

Compensation Discussion & ANALYSIS

Our compensation policy framework is designed to attract and retain the best-possible staff to manage the plan and invest the assets of the fund. Accordingly, our overall objective is to provide competitive compensation as compared to those organizations against which we compete for the skills and expertise of investment-related and management professionals. These organizations include other Canadian pension plans, financial institutions, investment counsels, private investment managers, and the general financial and benefit administration industries.

ATRF's compensation framework is structured based on "pay for performance". A portion of the overall target compensation level is at risk where performance falls short of pre-established benchmarks and objectives. The compensation framework is composed of base salary, annual incentives and long-term incentives that are established on competitive labour market practices for specific jobs. Base salary is targeted at the median of the market while incentive plans allow for attainment of targeted total compensation only where actual performance results meet pre-set benchmarks and objectives. Where performance benchmarks and objectives are not met, compensation paid is equal to base salary plus a portion of earned incentive plan payments, if any.

While incentive plan compensation was paid in relation to pre-set corporate objectives and individual portfolio benchmarks for the 2008-09 fiscal year, there was no incentive plan compensation paid related to the investment results of the overall fund. This reflects the alignment of our incentive plans with the underperformance of the total fund relative to its benchmark. Investment incentive plan compensation is measured on a four-year basis, accordingly, the impact of the below-benchmark performance of the total fund last year will carry forward and negatively impact total incentive compensation through to the end of the 2011-12 fiscal year.

HRCC MANDATE

The Human Resources and Compensation Committee (HRCC) assists the Board in fulfilling its oversight responsibilities in relation to the corporation's human resources and compensation matters with a particular focus on:

- appointment and performance evaluation of, and compensation structure and succession planning for, the Chief Executive Officer;
- approving the compensation of the Chief Executive Officer and Chief Investment Officer ("executive staff");
- 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 Chief Executive Officer and management.

The HRCC assesses the compensation framework and market conditions each year, and is supported by independent, external human resources and compensation consultants that are retained by, and report directly to, the HRCC. Market data is provided to the HRCC by external sources. The HRCC's advisor for human resource and compensation purposes is Lim HR Compensation Consulting Inc. In the past year, Mercer (Canada) Limited was retained to assist

the HRCC with a comprehensive review of executive and investment incentive plans and the implementation of a long-term incentive plan.

COMPENSATION PROGRAMS

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 salary for executives is approved by the HRCC.

Annual Incentive Plan

The annual incentive plan is designed to incent and reward the achievement of pre-set corporate, fund and/or portfolio objectives and benchmarks. Incentive payments related to corporate objectives are based on the achievement of individual pre-set objectives over the course of the year. Target corporate incentive payments are set as a percentage of salary for fully meeting performance against objectives. Based on performance, actual payments can range from zero to 1.5 times the target corporate incentive amount.

Investment incentive payments are based on the achievement of total fund and/or portfolio performance above established benchmarks. Payments are weighted 75% towards long-term performance results over a four-year rolling 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 2.5 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.

Long-Term Incentive Plan

The long-term incentive plan is designed to incent and reward total fund investment performance over a four-year period, and to retain key staff with desirable skills and experience critical to ATRF's long-term success.

This plan covers the positions of Chief Executive Officer, Chief Investment Officer, Portfolio Manager, Equities and Portfolio Manager, Fixed Income. Target plan awards, set as a percentage of salary, are granted at the start of each year and paid out at the end of a four-year cycle. 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. By the end of the four-year period the multiplier cannot exceed three times the value of the target award. The final payout is further increased (or decreased) based on the fund's four-year compound rate of return. 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.

Staff participates in the Local Authorities Pension Plan (LAPP). This plan 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. Pensionable salary under the SEPP includes 50% of the actual annual incentive target-level amount paid.

