

INVESTMENT MANAGEMENT

The global financial crisis, which began in late 2007 with the collapse of the sub-prime mortgage market, continued to deepen throughout 2008, triggering the worst global recession in several decades. The first half of the 2008-09 fiscal year saw the failure of major global financial institutions, and unprecedented actions by national governments in order to prevent further failures. This economic backdrop proved to be extremely destabilizing for financial markets, and equity and credit markets around the world dropped precipitously. In the second half of the year, economies began to show early signs of recovery, and markets rebounded significantly. This recovery however, was not sufficient to offset all of the losses from the first half of the fiscal year.

For the 2008-09 fiscal year, the Teachers' Pension Plan fund declined 8.5% while the Private School Teachers' Pension Plan fund fell 12.7%. The significant difference in return between the two funds stems from the fact that 24% of the assets of the Teachers' Pension Plan fund consisted of a fixed-income asset representing the loan to the Government of Alberta related to the payment of plan benefits for service prior to September 1992. This means that the Private School Teachers' Pension Plan had greater exposure to equity markets, resulting in a lower overall rate of return.

ATRF's investment portfolio continues to be structured with a long-term view, and remains globally diversified across a variety of equity and fixed-income markets. In the coming year, we will begin implementation of the new target policy asset mix, which will involve initiating investment programs for long-term bonds, real estate and infrastructure. We expect that this process will involve a combination of enhanced internal investment management, and the establishment of new strategic partnerships with external investment managers and advisors. We will also continue the development of our investment risk systems, which will provide us with more information on management of risk inherent in our investment portfolios.

Equity Markets

The 2008-09 fiscal year was a story of two very different halves. The first six months of the year was a continuation of the prior year themes, where the contraction and ultimate freezing of credit markets

impacted economic growth and corporate profitability. This translated into very poor equity market performance as corporations' access to all forms of capital became either very expensive or non-existent. Panic culminated in the first half of the year with most global equity markets declining between 30 and 50 percent. In the second half of the year, markets staged a dramatic recovery with returns averaging between 30 and 50 percent. Although not recovering all that was lost, the rally provided welcome relief to investors who had endured an 18-month bear market.

Financial institutions bore the brunt of many of the issues facing global economies as they typically are at the centre of most financial transactions. Weak lending practices from prior years sparked catastrophic losses, to which no one was immune. Although bankruptcies became common, one of the greatest collapses was that of Wall Street investment bank, Lehman Brothers. Lehman's over-exposure and over-leverage to weak sub-prime mortgages and poor credit derivatives brought about its insolvency and ultimate bankruptcy. Although there were many factors that brought about the ensuing financial market collapse, this event may have been one of the most significant as it showed government willingness to allow some institutions to fail.

Banks and insurance companies may have taken centre stage in this market downturn; however, every sector was impacted as the financial crisis sparked an economic decline, the magnitude of which had not been seen since the Great Depression. Commodities declined due to economies shrinking around the world. Crude oil declined by over two-thirds from the peak at US\$145 per barrel to bottom near US\$30 per barrel, and some energy stocks declined by a similar amount. Base metals declined by more than half along with industrial and transportation stocks. Only gold stocks performed well, as investors looked for a safe haven as other asset classes were declining.

The second half of the year proved to be virtually a mirror image of the first half. A concerted effort by governments and central banks around the world provided much needed liquidity and relief to economies. Central banks dropped benchmark rates as close to zero as possible to encourage lending, while governments provided loan guarantees and incentives to spend in order to help bring confidence back to the system. In the end, these efforts helped provide assurance

that global economies have the resources necessary to recover from the credit problems and economic slowdown. Stock markets around the world rallied into the end of the fund's fiscal year.

EQUITIES		
at August 31, 2009	(\$ Millions)	(%)
Canadian	1,003	27
Global	932	25
EAFE	524	14
U.S.	466	12
Private	121	3
Total¹	3,046	81

¹ includes \$47.1 million cash and \$4.5 million in accrued interest.

