SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS

ANNUAL REPORT
For the fiscal year ended December 31, 2009

aps

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Plan Profile

The Supplementary Retirement Plan for Public Service Managers (SRP) was established on July 1, 1999.

The Plan provides additional pension benefits to public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the maximum pensionable salary limit under the *Income Tax Act*.

SRP is supplementary to MEPP. Years of service under MEPP are used to determine eligibility for vesting and early retirement. A member's pension commencement date is the same under both plans and the pension payable is in the same form.

SRP and MEPP are two distinct pension plans, each with its own separate funding, investments, accounting, pension benefits and entitlements. SRP is funded as a Retirement Compensation Arrangement, which under the federal tax rules is an acceptable means of providing a supplementary pension on salary above the yearly maximum pensionable salary limit.

Current service costs for SRP are funded by employee and employer contributions, which together with investment earnings, income tax refunds and transfers from the SRP Reserve Fund, are expected to provide for all benefits payable under SRP.

The contribution rate in effect at December 31, 2009 was 10.5 per cent of pensionable salary in excess of the yearly maximum pensionable earnings limit for eligible employees and designated employers.

Employers also make additional contributions to the SRP Reserve Fund. The employer contribution rate to the Reserve Fund is 11.4 per cent of excess earnings.

An actuarial valuation is performed periodically to determine the accrued assets and liabilities of SRP. The last actuarial valuation was performed as at December 31, 2008.

All Alberta government employees who are part of MEPP and whose annual salary exceeds the maximum pensionable salary limit under the *Income Tax Act* accrue benefits under SRP effective July 1, 1999, or from their date of participation in MEPP, if later. Agencies, boards and commissions associated with the Government of Alberta have the option of participating in SRP, if their employees are contributing members of MEPP and their application is approved by the Minister of Finance and Enterprise.

Plan Administration

The Minister of Finance and Enterprise has delegated the responsibility of administering SRP to Alberta Pensions Services Corporation (APS).

In 2003, the SRP Advisory Committee was established by the Minister of Finance and Enterprise pursuant to Treasury Board Directive 01/06 (previously 01/99 as amended by Directive 04/99). The mandate of the Committee is to oversee the administration, investment, and funding of SRP. The Committee is composed of three members, who are Government of Alberta employees.

Investment Management

The Minister of Finance and Enterprise is responsible for the investment management of the Plan assets through its provincial corporation, Alberta Investment Management Corporation (AIMCo).

Financial Highlights

- Contributions made to SRP for 2009 totalled $9.81 million, up from $9.5 million in 2008. This included $3.21 million from active members, $3.24 million from employers and $3.36 million from employers to the SRP Reserve Fund.
- Payments from the SRP totalled $1,721,000, up from $1,150,000 in 2008. Payments included $1,307,000 in pension benefits and refunds to members ($846,000 in 2008) and $414,000 in administration expenses ($304,000 in 2008).

The rules governing the SRP require an actuarial valuation be completed every three years.

- The latest actuarial valuation was performed as at December 31, 2008, by Aon Consulting Inc.
- The contribution rate for eligible employees and designated employers is 10.5 per cent of pensionable salary (in excess of the yearly maximum pensionable earnings limit). This parallels the member contribution rate for MEPP.
- For 2009, the employer contribution to the SRP Reserve Fund remained at 11.4 per cent.

Operational Highlights

- At December 31, 2009, the SRP had 1,106 active members, 68 deferred members and 479 pensioners. In 2008, there were 990 active members, 73 deferred members and 410 pensioners.
- In comparison, at December 31, 2009, MEPP had 5,452 active members, 631 deferred members, and 3,112 pensioners.
- Approximately 20 per cent of active MEPP members participate in the SRP.
- The average monthly pension paid from the SRP in 2009 was $196 to members and $110 to non-member recipients (2008: $169 to members and $73 to non-member recipients).
- The highest monthly pension paid from the SRP was $3,230 ($2,167 in 2008).