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, 2009, 2008 and 2007 by the Chief Executive Officer, Chief Investment Officer and the three other highest 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 Chief Executive Officer	2009	243,500	57,700	63,300	34,300	398,800
	2008	225,500	57,300	28,800	33,700	344,800
	2007	212,000	56,400	25,000	30,900	324,300
Derek Brodersen Chief Investment Officer ³	2009	224,000	36,300	76,700	31,300	368,300
	2008	183,900	1,800	16,300	21,800	223,800
	2007	176,000	5,200	19,400	20,800	221,400
Charlie Kim Portfolio Manager, Equities	2009	177,000 ⁴	66,400	9,400	22,800	275,600
	2008	—	—	—	—	—
	2007	—	—	—	—	—
Andrejs Elson Portfolio Manager, Fixed Income	2009	143,500	53,800	8,000	25,100	230,400
	2008	132,300	32,200	5,300	22,900	192,700
	2007	104,200 ⁵	8,400	2,800	19,800	135,200
Albert Copeland Director, Information & Technology Services	2009	139,900	20,500	2,100	25,000	187,500
	2008	133,300	19,100	4,700	22,900	180,000
	2007	124,100	18,200	7,400	36,200	185,900

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 12 (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, 2009 the amount, recorded in accounts payable, is \$591,500 (2008 - \$362,100). The present value of accrued benefits, based on the accrued pensionable salary earned to August 31, 2009, that would be paid if all named employees left employment is \$293,000 (2008 - \$207,100).

(\$ Dollars)	Present Value of Accrued Benefits August 31, 2008	Change In Present Value of Accrued Benefits Due to		Present Value of Accrued Benefits August 31, 2009
		Benefit Accrual	Interest Cost and Change in Assumptions	
Emilian Groch Chief Executive Officer	202,600	63,300	45,300	311,200
Derek Brodersen Chief Investment Officer	124,500	76,700	27,700	228,900
Charlie Kim Portfolio Manager, Equities	—	9,400	1,500	10,900
Andrejs Elson Portfolio Manager, Fixed Income	8,800	8,000	2,000	18,800
Albert Copeland Director, Information & Technology Services	26,200	2,100	(6,600)	21,700

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 Appointed Chief Investment Officer September 1, 2008.

⁴ Employment commenced September 1, 2008.

⁵ The position was vacant for two months during the year.

LONG-TERM INCENTIVE PLAN AWARDS, ACCUMULATED VALUE

The total accumulated value as at August 31, 2009 of all long-term incentive plan awards granted but not yet vested or paid, by payment year, is shown in the following table. As the plan was first 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 table below illustrates the intended impact of the rolling four-year average investment performance component within the compensation plan design on the potential long-term incentive payouts.

LONG-TERM INCENTIVE PLAN AWARDS, ACCUMULATED VALUE ¹ (\$ Dollars – Audited)				
Awards paying out at the end of fiscal year ending August 31:	2010	2011	2012	Total
Emilian Groch Chief Executive Officer	–	–	900	900
Derek Brodersen Chief Investment Officer	–	–	600	600
Charlie Kim Portfolio Manager, Equities	–	–	400	400
Andrejs Elson Portfolio Manager, Fixed Income	–	–	300	300
Total	–	–	2,200	2,200

¹ The long-term incentive plan was effective September 1, 2008. The accumulated value for the fiscal year ended August 31, 2009 is ¼ of the accumulated value of the total grant for the 2008-09 fiscal year, which is based on performance for the period September 1, 2008 to August 31, 2012. The accumulated values are estimated by using actual fund performance multipliers where performance is known (i.e. 2008-09), and a multiplier of one (1.0X) for future years, and applying the fund rate of return for 2008-09.

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. Of the six Board members, three were eligible to receive remuneration in the 2008-09 fiscal year.

In the past year, remuneration included an annual retainer of \$5,000 and 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. During the 2008-09 fiscal year, the Board members attended all Board meetings and each applicable committee meeting.

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

(\$ Dollars – Audited)						
Board Member	Retainer	Board Meetings	Committee Meetings	Meeting Fees	Total 2008-09 Remuneration	Total 2007-08 Remuneration
Michael Griffiths ¹	5,000	7	11	18,000	23,000	11,350
James Fleming	5,000	7	12	18,800	23,800	21,400
Lesley Bowering ²	2,500	3	3	6,400	8,900	20,200

¹ Left the Board as Chair effective August 8, 2009, after his term expired.

² Left the Board effective March 2, 2009, after her term expired.