Canadian Equities

The Canadian equity market followed stock markets around the world this past year as the index halved and touched lows in March 2009 then rallied approximately 50% to the end of August. In stark contrast to prior years, every sector was down for the year, indicative of the widespread downturn in the economy. Commodity price fluctuations had the most significant impact on the Canadian equity market, with energy price declines alone accounting for close to half of the overall 18.2% decline in the S&P/TSX Composite Index.

Although the financial sector was hit hard globally, the Canadian financial system's more conservative practices and stronger regulatory oversight resulted in relatively good performance by Canadian banks. Information technology stocks also performed poorly, highlighted by a significant drop in mobile technology leader Research In Motion, and the bankruptcy filing of former market leader Nortel Networks.

U.S. Equities

The U.S. market is always key in the global financial marketplace and the past year was no exception. Lingering sub-prime issues, high housing inventories, rising unemployment, and general economic weakness all contributed to a dramatic decline in the first half of the year. Massive intervention by the Federal Reserve and other government agencies allowed the economic decline

to slow, and confidence began to return to corporations and consumers through the spring and summer of 2009. As in other markets, this triggered a significant equity and credit market recovery in the second half of the year. Although the Russell 3000 Index rose by more than 40% in the second half of the year, the weakness of the U.S. dollar relative to the Canadian dollar during that period diluted the return by half. For the fiscal year, the Russell 3000 Index declined 15.7% in Canadian dollars.

Non-North American Equities

European and Asian markets followed a similar path to North American markets with massive declines in the first half followed by a confidence-inspired second half recovery. The Canadian dollar return of the Morgan Stanley Capital Europe, Australasia and Far East (MSCI EAFE) Index for the fiscal year was -11.9%.

Europe had its own examples of financial market failures along with massive job losses, and economic contraction. The European Union was late in joining the U.S. and other countries in dropping short-term interest rates and providing stimulus packages but the impact of those efforts were felt later in the fiscal year.

In Asia, the cyclical nature of many of the economies caused these markets to turn down earlier and their resultant recovery is now more advanced. China's market began its steep descent in the fall of 2007, bottomed in the fall of 2008, and doubled going into August 2009. Along with other Asian nations, China is growing more rapidly than the rest of the world, and many investors look for this region to continue to lead the world in economic growth for many years to come.

Private Equity

Our private equity program continues to grow, and ATRF made three additional commitments within established manager relationships during the year. Although the global financial crisis slowed the pace of new investment considerably, overall investment in private equity increased by the end of the year. While we maintain only a limited number of direct manager relationships, the portfolio is well diversified by geography and investment type with investments in over 200 underlying partnerships.

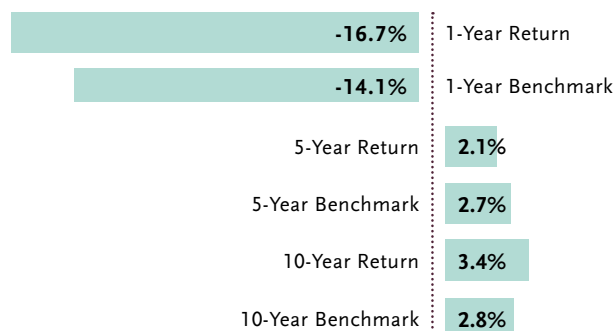
ATRF's private equity strategy was established in 2006, and has been designed to allow private equity investment to reach the long-term target allocation over the next

several years. Looking ahead, our new policy asset mix increases this long-term target allocation to 10% of assets. In the coming year we will update our overall private equity strategy in order to achieve this new, higher target allocation over the next several years.

Equity Portfolio Performance

In order to achieve diversification by region, market capitalization and investment style, ATRF holds its public and private equity investments in a variety of different portfolios. In a difficult year for all investment managers, these portfolios delivered a combined return of -16.7%, which was below the fund's equity benchmark return of -14.1%. While the relative returns were disappointing this year, the performance of our equity portfolios continues to exceed the benchmark over longer-time periods.