Investment Highlights

The SRP consists of two accounts, the *Retirement Compensation Arrangement Plan (RCA Fund)* and a refundable income tax account. Half of the contributions from eligible employees and designated employers are deposited in the *RCA Fund*. The other half of contributions and 50 per cent of the *RCA Fun*d's realized income are forwarded to Canada Revenue Agency and held in a refundable income tax account. The refundable income tax account does not earn interest. Refundable income tax is returned to the Plan at the same rate when pension benefits are paid to Plan members and beneficiaries.

Additionally, due to the tax treatment of the SRP, contributions to and investment income from the *RCA Fund* are not large enough to provide for all expected future benefit payments. As a result, the Government of Alberta established a regulated Reserve Fund which is administered by the Minister of Finance and Enterprise. Contributions are collected from designated employers; the funds are invested and then reserved to meet future benefits of the SRP.

Investment Performance

Alberta Investment Management Corporation (AIMCo) manages and invests the assets of the Plan on behalf of the Minister of Finance and Enterprise and the SRP Advisory Committee. The primary investment objective for the Plan is to earn a before-tax long-term rate of return of 6.50 per cent, which includes the real rate of return of 4.00 per cent and inflation of 2.50 per cent. The real rate of return is the return earned above inflation; it measures the return after taking into account the decrease in the purchasing power of the Canadian dollar. Additionally, the investment manager is expected to achieve a value-added target of 0.5 per cent measured by comparing actual returns against the return of the policy benchmark (measured on a before tax basis) over a rolling four-year time horizon.

In 2009, the Plan's actual before-tax return was 13.2 per cent compared to its policy benchmark of 12.6 per cent.

Investment Performance
Investment Returns
Ending December 31, 2009
(in per cent)

	One Year Return				Four Year Compound **Annualized Return**
	2009	**2008**	2007	2006	
Actual gain (loss)	**13.2**	**(16.2)**	1.2	12.4	**1.9**
Benchmark gain (loss)*	***12.6***	***(11.7)***	*1.3*	*12.0*	***3.1***
Value added (lost) by investment manager	**0.6**	**(4.5)**	(0.1)	0.4	**(1.2)**

* The policy benchmark return is the product of the weighted average policy sector weights and sector returns.

Investment Highlights (continued)

Asset Allocation

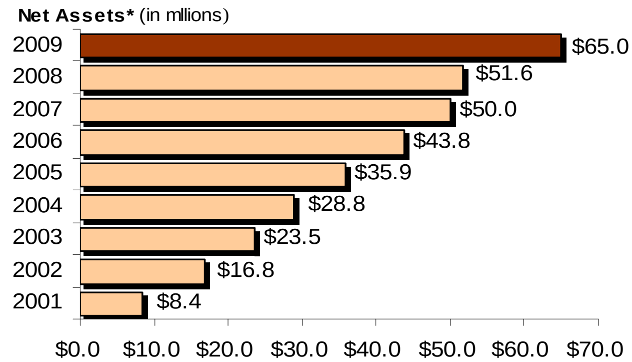
The table below shows the Plan's long-term target asset mix in comparison to the Plan's actual asset mix at December 31, 2009 and 2008.

ASSET MIX %

	Target Policy	Actual 2009	Actual 2008
Fixed Income			
Cash & short term	*0.5*	1.7	2.6
Bonds and mortgages	*36.0*	37.5	36.7
	36.5	39.2	39.3
Equities			
Canadian	*16.0*	14.6	15.4
Foreign	*30.0*	35.0	32.4
Private equities	*2.0*	0.5	0.5
	48.0	50.1	48.3
Inflation sensitive and alternative investments			
Real return bonds	*4.5*	5.1	4.4
Real estate	*5.0*	3.5	5.8
Private income	*4.0*	1.7	1.7
Timberland	*2.0*	0.4	0.5
	15.5	10.7	12.4
Total	*100.0*	100.0	100.0

Change in Assets

Net Assets available to pay benefits at the end of 2009 for the SRP were $65 million including $14.3 million in the *RCA Fund*, $16.4 million in the refundable income tax account and $34.3 million in the Reserve Fund.



