Billions)

Funding Liabilities	8.568
Funding Value of Assets[1]	6.817
Funding Deficiency	**1.751**

[1] The plan uses an actuarially accepted practice of smoothing market returns over a five-year period to moderate short-term adjustments to contribution rates. This practice is intended to even out the impact from the volatility of market returns on the plan's funded status. As at August 31, 2011, the plan's funding value of net assets available was $514 million higher than the fair value of net assets available (2010 - $444 million higher).

The funding valuation showed that a total contribution rate increase of 1.14% of total teacher salaries may be required effective September 2012, 0.60% for teachers and 0.54% for the Government of Alberta. Just over half of the increase resulted from a change to the mortality assumption to recognize ongoing improvements in life expectancy. The remainder of the increase is related to a portion of the deferred investment losses from the 2007-2009 financial crisis that will have to be recognized by August 31, 2012. The actual contribution rates effective September 2012 will be set by the Board when its review of the funding policy is completed by mid-2012.

Teachers' Pension Plan Contribution Rates (Percent)	Sept 2010 to Aug 2012	Estimated for Sept 2012
Teachers		
Total Teacher Contribution	10.71	11.31
Salary up to YMPE[1]	9.04	9.60
Salary above YMPE	12.91	13.72
Government	10.10	10.64

[1] YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan ($50,100 in 2012).

Plan Funding Challenges

A key assumption in the funding of the plan is that the fund will earn an average investment return each year of 6.75% net of investment costs. To even out the impact from the volatility of market returns on the plan's funded status, the plan uses an actuarially accepted practice of smoothing market returns over a five-year period to moderate short-term adjustments to contribution rates. This practice is intended to even out the impact from the volatility of market returns on the plan's funded status.

The August 31, 2011 funding valuation showed that, primarily due to the 2007-2009 financial crisis, the current market value of plan assets is $514 million less than the asset value used to assess plan's funded position. This means that the fund must earn at least 6.75% each year for the next three years and must also earn an additional $514 million to avoid further contribution increases. If the plan's investments earn only 6.75% each year over the next three years, the funding deficiency will grow and the additional amount will have to be amortized by increasing funding contributions over a 15-year period. We have estimated that should this occur, overall funding contributions would increase over the three years ending August 31, 2014 for a total increase of about 1.6%.

We also carried out various stress tests on our long-term funding assumptions. For example, if the future long-term rate of return on investments is only 6.25%, total plan cost would increase by almost 2.71% of teacher salaries to 24.66% from the 21.95% total plan funding cost anticipated for September 2012.

Best-Estimate Valuation Results

We conduct a best-estimate actuarial valuation for the purposes of the financial statements. This best-estimate valuation uses a mark-to-market approach that values plan liabilities and assets based on current market values. It therefore, does not use the 6.75% discount rate applied in the funding valuation, as the funding valuation included a 0.25% provision for potential adverse plan experience in its discount rate. As a result, the best-estimate valuation was conducted using a 7.0% best-estimate discount rate.

The actuarially accepted practice of smoothing market returns over a five-year period used in the funding valuation, cannot be utilized for the best-estimate actuarial valuation as the fair value of net assets must be used. Accordingly, the asset and liability amounts of the best-estimate actuarial valuation differ from those in the funding valuation.

The table below outlines the results of the best-estimate valuation as at August 31, 2011.

Teachers' Pension Plan Post-1992 Period at August 31, 2011	($ Billions)
Best-Estimate Liabilities	8.257
Fair Value of Assets	6.303
Deficiency	**1.954**

Private School Teachers' Pension Plan (PSTPP)

The cost of benefits being earned, including the 60% cost-of-living pension adjustment provision, is shared equally between active members and private school employers. Active members are responsible for the additional 10% cost-of-living pension adjustment provision. Funding deficiencies under the plan are amortized by additional contributions from active members and the private school employers over a 15-year period. Since benefits are not guaranteed if the plan is terminated, the primary objective is to ensure there are sufficient assets to pay all benefits.

PSTPP Funding Policy

The Board has also adopted a funding policy for the PSTPP that sets out the principles and guidelines governing the funding requirements of the benefits in respect of service under the plan in accordance with the plan's legislation and the objectives of the Board. The overall objective is to ensure the sustainability of the plan over the long term and to ensure the provision of benefits to plan members and their beneficiaries.

The PSTPP is a small, voluntary pension plan where there is the potential risk of plan termination if all participating private school employers withdraw from the plan. As a result, the funding policy for the PSTPP contains additional margins for potential adverse plan experience as compared to the large Teachers' Pension Plan where legislation does not permit eligible teachers and employers to withdraw from the plan. The key differing elements of the funding policy are as follows:

- The funding-assumption basis is determined by the PSTPP's actuary, in consultation with ATRF, to achieve the funding objectives. The funding-assumption basis is set such that the liabilities fall within a range of 100% and 120% of the liabilities based on the best-estimate-assumption basis, with a target level equal to 110% of the best-estimate liabilities.
- To achieve stability in contribution rates, the funding-assumption basis can be adjusted to achieve liabilities of up to 120% of best-estimate liabilities, thereby reducing surplus, or to achieve liabilities not less than 100% of best-estimate liabilities in order to reduce deficits where the plan and fund are under more extreme financial pressures.

A comprehensive review of plan funding is also being undertaken for the PSTPP. The margin for adverse plan experience will be reassessed and may be increased to provide for additional reserves to enhance protection against uncertainty and mitigation of intergenerational liability transfers. An increase in the provision for potential adverse plan experience will increase plan liabilities and result in increases to overall plan funding contribution rates. We anticipate that the review will be completed by mid-2012 and information on the changes to the funding policy and contribution rates will be presented at that time.

PSTPP Target Policy Asset Mix

The long-term target policy asset mix for the PSTPP is the same as outlined above for the Post-1992 Period of the Teachers' Pension Plan. Consequently, the PSTPP participates in the identical investments that are employed for the overall fund with respect to the Post-1992 Period of the Teachers' Pension Plan.

PSTPP Funding Valuation Results

An actuarial funding valuation of the PSTPP was completed as at August 31, 2011. The discount rate for this valuation was based on the long-term expected return of the fund considering the long-term target policy asset mix and funding policy outlined above. The valuation assumptions were the same as those used in the funding valuation as at August 31, 2009 and used a discount rate of 6.50% and a long-term Alberta inflation rate of 2.75%.

The following table outlines the results of the funding valuation as at August 31, 2011.

Private School Teachers' Pension Plan
at August 31, 2011

	($ Millions)
Funding Liabilities	40.734
Funding Value of Assets[1]	35.117
Funding Deficiency	**5.617**

[1] The plan uses an actuarially accepted practice of smoothing market returns over a five-year period to moderate short-term adjustments to contribution rates. This practice is intended to even out the impact from the volatility of market returns on the plan's funded status. As at August 31, 2011, the plan's funding value of net assets available was $3.073 million higher than the fair value of net assets available (2010 - $2.889 million higher).

The funding valuation showed, that most likely, no contribution rate increase is required effective September 2012. Any change to the current contribution rates that would be effective September 2012 will be set by the Board when its review of the funding policy is completed by mid-2012. The table below shows the current contribution rates.

Private School Teachers' Pension Plan Contribution Rates

(Percent)	Sept 2011
Teachers	
Total Teacher Contribution	10.75
Salary up to YMPE[1]	9.31
Salary above YMPE	13.30
Private Schools	10.04

[1] YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan ($50,100 in 2012).

PSTPP Plan Funding Challenges

One key assumption in determining the funding of the plan is that the fund will earn an average investment return each year of 6.50% net of investment costs. To even out the impact from the volatility of market returns on the plan's funded status, the plan uses an actuarially accepted practice of smoothing market returns over a five-year period. This practice is intended to moderate short-term adjustments to contribution rates.

The August 31, 2011 funding valuation showed that, primarily due to the 2007-2009 financial crisis, the current market value of plan assets is $3.073 million less than the asset value used to assess the plan's funded position. This means that the fund must earn at least 6.50% each year for the next four years and must also earn an additional $3.073 million to avoid further contribution increases. If the plan's investments earn only 6.50% each year over the next three years, the plan's deficiency will grow and the additional deficiency will have to be amortized by increasing funding contributions over a 15-year period. We have estimated that should this occur, overall funding contributions would increase over the three years ending August 31, 2014 for a total increase of about 1.8%.