TOTAL EQUITY VS. BENCHMARK PERFORMANCE to August 31, 2009



Canadian equities are held in four separate portfolios, each with a different investment style. The largest of these is managed in-house by ATRF's own investment professionals, while the other three are managed by ATRF's external investment partners. These portfolios are highly differentiated by their degree of exposure to financial and commodity stocks, as well as market capitalization, which led to wide differences in performance during the year. On a combined basis however, ATRF's Canadian equity portfolios returned, -17.1%, which was 1.1% above the -18.2% return of the benchmark S&P/TSX Composite Index.

In the case of U.S. equities, ATRF makes use of two external investment firms. Both of these firms use a quantitative approach to investment management. Unfortunately, the extremely high degree of market volatility over the past year did not lend itself well to

this approach, and both portfolios underperformed the benchmark. Taken together, ATRF's U.S. equity portfolios, returned -17.6%, underperforming the Russell 3000 Index, which returned -15.7% in Canadian dollars.

Non-North American equities are also managed by two external managers, each representing a fundamentally different investment style from the other. On a combined basis, ATRF's non-North American portfolios generated a Canadian dollar return of -13.7%, versus -11.9% for the benchmark MSCI EAFE Index.

The portfolios noted above are all mandated to invest in specific countries or regions of the world. ATRF also invests with two external managers of global equity portfolios. We ask these managers to seek out the most attractive equity investment opportunities from around the world, without any specific regard to geography. Taken together, these two portfolios returned -16.0%, which was below the benchmark Morgan Stanley Capital World Index, which returned -14.2% for the year.

Going forward, ATRF's new policy asset mix will reduce the number of public equity benchmarks we reference from four to two. Canadian equities will continue to be benchmarked relative to the S&P/TSX Composite Index. All non-Canadian public equities will be benchmarked on a combined basis to the Morgan Stanley Capital World Index.

As noted above, ATRF's private equity program continues to grow, and the pace of investment will accelerate in the future as a result of the increased allocation to 10% of assets. Unlike public equities, private investments are typically illiquid and are not valued based on prices quoted on stock exchanges. Valuations tend to be established infrequently, based on best-estimates of fair market value, and price adjustments typically lag valuations in the public markets. While ATRF's private equity program is in its early stages of growth, rates of return are not meaningful as the returns on earlier investments tend to be offset to a large degree by management fees on newer investments. During this growth phase of the program, the benchmark return for ATRF's private equity investments has been set to equal the actual rate of return earned on the portfolio. For the 2008-09 fiscal year, this rate of return was -23.5%, as private equity valuations were adjusted downward in response to the weak financial markets in the first half of the fiscal year.

RATES OF RETURN - TOTAL EQUITY to August 31, 2009						
Asset Class	1 Year (%)		5 Years (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark	ATRF	Benchmark
Canadian Equities	-17.1	-18.2	7.1	8.0	9.9	8.4
U.S. Equities	-17.6	-15.7	-4.7	-3.2	-4.6	-3.8
EAFE Equities	-13.7	-11.9	4.6	2.0	1.0	-0.7
Global Equity	-16.0	-14.2	n/a	n/a	n/a	n/a
Private Equity	-23.5	-23.5	-5.3	n/a	n/a	n/a
Total Equity	-16.7	-14.1	2.1	2.7	3.4	2.8

Fixed-Income Markets

Canadian Bonds

With the global economy going through a period of unprecedented financial instability in 2008-09, all financial markets saw wild swings in sentiment and valuations. The Bank of Canada continued to cut rates aggressively, taking the key overnight lending rate down from 3% to 0.25% by the end of April. Government of Canada 10-year and 30-year bond yields fell as low as 2.5% and 3.4% respectively in mid-January before moving steadily higher into the summer months.

Provincial and corporate spreads were very volatile over the past 12 months with 10-year provincial bonds moving from 0.8% over Government of Canada yields to 1.6% over in mid-December and then rallying to only 0.7% over by the end of August. Canadian bank bonds were some of the most volatile instruments with spreads over Government of Canada yields for Tier 1 capital moving from 2.6% to 6.0% and then back down to 1.8% by the end of August.