* Net of miscellaneous receivables and payables.

Additional Information

- The Management Employees Pension Board provides advice to the Minister of Finance and Enterprise on the interface of the SRP with MEPP.
- Additional information on the SRP is available on the MEPP website at www.mepp.ca.
- Financial statements for the SRP Reserve Fund are included in the Alberta Finance and Enterprise annual reports.

Employers Participating in the SRP as at December 31, 2009

- Government of Alberta
- Agriculture Financial Services Corporation
- Alberta Gaming and Liquor Commission
- Alberta Alcohol and Drug Abuse Commission[1]
- Offices of the Legislative Assembly of Alberta
- Office of the Information and Privacy Commissioner
- Natural Resources Conservation Board
- Alberta Pensions Services Corporation
- Alberta Local Authorities Pension Plan Corp.
- Alberta Research Council
- The Energy Resources Conservation Board[2]
- Alberta Utilities Commission[2]

[1] Participation in SRP - January 1 to April 1, 2009.

[2] Previously known as the Alberta Energy and Utilities Board.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

Management's Responsibility for Financial Reporting

The Supplementary Retirement Plan for Public Service Managers' (Plan) financial statements and financial information in the 2009 annual report are the responsibility of the Minister of Finance and Enterprise. These responsibilities are undertaken on behalf of the Minister of Finance and Enterprise by:

- Alberta Investment Management Corporation (AIMCo), which is only responsible for the management of assets, subject to legislation and to the investment policies and goals approved by the Advisory Committee; and
- Alberta Pensions Services Corporation (APS), which is only responsible for administration of the Plan under a Pension Services Agreement with the Minister of Finance and Enterprise. This responsibility also includes compilation of the Plan's annual report.

The information in the annual report has been approved by the SRP Advisory Committee. The financial statements were approved by the Deputy Minister of Finance and Enterprise, based on information provided by APS and the Plan's actuary, and after consultation with the Advisory Committee.

The financial statements have been prepared by Alberta Finance and Enterprise in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2009 annual report that relates to the operations and financial position of the Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance and Enterprise, APS and AIMCo each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure. These systems are designed to provide management of these entities with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of the financial statements.

Original signed by:
Tim Wiles
Deputy Minister of Finance and Enterprise

April 21, 2010

Auditor's Report

To the Minister of Finance and Enterprise

I have audited the Statements of Net Assets Available for Benefits and Liability for Accrued Benefits of the Supplementary Retirement Plan for Public Service Managers as at December 31, 2009 and 2008 and the Statements of Changes in Net Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Liability for Accrued Benefits of the Plan as at December 31, 2009 and 2008 and the Changes in Net Assets Available for Benefits for the years then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher]
CA
Acting Auditor General

Edmonton, Alberta
April 21, 2010

Statements of Net Assets Available for Benefits and Liability for Accrued Benefits

As at December 31

	($ thousands) 2009	2008
Net Assets Available for Benefits		
Assets		
Portfolio investments (Note 3)	$ 14,551	$ 11,193
Refundable income tax (Note 1(f) and Note 6)	16,348	13,778
Contributions receivable	104	25
Other receivables	36	9
	31,039	25,005
Liabilities		
Income tax payable	41	15
Other payables	8	7
Liability for investment purchases	300	-
	349	22
Net assets available for benefits	30,690	24,983
Liability for accrued benefits		
Actuarial value of accrued benefits (Note 7)	(104,478)	(58,676)
SRP Reserve Fund (Note 8)	34,272	26,582
Surplus (deficiency) at end of year	$ (39,516)	$ (7,111)

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

Statements of Changes in Net Assets Available for Benefits

Year ended December 31

	($ thousands)	
	2009	**2008**
Increase in assets		
Contributions (Note 9)	$ 6,449	$ 6,141
Net investment income (loss) (Note 10)		
Investment income (loss)	1,022	(159)
Investment expenses	(43)	(32)
	7,428	5,950
Decrease in assets		
Benefits and refunds	1,307	846
Administration expenses (Note 11)	414	304
	1,721	1,150
Increase in net assets	5,707	4,800
Net assets available for benefits at beginning of year	24,983	20,183
Net assets available for benefits at end of year	$ 30,690	$ 24,983