We also carried out various stress tests on our long-term funding assumptions. For example, if the future long-term rate of return on investments is only 6.00%, total plan cost would increase by almost 3.87% of teacher salaries from the total current plan funding cost of 20.79% to 24.66%.

PSTPP Best-Estimate Valuation Results

We conduct a best-estimate actuarial valuation for the purposes of the financial statements. This best-estimate valuation uses a mark-to-market approach that values plan liabilities and assets based on current market values. It therefore, does not use the 6.50% discount rate applied in the funding valuation, as the funding valuation included a 0.50% provision for potential adverse plan experience in its discount rate. As a result, the best-estimate valuation was conducted using a 7.0% best-estimate discount rate.

The actuarially accepted practice of smoothing market returns over a five-year period used in the funding valuation, cannot be utilized for the best-estimate actuarial valuation as the fair value of net assets must be used. Accordingly, the asset and liability amounts of the best-estimate actuarial valuation differ from those in the funding valuation.

The following table outlines the results of the best-estimate valuation as at August 31, 2011.

Private School Teachers' Pension Plan at August 31, 2011	($ Millions)
Best-Estimate Liabilities	37.417
Fair Value of Assets	32.044
Deficiency	**5.373**

Funding Risks Looking Forward

The funding studies and valuations are based on assumptions that will differ from actual plan experience. Any difference between the assumptions and plan experience will emerge as gains or losses in future funding studies and valuations. Key among those assumptions is the expected rate of return of the fund and there can be significant deviation from this estimate over shorter periods of time.

As noted in the Report of the Board Chair, the plans experienced significant negative deviations from the long-term expected rate of return over the past 11 years. In addition, as a result of the major decline in global interest rates, we anticipate lower returns for the next few years.

The approach to smoothing investment gains and losses adopted by the plans has allowed the plans to postpone dramatic contribution increases that would otherwise have been triggered by the 2007-2009 financial crisis. This has provided the plans time for some measure of market recovery and to better gauge the longer-term contribution increases that will be required. However, it is becoming apparent that the effects of the 2007-2009 financial crisis will linger for some time in the form of lower expected returns. Therefore, the plans' funding deficiencies will most likely continue to grow and contribution rates will need to increase further.

INVESTMENT MANAGEMENT

From an economic perspective, 2010-11 proved to be quite similar to the previous year, as the ongoing sovereign debt crises in the Eurozone continued to dominate headlines. In addition, the U.S. economy failed to gain any meaningful traction; and, civil unrest in the Middle East/North Africa, a tsunami in Japan, and the tightening of monetary policy outside of the developed economies only added fuel to the fire.

Despite these economic headwinds, investment markets were able to deliver positive returns, and the fund generated a return of 7.8% for the fiscal year.

In the 2010-11 fiscal year we continued to grow our internal investment operations in support of the new policy asset mix established in 2009. Our investment staff has now doubled in size over the past two years, providing the required human resources to support our ongoing growth in assets and successfully implement our investment plans in non-publicly traded assets. ATRF has become an increasingly active and sophisticated investor in illiquid asset classes such as private equity, infrastructure and real estate. Our commitment to these asset classes will continue to grow for the next several years. During the year we also completed a comprehensive review of our investment processes including trade settlement, asset valuation and performance measurement. As a result of this review, we are adopting a number of internal process changes that reflect industry best practices, and to better position ATRF's investment operations for growth going forward.

Return Enhancing Assets

Return enhancing assets are those assets whose primary purpose is to increase the overall return of the fund over the long term. Included in this category of assets are public and private equities, as well as other strategies principally designed to generate return, such as our currency overlay portfolio.

Return Enhancing Asset Class at August 31, 2011	($ Millions)	(%)
Global Equity	2,469	38.9
Canadian Equity	1,158	18.2
Private Equity	278	4.4
Total[1]	**3,905**	**61.5**

[1] Includes $6.5 million in accrued income.

Public Equity Markets

Global equity markets were highly volatile in 2010-11, due in large part to the dichotomy between struggling economies in developed countries and inflation concerns stemming from strong growth in developing countries. With this uncertain backdrop, the difference between the best and worst performing equity markets was very pronounced. While equity markets in certain Asian countries such as Korea, Indonesia and Taiwan were generating returns in excess of 20%, southern European markets such as Greece, Italy and Spain were struggling with losses of 10% or more. Overall, ATRF's global equity benchmark, the MSCI World Index, returned 5.0% for the fiscal year.

Many countries in Europe continue to operate under heavy deficits and contracting or anemically growing economies. The European Union in general is struggling with disparate economies and differing fiscal situations, yet are linked by a single monetary policy and currency. It is this "union" that forces them to share the burden of resolving the situation. More recently, there appears to be some progress on the commitment of all nations to at least assist in providing temporary financial aid to Greece, the greatest immediate concern. A longer-term solution will ultimately be needed but this coordination is a significant first step in the right direction to help avoid a contagion effect.

The United States has also struggled with its own debt woes along with an economy operating at sub-optimal levels. Unlike individual European countries, the U.S. has the ability to improve its global competitiveness through currency depreciation. Policy initiatives by the U.S. Federal Reserve during the year successfully managed U.S. yields lower and helped in depreciating the U.S. dollar by 11% on a trade-weighted basis. This helped exports and aided in improving profitability at U.S. corporations. Earnings growth for S&P 500 companies was greater than 22% in the year and was the primary reason for the 18.5% return for the U.S. equity market. With the weakness in the U.S. dollar, this return was somewhat diluted when translated into most other currencies, and was 8.5% in Canadian Dollars.

The Canadian market generated a strong return of 9.9% for the fiscal year despite the many challenges facing global economies. Relative to the rest of the world, Canadian financial institutions benefited from a stable local economy and from minimal exposure to the European financial sector and sovereign debt. With so many questions lingering regarding the stability of the European Union and in particular, the Euro, gold continued to hit new highs as investors looked to it as a store of value. Similarly, gold equities in the S&P/TSX Composite rose and at end of the year, gold and precious metals accounted for over 14% of the index.

With the deterioration of the economic outlook in the second half of the year, Canadian 10-year bond yields showed a significant decline, moving from 3.4% to 2.4%. With this backdrop, investor interest in high-yielding securities increased dramatically. Some of the best performing stocks in the S&P/TSX Composite were in the traditionally defensive sectors that typically have a higher dividend yield, such as telecommunications and utilities. With the outlook for interest rates to remain low for the foreseeable future, strong demand for dividend-paying securities will most likely continue.

Private Equity Markets

Private equity transaction activity in North America, and globally, increased in the latter half of 2010 and into the first half of 2011. In Canada, private equity transaction and dollar volumes grew in the 2010 calendar year for the first time since 2007. This increase in Canadian activity was consistent with private equity developments in the U.S. and around the world. Globally, unfunded commitments for buyout funds continued to decline, falling over 20% from their peak in 2009 although the amounts remain well above pre-recession levels. Also, emerging market private equity deal volume rose 11% in the first half of 2011, after a sharp pull-back in 2010.

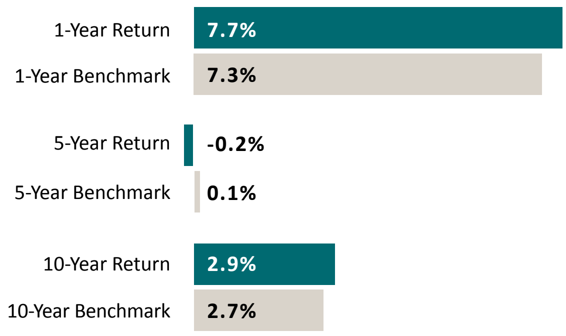
In the U.S., the first half of 2011 remained strong for private equity backed initial public offerings; however, the dramatic sell off of public markets in August led to many withdrawn and postponed transactions. Should markets continue to exhibit high levels of volatility in the future, private equity investors could face longer hold periods for companies in their portfolios.