Money-Market Securities

Funds generated from investment income and contributions are invested in money-market investments prior to allocating the funds to more long-term investments or benefit payments. Normally, the fund holds between 1% and 4% of its assets in cash or money-market securities. The extreme volatility in

financial markets over the past year led to a flight to quality, taking money-market yields to unprecedented lows by mid-year. Despite rallies in equity and credit markets, money-market yields stayed stubbornly low, with the 30-day T-Bill yield averaging less than 1% throughout the second half of the year.

FIXED INCOME		
at August 31, 2009	(\$ Millions)	(%)
Total Canadian Bonds ¹	600	16
Money-Market Securities	111	3
Total	711	19

¹ includes \$4.7 million in accrued interest.

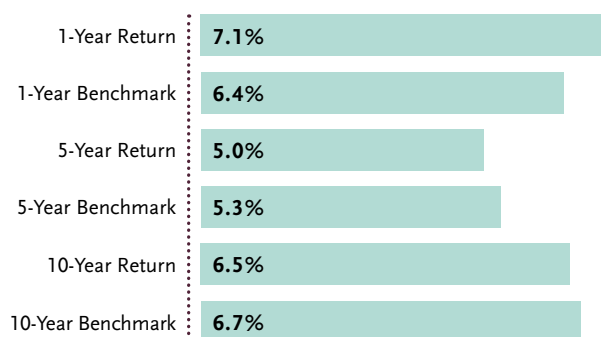
Fixed-Income Portfolio Performance

ATRF's Canadian bonds are held in two distinct portfolios. The larger of the two is managed internally by ATRF's own investment professionals. This portfolio performed extremely well in a very volatile and challenging year for fixed-income managers. The smaller of the two portfolios is externally managed and has a mandate to invest in a greater variety of fixed-income products, which includes a higher degree of exposure to credit. This credit exposure led to poor performance in the first half of the year and excellent performance in the second half of the year. When taken together, ATRF's Canadian bond portfolios returned

8.3%, well in excess of the benchmark DEX Universe Bond Index, which returned 7.2% for the year.

With short-term interest rates at or near all-time lows for most of the year, it was very difficult to earn a meaningful return from money-market instruments. For the year, ATRF's money-market portfolio returned 1.5%, which exceeded the 1.0% return of the DEX 30 Day T-Bill Index. On the whole, ATRF's fixed-income portfolios returned 7.2% for the year, which compared favourably to the benchmark return of 6.4%.

FIXED-INCOME RETURN VS. BENCHMARK PERFORMANCE to August 31, 2009



RATES OF RETURN - TOTAL FIXED INCOME

to August 31, 2009

Asset Class	1 Year (%)		5 Years (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark	ATRF	Benchmark
Canadian Bonds	8.3	7.2	5.4	5.8	6.4	6.6
Money-Market Securities	1.5	1.0	3.2	2.9	3.4	3.2
Total Fixed Income	7.1	6.4	5.0	5.3	6.5	6.7

Active Currency

The past year was the first full year of investment for ATRF's new active currency mandates. These portfolios are designed to add long-term absolute value to the fund through active management of currencies. Similar to many of ATRF's actively managed equity and fixed-income managers, our two currency managers use security selection as their primary source of value-added. They differ from these more conventional mandates however, in that they take positions in currency derivatives based on a notional value of assets. The degree of risk assumed is pre-defined and tightly

controlled through specific exposure limits to individual currencies, guidelines related to the types of securities used, and specific stop-loss provisions.

The extreme volatility experienced in financial markets over the past year was also reflected in instability in global currency markets. This proved to be a difficult environment for our currency managers, leading to disappointing first-year results. For the year, our currency mandates lost \$9.1 million, which translates into a loss of approximately 0.2% for the Teachers' Pension Plan and 0.3% for the Private School Teachers' Pension Plan.