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

Notes to the Financial Statements

Years ended December 31
(All dollar amounts in thousands, except per member data)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Supplementary Retirement Plan for Public Service Managers (the Plan) is a summary only. For a complete description of the Plan, reference should be made to sections 5, 7 and 98 of the *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and the *Supplementary Retirement Plan - Retirement Compensation Arrangement Directive* (Treasury Board Directive 01/06). The Minister of Alberta Finance and Enterprise is the legal trustee of the Plan and accordingly Alberta Finance and Enterprise is management of the Plan.

a) GENERAL

The Plan was established on July 1, 1999 to provide additional pension benefits to certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the maximum pensionable salary limit under the *Income Tax Act.* The Plan is supplementary to MEPP. Service under MEPP is used to determine eligibility for vesting and early retirement. A member's pension commencement date is the same under both Plans and the pension is payable in the same form. Members of MEPP who had attained 35 years of combined pensionable service at the Plan's inception are not eligible to participate in the Plan.

b) PLAN FUNDING

Current service costs are funded by employee and employer contributions which together with investment earnings and transfers from the SRP Reserve Fund (see Note 8) are expected to provide for all benefits payable under the Plan. The contribution rate for designated employers equals or exceeds the rate for eligible employees. The contribution rates in effect at December 31, 2009 were unchanged at 10.5 per cent of pensionable salary in excess of the maximum pensionable salary limit for eligible employees and designated employers. An actuarial valuation of the Plan is required to be performed at least once every three years. The rates are to be reviewed periodically by the Minister of Alberta Finance and Enterprise.

c) BENEFITS

The Plan provides a pension of two per cent of pensionable earnings that are in excess of the maximum pensionable salary limit under the *Income Tax Act* for each year of pensionable service after July 1, 1999 in which the employer was a participating employer, based on the average salary of the highest five consecutive years.

Members are entitled to an unreduced pension on service if they retire with at least five years of combined pensionable service and have either attained age 60, or age 55 and the sum of their age and combined pensionable service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained.

Disability, death, termination benefits and cost-of-living adjustments under this Plan follow those of the MEPP.

d) GUARANTEE

Designated employers guarantee payment of all benefits arising under the Plan. If assets held in the Plan are insufficient to pay for benefits as they become due, the amount due is payable by designated employers.

e) SURPLUS PLAN ASSETS

The Province of Alberta has the right to amend or discontinue the Plan in whole or in part at any time. Any assets remaining in the Plan after provision for benefits payable to or in respect of members on the complete wind-up of the Plan accrue to the Province of Alberta.

Note 1 (continued)

f) INCOME TAXES

The Plan is a *Retirement Compensation Arrangement* (RCA) as defined in the *Income Tax Act*. Refundable income tax is remitted on any cash contributions from eligible employees and designated employers and net investment income received at the rate of 50 per cent. Refundable income tax is returned to the Plan at the same rate when pension benefits payments are made to Plan members and beneficiaries.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds established and administered by Alberta Investment Management Corporation (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) VALUATION OF INVESTMENTS

Investments are stated at fair value. The method used to determine fair value of investments held either by the Plan or by pooled investment funds is explained in the following paragraph:

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

c) INCOME RECOGNITION

Investment income and expenses are recognized on the accrual basis. Gains or losses on investments, including those from derivative contracts, are recognized concurrently with changes in fair value.

d) FOREIGN EXCHANGE

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

e) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 5) include bond index swaps, interest rate swaps, forward foreign exchange contracts, credit default swaps, cross-currency interest rate swaps, futures contracts and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

i) Bond index swaps are valued based on changes in the appropriate market index net of accrued floating rate interest.

ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

iii) Forward foreign exchange contracts and futures contracts are based on quoted market prices.