On the fund-raising side, the overall environment remained challenging for private equity managers coming to market with new funds over the last 12 months. This represents a positive factor for investors such as ATRF who can advocate for improved fund terms and gain entry to previously difficult-to-access funds.

Performance of Return Enhancing Assets

ATRF's return enhancing assets are held in a variety of portfolios which are well diversified by geography, investment style, market capitalization and vintage year (for private equity). Despite the challenges noted above, return-enhancing assets were able to generate a positive return of 7.7% for the year, exceeding the benchmark return of 7.3%.

Return Enhancing vs. Benchmark Performance
to August 31, 2011



As noted above, global equity markets were volatile in 2010-11 and there was considerable variation in returns from one market to the next. The diversified combination of portfolios that make up ATRF's global equity asset class generated a total rate of return of 4.7%, which was slightly behind the 5.0% return of the benchmark MSCI World Index.

Like last year, equity returns in Canada were better than equity returns in most other countries, with the benchmark S&P/TSX Index returning 9.9%. ATRF's Canadian equity portfolios performed considerably better than the benchmark, with a combined rate of return of 11.9% for the year.

The underlying partnerships within ATRF's private equity portfolio are valued by general partners on a fair value basis every quarter. As valuations for private fund investments are typically reported on the basis of calendar quarters, we time-lag both portfolio and benchmark returns by two months. Accordingly, the benchmark return of 16.8% represents the return on the MSCI World Index for the 12 months ended June 30, 2011, plus an illiquidity premium of 2.0%.

The positive return of 14.0% for the private equity portfolio, while somewhat behind the benchmark, reflects the general improvement in earnings and valuation metrics within the asset class over the last 12 months.

Rates of Return - Return Enhancing Asset Class to August 31, 2011	1 Year (%)		5 Years (%)		10 Years (%)	
Asset Class	**ATRF**	**Benchmark**	**ATRF**	**Benchmark**	**ATRF**	**Benchmark**
Canadian Equity	11.9	9.9	4.1	4.0	8.7	8.1
Global Equity	4.7	5.0	-2.8	-2.7	n/a	n/a
Private Equity	14.0	16.8	n/a	n/a	n/a	n/a
Total Return Enhancing	7.7	7.3	-0.2	0.1	2.9	2.7

Along with our equity portfolios, the Return Enhancing Asset category also includes an active currency strategy. This strategy gains exposure to currency markets through the use of derivative positions based on a notional value of assets and a pre-defined level of risk, which is constantly monitored and controlled. The goal of the strategy is to add absolute value to the fund over the long term. In the past year, ATRF's currency portfolios earned a net profit of $3.0 million, which translates into a return of approximately 0.05% for the total fund.

Liability Matching Assets

Liability Matching Assets are those assets whose primary purpose is to reduce the duration mismatch between plan assets and liabilities, as well as reduce the overall volatility of returns. Included in this category are three different fixed income asset classes.

Liability Matching Asset Class at August 31, 2011	($ Millions)	(%)
Universe Bonds	1,471	23.2
Long-Term Bonds	727	11.5
Money Market	58	0.9
Total[1]	**2,256**	**35.6**

[1] Includes $21.5 million in accrued interest.

Fixed-Income Markets

The start of fiscal 2010-11 saw bond yields fall through October and early November as investors waited for a policy announcement from the U.S. Federal Reserve. After the Federal Reserve confirmed that a second round of quantitative easing was actually being implemented, yields rose steadily until February of 2011. Through its buying of government debt, the U.S. Federal Reserve was attempting to improve the value of risk assets and generate a small increase in inflation, and by early April, bond yields all over the world had reached new highs for the year. In July and August bond yields collapsed in reaction to weaker than expected economic growth, fears of a potential U.S. debt default due to the debt ceiling, and a new concern that European sovereign bailouts may extend to more countries than originally anticipated.

Like equity markets, there was a significant dichotomy in world bond markets in 2010-11. While the U.S. Federal Reserve was trying to reflate risky assets, Greece, Ireland and Portugal were all receiving bailout funds from the European Central Bank and the International Monetary Fund. This led to a situation where the U.S., Canada and other "safe haven" countries saw their bond yields fall to historic lows, while many European counties saw their yields rise to the highest levels since 2001.

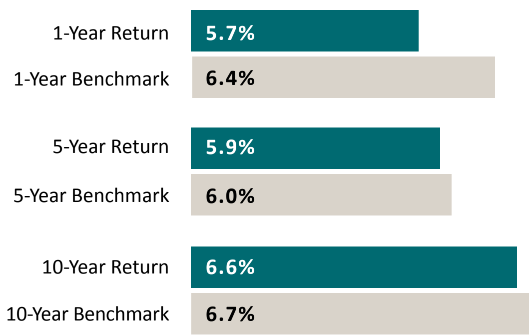
Performance of Liability Matching Assets

ATRF's Liability Matching Assets are held in a variety of internally and externally managed fixed-income portfolios, which offer exposure to short, medium and long duration bonds as well as credit and private debt markets.

Rates of Return - Liability Matching Asset Class
to August 31, 2011

Asset Class	1 Year (%) ATRF	1 Year (%) Benchmark	5 Years (%) ATRF	5 Years (%) Benchmark	10 Years (%) ATRF	10 Years (%) Benchmark
Universe Bonds	5.0	5.5	6.1	5.9	6.3	6.4
Long-Term Bonds	8.1	9.0	n/a	n/a	n/a	n/a
Money Market	1.1	0.9	2.3	1.9	2.5	2.3
Total Liability Matching	5.7	6.4	5.9	6.0	6.6	6.7

Liability Matching vs. Benchmark Performance
to August 31, 2011



Fixed income assets in general continued to post strong positive returns during the 2010-11 fiscal year. These positive returns were the result of bond yields falling to record lows because of the weak outlook for world growth and general fear over the European sovereign debt crisis. Overall, ATRF's Liability Matching Assets generated a total return of 5.7% for the year, which was less than the 6.4% return of the benchmark.

The portfolios included in ATRF's Universe Bond asset class returned 5.0% for the fiscal year, compared to the 5.5% return of the benchmark DEX Universe Bond Index. On a combined basis, the duration of these portfolios was somewhat shorter than the benchmark, which led to a lower return in a year where bond yields fell to unexpectedly low levels.

Falling bond yields had an even larger impact on the Long-Term Bond asset class, which recorded a very strong return of 8.1% for the year. As with Universe Bonds, ATRF's Long-Term Bond portfolio was positioned with shorter-than-benchmark duration, resulting in a return which lagged the 9.0% return of the benchmark DEX Long-Term Government Bond Index.

While slightly improved from the previous year, money market rates remained near historical lows throughout the 2010-11 fiscal year. ATRF's money market portfolio returned 1.1% for the year, which slightly exceeded the 0.9% return of the DEX 30 Day T-Bill Index.

Inflation Sensitive Assets

Inflation sensitive assets are those assets that are expected to partially mitigate the risk of unexpected inflation. This is an important consideration for ATRF given that pension benefits under the plans are 70% indexed to inflation. While it is impossible to perfectly protect investment returns from inflation, the returns on assets in this category are typically at least partially correlated with inflation rates over the long term. ATRF includes both real estate and infrastructure in this asset category.

Inflation Sensitive Asset Class at August 31, 2011	($ Millions)	(%)
Real Estate	60	0.9
Infrastructure	124	2.0
Total	**184**	**2.9**

Real Estate

On a global basis, investment-grade real estate has continued to exhibit relative stability of returns as a result of its income-producing characteristics. Liquidity within the asset class has been increasing, and there continues to be new capital flow from investors that are either seeking diversification within their investment portfolios, or return enhancement through opportunistic investing. There also continues to be a growing trend among institutional investors around the world to be deploying capital outside of their domestic markets.

As planned, this past fiscal year saw ATRF begin its active real estate investment program. While the initial focus has been on real estate fund investments outside of Canada, we expect to begin making direct property investments within Canada in the coming year. Looking ahead, we anticipate building a well-diversified, risk-controlled portfolio of real estate assets, with investments both in Canada and around the world.

As the real estate investment program is still in its early stages, returns came from a very limited asset base in 2010-11. While one small investment was held throughout the year, the vast majority of real estate capital was deployed in the last few months of the fiscal year. For this limited time period, the real estate portfolio generated a return of 7.1%, with the benchmark set to match the portfolio return.

Infrastructure

The past year was an encouraging one for infrastructure investors as deal flow showed positive signs of returning and fundraising activity sharply rebounded. Total commitments to infrastructure funds in 2010 were nearly double the level of commitments in 2009, and transaction activity was particularly strong in the final quarter of the year. A good source of deal flow for infrastructure funds over the past year has been the divestiture of non-core assets, such as pipelines and storage facilities by major oil and gas companies. Additionally, the sale of non-core road assets by developers, government asset sales, and refinancing of over-leveraged transactions have all provided opportunities for infrastructure investors.

As with real estate, 2010-11 represented the first year of our active investment program in infrastructure. Total investment for the year exceeded $120 million through a combination of fund commitments and direct investments in infrastructure assets alongside other investment partners. While our initial focus has been on investment opportunities in Canada, the infrastructure portfolio will ultimately be globally diversified and include investments from around the world.

Also like real estate, the majority of ATRF's infrastructure investments were made in the second half of the fiscal year. Accordingly, the 2.6% return reflects a limited asset base over a short time period, and the benchmark return was set to match the portfolio return.

LONG-TERM INVESTMENT PERFORMANCE

Long-Term Investment Objective

The primary long-term investment objective of the fund is to meet the real rate-of-return target above the level of Alberta inflation. This target is an essential long-term assumption in determining the funding requirements of the plans to ensure that plan benefits are funded in accordance with the established funding structure. This long-term investment objective is measured starting September 1, 1992, when the plan sponsors agreed to the current funding structure of the plans.

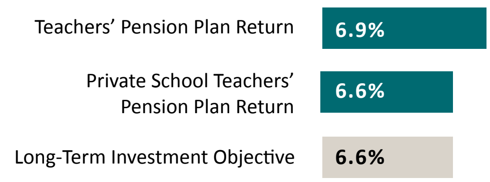
Since September 1, 2004, the long-term rate-of-return assumption has been 4.25% above the level of Alberta inflation. This target was 4.5% plus inflation from September 1, 1997 to August 31, 2004, 4% plus inflation from September 1, 1994 to August 31, 1997, and 3.5% plus inflation prior to that time.

In the 19 years since September 1, 1992, the investment return of the Teachers' Pension Plan has surpassed this long-term objective. The annualized rate of return on the fund's assets over this time period has been 6.9%, which exceeds the 6.6% rate-of-return objective.

Over this same time period, the Private School Teachers' Pension Plan investment return has been slightly lower, as it did not benefit from the stable return of the loan to the Province of Alberta that was part of the assets of the Teachers' Pension Plan until the end of 2009. The annualized rate of return for the Private School Teachers' Pension Plan over the same 19-year time period has been 6.6%, equaling the rate-of-return objective of 6.6%.

19-Year Return vs. Long-Term Investment Objectives

to August 31, 2011



Benchmark Performance

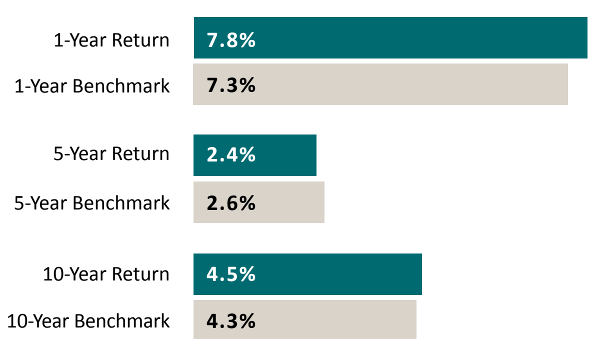
We measure the ongoing effectiveness of our investment strategies by comparing the actual performance of the investment portfolio to the return on the fund's benchmark. Benchmarks for each asset class are selected by the Board and Investment Committee. The total-fund benchmark is calculated by aggregating the asset-class benchmark indices, which are weighted to reflect the fund's policy asset mix.

As noted earlier, the past year was a volatile one in financial markets, with economic conditions and expectations for future growth changing over the course of the year. In this relatively uncertain environment, we maintained an asset mix that was close to but slightly more conservative than policy. Overall, the total fund return exceeded the benchmark return for the year, with our Canadian equity portfolios having the largest positive impact.

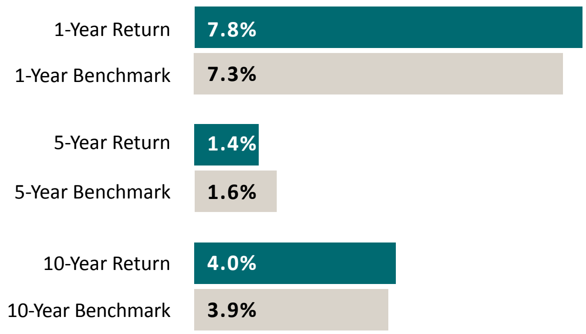
As indicated in the table below, the return on both the Teachers' Pension Plan and the Private School Teachers' Pension Plan exceeded the benchmark by 0.5% in the 2010-11 fiscal year. While the return of the two plans is the same over the past year, returns differ over longer time periods due to the influence of the loan, as noted above.

Over the five years ended August 31, 2011, the Teachers' Pension Plan return is 0.2% below the benchmark, while over 10 years the return exceeds the benchmark by 0.2%. The Private School Teachers' Pension Plan return is 0.2% below the benchmark over 5 years, while it is 0.1% above benchmark over 10 years.

Teachers' Pension Plan
Return vs. Benchmark Performance
to August 31, 2011



Private School Teachers' Pension Plan
Return vs. Benchmark Performance
to August 31, 2011



Socially Responsible Investing

An ongoing and important part of our long-term investment strategy involves encouraging companies to recognize and adopt best practices in corporate governance, including issues related to social responsibility. We accomplish this in three principal ways.

First, our internal and external investment managers regularly communicate with the management and boards of companies in which we invest, and include corporate governance and social responsibility in these discussions.

Second, we frequently communicate with and compare information with other institutional shareholders, and contribute to joint initiatives focused on promoting improved corporate governance by corporations. ATRF is a founding member of the Canadian Coalition for Good Governance (CCGG), whose primary goal is to improve the governance practices of Canadian corporations. Included in the Coalition's membership are most of Canada's largest institutional investors.

Third, we use our proxy voting guidelines to encourage companies to strive for better corporate governance. In addition to promoting good governance and shareholder rights, our guidelines express support for the OECD Guidelines for Multinational Enterprise. This is a comprehensive set of principles and standards for responsible business conduct in areas such as the environment, employment and industrial relations, sustainable development, consumer interests and taxation. These guidelines have been endorsed by the member countries of the Organization for Economic Cooperation and Development as a policy tool to promote corporate social responsibility.

INTERNAL CONTROL OVER FINANCIAL REPORTING

ATRF business plans include action plans to enhance governance and management of internal control processes and systems to provide increased due diligence and security in ATRF's internal controls, financial operations, and reporting and information systems.

In 2010-11 we completed the first year of testing of internal control over financial reporting. Management bases its evaluation of the effectiveness of internal control over financial reporting, upon the "Internal Control – Integrated Framework", published in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission, known as COSO.

ATRF is not required by law or regulation to perform this annual evaluation. We have chosen to perform this evaluation and meet these standards as a part of our commitment to strong governance and accountability.

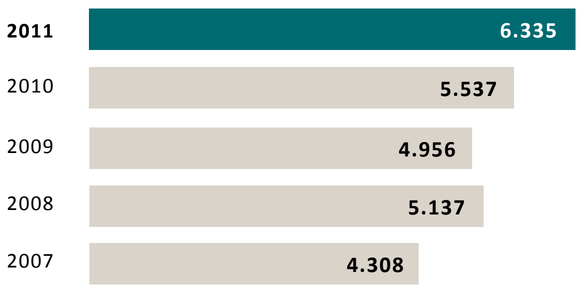
The Chief Executive Officer and the Director, Financial Services are responsible for the design and maintenance of internal control over financial reporting, to provide reasonable assurance that it is reliable and that the preparation of the financial statements conforms with Canadian generally accepted accounting principles. They are also responsible for the design and maintenance of disclosure controls and procedures to provide reasonable assurance that all material information is gathered and reported to management on a timely basis.