Note 2 (continued)

iv) Credit default swaps are valued based on discount cash flows using current market yields and calculated default probabilities.

v) Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

f) VALUATION OF LIABILITY FOR ACCRUED BENEFITS

The value of the liability for accrued benefits and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

g) MEASUREMENT UNCERTAINTY

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

Measurement uncertainty exists in the magnitude of the calculation of the Plan's actuarial value of accrued benefits. Uncertainty arises because the Plan's actual experience may differ, perhaps significantly, from assumptions used in the calculation.

While best estimates have been used in the calculation, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed as actuarial assumption changes and net experience gains or losses in the note describing changes in the actuarial value of accrued benefits in the year when actual results are known (see Note 7(a)).

NOTE 3 PORTFOLIO INVESTMENTS (SCHEDULE A)

	($ thousands)					
	2009			**2008**		
	Fair Value			**Fair Value**		
			%			%
Fixed Income Securities (Schedule A)						
Deposit in the Consolidated Cash Investment Trust Fund (a)	$	682	4.7	$	516	4.6
Universe Fixed Income Pool (b)		11,408	78.4		9,025	80.6
Real rate of return bonds (c)		2,461	16.9		1,652	14.8
	$	14,551	100.0	$	11,193	100.0

a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of short-term and mid-term fixed income securities with a maximum term to maturity of three years.

b) The Universe Fixed Income Pool (UFIP) is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

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

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Minister has established a benchmark policy asset mix of 45 per cent fixed income instruments and 55 per cent equities.

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. A bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counter-party to a second counter-party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the specified index.

Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

Note 5 (continued)

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2009.

($ thousands)

	2009					2008	
	Maturity				Net		Net
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
		%					
Credit default swap contracts	29	38	33	$ 9,430	$ (68)	$ 12,145	$ (193)
Swap option contracts	100	-	-	709	1	-	-
Cross-currency interest rate swaps	11	28	61	655	64	536	(35)
Bond index swap contracts	100	-	-	420	(4)	614	16
Interest rate swap contracts	-	77	23	369	8	569	(1)
Forward foreign exchange contracts	100	-	-	330	8	167	(19)
Futures contracts	100	-	-	136	10	62	4
				$ 12,049	$ 19	$ 14,093	$ (228)

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

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have a good credit standing.

NOTE 6 REFUNDABLE INCOME TAX

($ thousands)

	2009	2008
Refundable income tax at beginning of year	$ 13,778	$ 11,089
Tax on employees and employers contributions received	3,185	3,070
Tax on net investment income received plus adjustments of prior year taxes less tax refunds on benefits and refunds payments, net	(615)	(381)
Refundable income tax at end of year	$ 16,348	$ 13,778

NOTE 7 LIABILITY FOR ACCRUED BENEFITS

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out in 2009 as at December 31, 2008 by Aon Consulting Inc. and was then extrapolated to December 31, 2009.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $104,478 (2008: $58,676) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the investment rate of return, inflation rate, and the salary escalation rate.

The major assumptions used for accounting purposes were:

	2009	2008
	%	
Discount rate*	4.70	4.50
Inflation rate	2.25	2.25
Investment rate of return	6.30	6.00
Salary escalation rate**	3.50	3.50
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Discount rate is on an after-tax basis.
** In addition to age specific merit and promotion increases.

The following table shows the principal components of the change in the actuarial value of accrued benefits:

	($ thousands) 2009	2008
Actuarial value of accrued benefits at beginning of year	$ 58,676	$ 48,462
Interest accrued on opening liability for accrued benefits	4,501	2,379
Benefits earned	11,825	9,646
Experience losses (gains)	36,094	-
Net change due to changes in actuarial assumptions	(5,311)	(965)
Benefits and refunds paid	(1,307)	(846)
Actuarial value of accrued benefits at end of year	$ 104,478	$ 58,676

Experience losses of $36,094 (2008: nil) arose from differences between the actuarial assumptions used in the 2008 valuation and 2009 extrapolation for reporting compared to actual results.