We have evaluated the effectiveness of our internal control over financial reporting and disclosure controls and procedures. Based upon the results of the evaluation, the Chief Executive Officer and Director, Financial Services have concluded that internal control over financial reporting and disclosure controls and procedures are properly designed and operated effectively throughout the year. No changes were made in internal controls over financial reporting during the year ended August 31, 2011, that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

CHANGE IN NET ASSETS

Even though the global investment markets were volatile, the 2010-11 fiscal year was positive with a year-over-year increase in fund assets of $798 million (an increase of 14.4%) leaving the fiscal year-end value at $6.335 billion. Investment earnings of $440 million and $358 million of positive net cash flows from contributions above benefit payments and expenses, accounted for this change.

Net Assets ($ Billions)



Costs of Providing Services

The increase in investment costs, from $15.782 million in the previous year to $21.029 million for the 2010-11 fiscal year, accounted for the 26.5% overall increase in the $25.255 million total operating costs. The 33% increase in investment costs was related to the additional staff and advisory services required to build the investment programs for infrastructure, real estate and private equity and commence investment in these asset classes, and to external investment management fees that increased in conjunction with the growth in invested assets. Investment costs were about 33 cents for each $100 of assets, as compared to 29 cents in the previous year. These costs exclude management fees for private equity funds and commissions paid when trading securities. However, all such costs are deducted in determining net investment returns.

Investment Costs ($ Thousands)	2011	2010
External investment management fees	13,976	11,495
Salaries and benefits	4,175	2,365
Custodial	1,149	1,043
External professional services	786	352
Communications	447	252
Board and Investment Committee	195	79
Premises and equipment	181	114
Audit	38	38
Other	82	44
Total	**21,029**	**15,782**

Plan member service costs increased 1.1% to $4.226 million, from $4.180 million in the previous year. The cost of providing services to plan members in the 2010-11 fiscal year was $69 per member, less than one-half of the average cost of $155 per member for the group of major Canadian public sector pension organizations that benchmark cost and service levels.

Plan Member Service Costs ($ Thousands)	2011	2010
Salaries and benefits	2,782	2,659
External professional services	508	552
Premises and equipment	413	410
Communications	341	370
Board	79	81
Audit Fees	37	37
Banking charges	29	35
Other	37	36
Total	**4,226**	**4,180**

Operating costs will increase as the value of investments administered grows and the number of plan members continue to rise. We remain committed to:

- implementing prudent, cost-effective investment and administration structures,
- carefully managing both investment and administrative costs, and
- providing plan members with high-quality service and investment returns that meet the funding requirements of the plans.

PLAN MEMBER SERVICES

Plan Members

Plan members include:

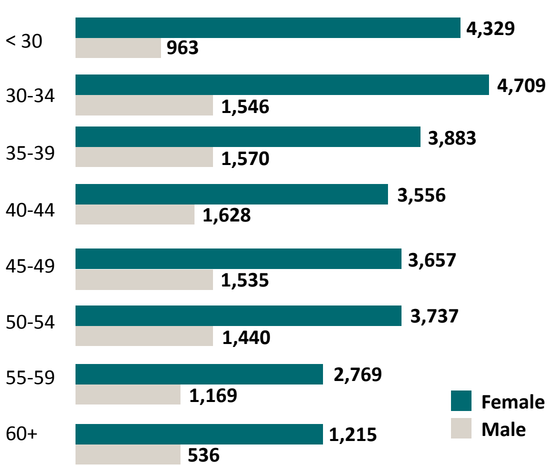
- 38,242 active members who accrued pensionable service during the 2010-11 fiscal year;
- 22,989 pensioners; and
- 12,384 inactive members.

The active category includes 1,349 disabled teachers who earned pensionable service in the 2010-11 fiscal year. The number of disabled teachers accruing pensionable service as a percentage of the total number of active teachers has remained stable over the last five years.

Year ended August 31	Number of Disabled Teachers	Number of Active Teachers	Percentage of Disabled Teachers
2011	1,349	38,242	3.5%
2010	1,328	38,578	3.4%
2009	1,247	38,442	3.2%
2008	1,233	37,627	3.3%
2007	1,259	37,577	3.4%

The age and gender distribution of the active members shows increasing numbers of active members under age 40, with 85% of active members under age 30 being female. Overall, 73% of the active members are female.

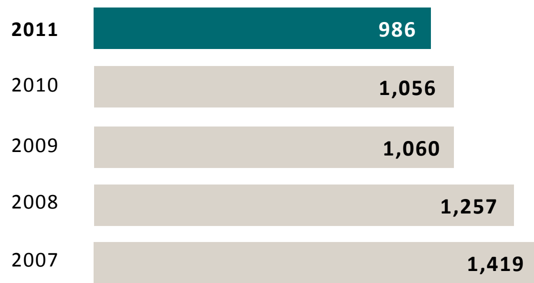
Age and Gender Distribution of Active Members



The number of new pensioners who commenced their pension in the 2010-11 fiscal year was 986, a slight decrease from 1,056 in the previous year and significantly less than the record 1,419 new pensioners in the 2006-07 fiscal year. It is expected that the average number of new pensioners added each year will be approximately 1,000 for the next decade.

Number of New Pensions Granted

as of August 31, 2011



Plan Member Statistics	2011	2010	2005	2000
Active member average age	42.0	41.7	42.4	42.7
Active member average years of pensionable service	11.4	11.1	12.2	12.0
Pensioner average age	69.0	68.0	68.0	68.0
New pensioner average age	59.0	59.0	58.0	57.8
Average pensionable service of new pensioners	25.4	26.2	26.4	26.6

Timely Service to Plan Members

ATRF has a dedicated and knowledgeable team of employees providing services in a cost-effective manner to active teachers, pensioners, inactive teachers, beneficiaries, and their representatives.

We have established benchmarks for the delivery of services and each year measure our benefit delivery against those benchmarks. The following table shows our service turnaround benchmarks for key processes and our results for the 2010-11 fiscal year, with comparisons for the 2009-10 fiscal year. We exceeded the benchmark in all processes and improved our average elapsed time in three of the nine processes.

Service Provided	Benchmark	Average Elapsed Time in 2010-2011	Average Elapsed Time in 2009-2010
Ongoing pensioner payments	On the third last business day of the month	All payments made on time	All payments made on time
Pension options package for new pensioner	Within 10 days of application	3 days	4 days
Pension payment for new pensioner	Within 7 days	3 days	3 days
Pension estimate	Within 7 days	1 day	1 day
Purchase estimate	Within 10 days	2 days	2 days
Termination benefit	Within 10 days	3 days	2 days
Urgent written inquiries including email inquiries	Within 7 days	1 day	2 days
Non-urgent written inquiries including email inquiries	Within 10 days	1 day	2 days
Telephone inquiries	Within 1 day	Less than 1 day	Less than 1 day

Our Focus on Customer Service

In 2010-11, we continued to conduct best-practice reviews of our customer-service processes, and in doing so, identified and implemented many enhancements to those processes. These enhancements resulted in improvements to services to plan members. We will continue these best-practice reviews into the next fiscal year.

2011 Plan Member Survey

ATRF received high ratings from over 2,700 plan members who responded to our eighth bi-annual plan member survey. The survey was distributed electronically in March to almost 13,000 who were registered for On-Line Services and achieved a high response rate of 21%. The objectives of the survey were to assess how well ATRF is meeting plan member information and service needs, to evaluate the effectiveness of ATRF programs and information sources, and to measure ratings over time.

ATRF achieved top marks again, with 95% of respondents rating our overall service as good to excellent.

Respondents also gave high ratings to our communication material:

- 96% indicated that the annual plan member statement helped them understand their pension benefits, it was informative, and it was easy to read.
- 95% found the active member newsletter to be easy to read, informative and timely.
- Of the 39% who read the Annual Report Highlights, over 90% indicated it was informative and assisted them in understanding the financial status of the pension plan.
- 98% of respondents who visited the website found it to be very informative and 92% said it was easy to find information on the website.
- 94% of respondents who used On-Line Services indicated the pension and purchase calculators were valuable tools.
- Of the 1,538 respondents who viewed the videos on our website, 86% rated them from good to excellent.

The majority of the 319 written comments indicated ATRF staff is doing a great job, and that the website and communication material is meeting plan member needs. We will continue to find ways to make the process for retrieving forgotten passwords easier, without compromising the security of On-Line Services.

New Pensioner Questionnaire

Each of the 986 plan members, who retired during the 2010-11 fiscal year, received a New Pensioner Questionnaire. These newly retired plan members are asked questions about the quality of service they received from ATRF staff, the communication material they accessed during the pension application process, and, if they utilized them, their assessment of our website and On-Line Services.

Of the 14% who responded:

- 98% rated ATRF service and communication as good to excellent;
- 60% indicated they were registered for On-Line Services;
- 88% said they had visited the website; and
- 53% had used the web calculator to do pension estimates.

Respondents were invited to provide written comments and 80 did so. While the majority of the comments were positive and focused on excellent customer service and the excellent knowledge of ATRF staff, we will use the comments and suggestions to continue to improve the level of customer service provided to our retiring plan members.

Communication Activities

Our team of four Pension Counsellors provide individual counselling sessions in our office in Edmonton, as well as at many locations throughout Alberta. During the 2010-11 fiscal year, over 940 plan members visited our office for a personal interview. In addition, we conducted 695 interviews with plan members at 13 different locations across the province and for an additional 647 teachers at 10 Teachers' Conventions. Plan members register for these individual interviews using our online registration function and can request pension estimates for two projected retirement dates. In addition, they can ask us to prepare more detailed information for them, for example, an estimate of the cost to purchase pensionable service and the impact that would have on their pension amount.

We were invited to present our seminar to over 870 plan members at 19 locations as well as to about 575 teachers at 10 Teachers' Conventions. Many of the seminar presentations take place at workshops organized by the pension consultants of The Alberta Teachers' Association.

In addition to interviews and seminars, we provide information directly to plan members through annual plan member statements, newsletters and annual report highlights. Over 3,700 plan members, and 1,930 pensioners, have chosen to receive these mailings in electronic format by registering for Join Our Email List.

ATRF could not provide current information directly to plan members without plan member data, including addresses, which we receive electronically on a monthly basis from employers. The timeliness of the data submissions continue to improve every year. We thank and congratulate the payroll staff of employers for their success and commitment to providing data to ATRF. Over 60% of plan members received their annual statements by November 30, 2010, and all plan members had received them by February 23, 2011.

Website and On-Line Services

Almost 16,000 active and inactive plan members are now registered to take advantage of the functions available through On-Line Services. All plan members can view and update their personal information online. Active plan members can do benefit calculations based on the most recent salary and service information reported by their employer. Plan members also have the option of submitting applications for plan benefits electronically.

While our website and On-Line Services are key elements in our customer service and communication initiatives, plan members always have the choice of accessing services and information in the manner they prefer – in person, in writing, by telephone, or online.

Plan Member Benefits

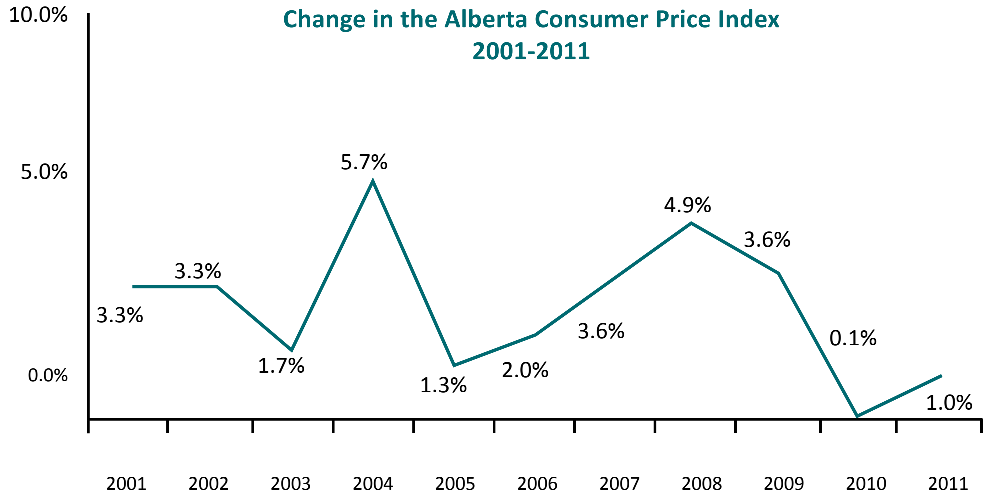
The growth in the number of pensioners and the impact of cost-of-living adjustments (COLA) have resulted in an increase in total annual pension payments of 5% to $625 million as at August 31, 2011. Under the existing funding structure, despite the recent volatility of financial markets and the impact of investment returns on asset values, the fund is well positioned to meet ongoing cash-flow requirements. The average new monthly pension paid in 2010-11 was $2,774 compared to $2,759 in the previous year.

During the 2010-11 fiscal year, 2,776 pensioners had returned to teaching while receiving a pension from ATRF. This was a 10.4% decrease over the 3,100 in 2009-10. Of the pensioners who returned to work, 76 earned greater than 0.6 of a year of service, which due to legislated benefit provisions, resulted in a reduction of their pension payment for the amount of salary earned once the pensioner had exceeded 0.6 of a year of service.

Cost-of-Living Adjustments

For pensionable service before 1993, pensioners receive a cost-of-living adjustment (COLA) of 60% of the change in the Alberta Consumer Price Index (ACPI). COLA for pensionable service after 1992 is 70% of the ACPI change.

In January 2011, COLA adjustments were based on an ACPI increase of 1.00%, compared to 0.10% in January 2010. Pensions that had been paid for the entire 2010 calendar year received a 0.60% increase for pre-1993 service and a 0.70% increase for post-1992 service. Pensions paid for less than a full year received a pro-rated portion of the COLA.



Compensation Discussion & ANALYSIS

The following is the report of the Human Resources and Compensation Committee (HRCC) on executive compensation. ATRF's executive compensation program objectives are to:

- Reward executives in a manner consistent with competitive market practice and thereby improve the organization's ability to attract and retain high quality professionals.
- Focus the executive team on critical business and investment issues identified in the strategic plan.
- Align interests of the executive team with pension plan member interests by encouraging and rewarding long-term performance. This is supported by promoting a pay for performance culture.
- Reward the executive team for superior performance on results.
- Ensure total pay reflects the shared efforts of the executive team by rewarding a collegial culture and teamwork that is assessed through individual performance assessments conducted by the HRCC and Board on an annual basis.

HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE

The HRCC assists the Board in fulfilling its oversight responsibilities in relation to the corporation's human resources and compensation matters.

It is composed of all six members of the Board, each of whom is independent of management. The Committee meets a minimum of four times per year. The HRCC retains external advisors to provide executive compensation and any other expertise the Committee deems necessary.

The HRCC met six times during 2010-11 fiscal year. It conducted in camera sessions at the beginning and end of each meeting, without management present.

The HRCC's key responsibilities include:

- the appointment, performance evaluation, compensation structure and succession planning for the Chief Executive Officer;
- approving the compensation of the Chief Executive Officer and Chief Investment Officer ("executives");
- approving the compensation philosophy recommended by the Chief Executive Officer for non-executive staff of ATRF;
- ensuring appropriate succession planning by the Chief Executive Officer for key staff positions;
- reviewing human resource and compensation aspects of the corporation's business plan;
- ensuring that the risk management framework appropriately considers human resource and compensation risks; and
- approving supplementary pension plans for the executives and management.

COMPENSATION PHILOSOPHY

ATRF's executive compensation philosophy establishes the foundation for its compensation program. Its aim is to:

- support the organization's business strategies and desired culture;
- state its desired competitive position and mix of compensation elements; and
- be responsive to the organization's objectives and employee's wants and needs.

ATRF's compensation program is designed to pay competitively while supporting ATRF's objectives of securing the pensions of plan members through the cost-effective and efficient use of resources. Of critical importance is the overarching strategy to achieve the maximum, risk-controlled, cost-effective, long-term investment returns required to meet the funding requirements of the plans.

A meaningful portion of variable compensation is based on the overall success of the organization. The compensation program provides incentive rewards for value-added investment returns, as well as other important business objectives such as maintaining quality customer service, and the cost-effective and efficient use of resources.

ATRF believes in a pay-for-performance culture. Accordingly, a large portion of variable executive compensation is linked to achieving "above median performance" against performance hurdles. "Above median performance" and performance hurdles are determined using a holistic approach that considers relevant external data sources, and the historical performance and risk of ATRF's fund. A significant portion of executive compensation is linked to longer-term, value-added performance.

MANAGING RISK

ATRF considered the implications of the risks associated with its compensation policies and practices, to ensure its compensation program does not incent management behaviours outside the organization's risk appetite. Compensation risk is managed by:

- the HRCC's independence from management, and retention of its own external compensation advisor;
- working within an enterprise-wide risk management framework and investing within the Investment Policy;
- establishing appropriate performance measures that align to the business strategy;
- setting individual and team accountabilities for achieving objectives;
- setting threshold levels of performance for all incentive plans;
- using appropriate payout curves and capping incentive payout opportunities;
- including long-term performance measures (i.e. four-year rates of return) in the short-term incentive plan as well as the long-term incentive plan to align compensation payouts with the time horizon of the fund; and
- including non-investment measures in the annual incentive plan.

COMPARATOR GROUPS USED TO SET COMPETITIVE PAY

ATRF's overall objective is to provide competitive compensation compared to those organizations against which it competes for the skills and expertise of investment-related and management professionals. Compensation is benchmarked against other Canadian in-house pension funds and institutional investment organizations of similar size and complexity to ATRF. Within these comparator groups, ATRF reviews compensation levels of comparable jobs, assesses performance against benchmarks, as well as the relative size and investment-structure complexity of its peers.

COMPENSATION PROCESS AND COMPENSATION CONSULTANTS

ATRF's compensation strategy and structure are regularly reviewed. Each year, the HRCC reviews and approves the comparator groups, overall base salary, and the annual performance measures, targets and weightings for the incentive plans, based on market conditions. Market data is provided to the HRCC by external sources.

The HRCC is supported by independent, external human resources and compensation consultants that are retained by, and report directly to, the HRCC. In the 2010-11 fiscal year, the HRCC's independent advisor for human resource and compensation purposes was Global Governance Advisors (GGA). During the 2010-11 fiscal year, GGA assisted the HRCC in undertaking a complete review of ATRF's executive compensation practices. This review included: an update of the executive compensation philosophy; a detailed review of the design of executive base salary and incentive plans; a competitive total compensation review; and, a detailed review of incentive plan design and performance targets. GGA also conducted a custom Board education session on executive compensation. GGA did not provide any other services to ATRF or to management. The HRCC reviews all fees and the terms of consulting services provided by its compensation consultant, and is responsible for its own decisions, which may take into consideration more than the information and recommendations provided by its compensation consultant or management.

COMPENSATION PLAN STRUCTURE

The compensation structure for executives balances fixed and variable pay linked to longer-term performance. The elements of the executive compensation plan include a base salary, benefits, pension and performance-based short and long-term incentive plans to align executives with pension plan member interests. ATRF believes that longer-term investment success through prudent risk taking is more important than volatile short-term gains, and this philosophy is reflected in its short and long-term incentive plan designs.

Base Salary

Base salaries are intended to be competitive with the market and are reviewed annually at the end of each fiscal year. Salaries are set based on individual performance and salary range adjustments within ATRF market comparators. Base salaries for executives are reviewed and approved by the HRCC annually.

Annual Incentive Plan

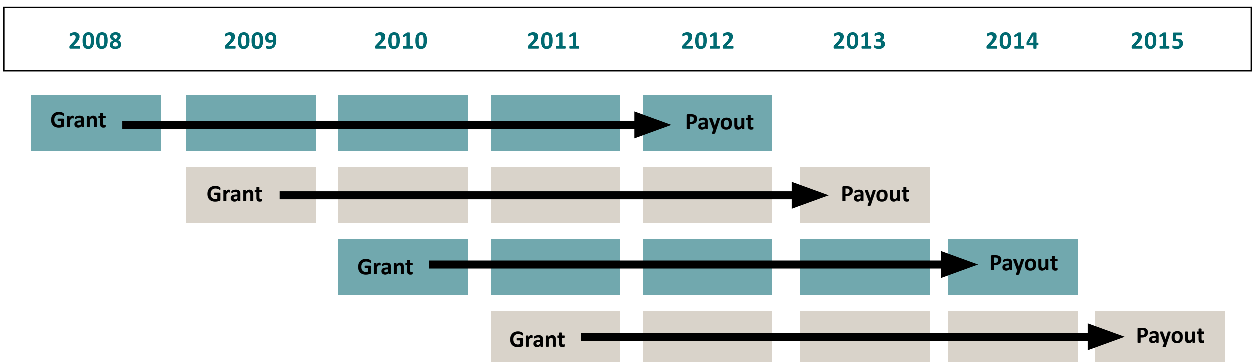
The annual incentive plan is designed to attract, retain and motivate high-quality people, and to provide competitive, performance-based opportunities based on market practices and ATRF's business strategy. Performance measures, targets and weightings are approved annually by the HRCC. Corporate, fund and portfolio benchmarks as well as individual objectives are established at the beginning of the year, and actual performance is evaluated at the end of the year. Each participant's target corporate incentive payment is calculated based on a percentage of salary. Based on actual performance against pre-approved objectives, pay outs can range from zero to two times the target corporate incentive amount.

Investment incentive payments are based on the achievement of total fund and/or portfolio performance above established benchmarks. Consistent with ATRF's compensation objectives, payments are calculated based on a 75% weight towards long-term total fund performance results over a four-year rolling average period and 25% towards the performance in the past year. Target investment incentive payments are set as a percentage of salary for delivering target benchmark performance. Based on total fund and/or portfolio performance, actual payments can range from zero to two times the target incentive amount. Investment performance builds to a four-year performance measure with participation in the plan. Accordingly, new participants are measured on only one year's investment performance. The annual incentive plan has a threshold level of performance. If the threshold is not met, incentive payments are not made.

Long-Term Incentive Plan (LTIP)

The LTIP is designed to encourage and reward long-term performance, critical to ATRF's success; attract, retain and motivate participants by providing additional compensation if investment performance goals are achieved; and, to align participant interests with pension plan interests. The LTIP has a four-year vesting period, before a first payment is awarded to a plan participant based on relative value-added performance above the benchmark portfolio, net of investment operating costs and is further modified by absolute fund performance.

Participation in the LTIP is limited to executives and Portfolio Managers. Participants receive a notional grant (reflected as a percentage of salary), at the beginning of a four-year performance period. The grant is equal to the target award opportunity, and could increase or decrease based on final investment performance results relative to the benchmark portfolio, net of investment operating costs. At the end of the performance period, the four-year rolling average performance of the total fund is calculated. A multiplier is applied to the target plan award, based on the investment performance of the total fund after taking into account fees paid to external managers and direct investment costs as compared to specific benchmarks approved by the HRCC. The final payout is capped at three times the value of the target award. Except for certain situations, an eligible employee must be actively employed as of the payment date in order to receive a payout.



Pension and Benefits

ATRF provides a competitive benefits program that includes pension benefits, health and dental-care benefits, life insurance, illness and long-term disability coverage, professional memberships and car allowances.

All ATRF staff participate in the Local Authorities Pension Plan (LAPP). This is a defined benefit pension plan, and provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the Year's Maximum Pensionable Earnings under the Canada Pension Plan and 2.0% on the excess. Benefits under this plan are capped by pensionable salary reached at the maximum pension benefit limit allowed under the federal *Income Tax Act.*

Where earnings are in excess of this capped pensionable salary, a non-registered, unfunded Supplementary Employee Pension Plan (SEPP) provides for a pension equal to the pension formula under the LAPP, with no cap applied to pensionable salary, less the initial pension provided under the LAPP. Participation in the SEPP is limited to executives, management staff and Portfolio Managers. Pensionable salary under the SEPP includes 50% of the actual annual incentive target-level amount paid under the annual incentive plan.

SUMMARY PERFORMANCE

For the 2010-11 fiscal year, incentive plan compensation was paid in relation to meeting and exceeding pre-set corporate objectives, individual portfolio benchmarks and to proportionately recognize the above-benchmark performance of the overall fund in the past fiscal year.

Summary Compensation Table

The table below provides complete disclosure of salary, annual incentive payments, value of SEPP benefits and all other compensation earned for years ended August 31, 2011, 2010 and 2009 by the Chief Executive Officer, Chief Investment Officer and the three other most highly compensated senior staff.

Summary Compensation Table ($ Dollars – Audited)

Name and Position	Year	Salary	Annual Incentive Plan	SEPP[2]	All Other Compensation[1]	Total Compensation
Emilian Groch	2011	320,000	86,000	294,400	40,000	740,400
Chief Executive	2010	254,200	62,700	10,500	37,700	365,100
Officer	2009	243,500	57,700	63,300	36,200	400,700
Derek Brodersen	2011	255,000	48,300	204,000	38,300	545,600
Chief Investment	2010	233,800	38,700	11,200	36,800	320,500
Officer	2009	224,000	36,300	76,700	36,000	373,000
Barry Petursson	2011	195,000	72,200	16,300	28,900	312,400
Portfolio Manager,	2010 [3]	34,800	11,500	2,800	77,600	126,700
Real Estate	2009	–	–	–	–	–
Rakesh Saraf	2011	191,700	72,800	13,300	28,800	306,600
Portfolio Manager,	2010 [4]	92,500	30,600	5,800	15,500	144,400
Private Investments	2009	–	–	–	–	–
Charlie Kim	2011	204,300	54,000	13,100	27,100	298,500
Portfolio Manager,	2010	191,300	31,400	13,200	24,800	260,700
Equities	2009	177,000	66,400	9,400	22,800	275,600

1 All Other Compensation includes vacation payouts and the employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension (excluding SEPP), health and dental care, life insurance, long-term disability plan, professional memberships, and car allowances.

2 The present value of the accrued benefits of the SEPP is estimated based on the projected benefit method prorated on service, incorporating the same assumptions used for the Plans (see Note 11(a) to the financial statements), and represent entitlements that may change over time. In particular, the present value for the named employees is based on benefit amounts that have been projected for salary increases to retirement and as of August 31, 2011 the amount, recorded in accounts payable, is $1,225,676 (2010 - $619,157). The present value of accrued benefits, based on the accrued pensionable salary earned to August 31, 2011, that would be paid if all named employees left employment is $467,043 (2010 - $354,228).

($ Dollars)		Change in Present Value of Accrued Benefit due to:		
Name and Position	Present Value of Accrued Benefits August 31, 2010	Benefit Accrual	Interest Cost and Change in Assumptions	Present Value of Accrued Benefits August 31, 2011
Emilian Groch Chief Executive Officer	335,100	294,400	28,700	658,200
Derek Brodersen Chief Investment Officer	250,000	204,000	29,300	483,300
Barry Petursson Portfolio Manager, Real Estate	2,800	16,400	1,500	20,700
Rakesh Saraf Portfolio Manager, Private Investments	5,800	13,400	1,700	20,900
Charlie Kim Portfolio Manager, Equities	25,400	13,100	4,100	42,600

Pensions under the SEPP will be paid when they come due. Accordingly, no pre-funding occurs. SEPP financing costs are included in pension expense.

3 Employment commenced June 15, 2010. Included in all other compensation is a $70,000 signing bonus.
4 Employment commenced March 1, 2010.

LONG-TERM INCENTIVE AWARDS, ACCUMULATED VALUE

LTIP awards are granted at the start of a fiscal year and paid out at the end of the four-year vesting period. As the LTIP was effective September 1, 2008, no actual payout will occur until after August 31, 2012 and therefore no payout amounts are shown in the summary compensation table. The following table shows the LTIP and estimated future payouts for the five most highly compensated senior staff. The future value of the awards granted but not yet vested are estimated as at August 31, 2011, based on:

- actual performance multipliers for fiscal years 2008-09, 2009-10, and 2010-11, and pro-forma multipliers of one (1.0x) for future years; and
- actual fund rates of return for fiscal years 2008-09, 2009-10, and 2010-11, and no assumed growth in future years.

Long-Term Incentive Plan Awards and Estimated Future Payouts ($ Dollars – Audited)

Name and Position	Year of Grant	Award (Target Value)[1]	Maximum Value[2]	Estimated Future Payouts at fiscal year ending August 31: 2012	2013	2014
Emilian Groch	2010-11	240,000	720,000	–	–	278,700
Chief Executive	2009-10	190,700	572,100	–	152,900	–
Officer	2008-09	182,600	547,800	0	–	–
Derek Brodersen	2010-11	127,500	382,500	–	–	148,100
Chief Investment	2009-10	117,000	351,000	–	93,800	–
Officer	2008-09	112,000	336,000	0	–	–
Barry Petursson [3]	2010-11	78,000	234,000	–	–	90,600
Portfolio Manager,	2009-10	–	–	–	–	–
Real Estate	2008-09	–	–	–	–	–
Rakesh Saraf [3]	2010-11	76,700	267,300	–	–	89,100
Portfolio Manager,	2009-10	–	–	–	–	–
Private Investments	2008-09	–	–	–	–	–
Charlie Kim	2010-11	81,600	244,800	–	–	94,800
Portfolio Manager,	2009-10	76,500	229,500	–	61,300	–
Equities	2008-09	70,800	212,400	0	–	–

1 Represents the target value at the time of grant; no award is payable if performance is below a certain level.

2 Represents the maximum value payable at the end of the four-year vesting period, excluding the fund's compound rate of return over the four-year vesting period. See the LTIP section for details.

3 Commenced employment in 2010.

SUCCESSION PLANNING

ATRF has short-term contingency plans and longer-term succession plans in place for the Chief Executive Officer and senior management. In identifying potential successors, the Board and Chief Executive Officer consider ATRF's future business strategy, the core skills and experiences required to carry out this strategy and the leadership abilities of individuals. Where there are gaps in experience or skills of potential successors, the Chief Executive Officer discusses developmental opportunities with the individual and with the Board. The Board also ensures that the Board members get to know the potential successors identified, through Board presentations and events.

The HRCC reviews the succession plan for the entire leadership team on an annual basis. In 2010, the HRCC commissioned an independent review of its succession plan for effectiveness. As a result of the independent review, the HRCC will be evaluating the future top management structure of ATRF relative to the business strategy in the 2011-12 fiscal year. The succession plan for the Chief Executive Officer will continue to be updated based on the results of the review.

BOARD REMUNERATION

The Teachers' Pension Plans Act provides that no remuneration can be paid to any Board member who is employed by an employer covered by the plans, the Government of Alberta or The Alberta Teachers' Association. The Board annually reviews and sets the remuneration for Board members who are eligible to receive remuneration. The review is based on a survey of the remuneration rates being paid by other similar Canadian public-sector pension investment and administration organizations. Only two of the Board members were eligible to receive remuneration in the 2010-11 fiscal year.

In the past year, remuneration paid included: an annual Board member retainer of $15,000; an annual committee chair retainer of $4,000; a Board meeting fee of $1,200, and committee meeting fees of $800, for meetings up to four hours in any one day, and $1,200 for meetings in excess of four hours in any one day. Separate fees are not paid for committee meetings held the same day as a Board meeting.

Board Remuneration ($ Dollars – Audited)

Board Member	Retainer	Board Meetings	Committee Meetings	Meeting Fees	Total 2010-11 Remuneration	Total 2009-10 Remuneration
James Fleming [1]	4,750	2	3	6,000	10,750	38,200
Harry Buddle [2]	7,500	1	1	1,200	8,700	–

1 Retired from the Board November 17, 2010.

2 Appointed to the Board March 10, 2011.

Board members are reimbursed for reasonable expenses for travel, meals and accommodation, as required.

During the 2010-11 fiscal year, Board members attended all Board meetings and each applicable committee meeting, except that one Board member was unable to attend two Board meetings and one committee meeting.