Note 7 (continued)

b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

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

The following is a summary of the sensitivities of the Plan's net assets and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2009:

	($ thousands)		
	Changes in Assumptions	**Decrease in Net Assets**	**Increase in Benefits Earned**
	%	$	$
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0	8,171	1,033
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0	25,055	10,211
Discount rate decrease holding inflation rate and salary escalation assumptions constant*	(1.0)	21,891	3,591

* Sensitivities includes investment return of assets held by the SRP Reserve Fund (Note 8).

NOTE 8 SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND (SRP RESERVE FUND)

Designated employers guarantee payment of all benefits arising under the Plan (see Note 1 (d)). To provide for their future obligations to the Plan, designated employers contribute to the SRP Reserve Fund at rates established by the Minister of Finance and Enterprise. Effective April 1, 2007, as recommended by the Plan's actuary, the employer contribution rate increased from 5.8 per cent to 11.4 per cent of pensionable salary of eligible employees in excess of the maximum pensionable salary limit under the *Income Tax Act.*

The SRP Reserve Fund is a regulated fund established and administered by the Minister of Finance and Enterprise to collect contributions from designated employers and to invest the funds, which are reserved to meet future benefit payments of the Plan.

As at December 31, 2009, the SRP Reserve Fund had net assets with fair value totalling $34,272 (2008: $26,582), comprising of $34,261 (2008: $26,568) in portfolio investments and $11 (2008: $14) in receivables. The increase during the year of $7,690 (2008: decrease $3,207) is attributed to contributions from employers of $3,358 (2008: $3,364) and investment gain of $4,332 (2008: loss $6,571).

NOTE 9 CONTRIBUTIONS

	($ thousands)	
	2009	**2008**
Current and optional service		
Employers	$ 3,240	$ 3,074
Employees	3,209	3,067
	$ 6,449	$ 6,141

NOTE 10 NET INVESTMENT INCOME (LOSS)

a) INVESTMENT INCOME (LOSS)

Net investment income (loss) of the Plan is comprised of the following:

	($ thousands)	
	2009	**2008**
Net realized and unrealized gain (loss) on investments, including those arising from derivative transactions	$ 426	$ (610)
Interest income	592	446
Security lending	4	5
	1,022	(159)
Investment expenses (Note 10(b))	(43)	(32)
Investment income (loss)	$ 979	$ (191)

b) INVESTMENT EXPENSES

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

Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. Alberta Finance and Enterprise provides investment accounting, reporting and treasury management services for the Plan.

Investment expenses as a percentage of net assets and per member are provided below:

	($ thousands)	
	2008	**2008**
Investment expenses	$ 43	$ 32
Investment expenses as a percentage of net assets	0.30%	0.26%
Investment expenses per member	$ 28	$ 22

NOTE 11 ADMINISTRATION EXPENSES

Administration expenses of $414 (2008: $304) were charged to the Plan on a cost-recovery basis.

The Plan's share of the Alberta Pensions Services Corporation's (APS) operating and plan-specific costs was based on cost allocation policies approved by the Minister of Finance and Enterprise.

NOTE 12 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 10(b) and administration expenses per Note 11 are $457 (2008: $336) or $292 (2008: $232) per member and 1.49 per cent (2008: 1.34 per cent) of net assets under administration.

NOTE 13 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2009 presentation.

NOTE 14 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Alberta Finance and Enterprise based on information provided by APS, AIMCo and the Plan's actuary, and after consultation with the Advisory Committee for the Supplementary Retirement Plan for Public Service Managers.

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

Schedule A

	($ thousands) Plan's Share 2009	2008
Deposits and short-term securities	$ 874	$ 878
Fixed income securities (a)		
Public		
Government of Canada, direct and guaranteed	3,956	3,277
Provincial		
Alberta, direct and guaranteed	2	2
Other, direct and guaranteed	2,198	1,315
Municipal	64	1
Corporate, public and private	7,388	5,871
	13,608	10,466
Receivable from sale of investments and accrued investment income	270	81
Accounts payable and accrued liabilities	(201)	(232)
	69	(151)
	$ 14,551	$ 11,193

(a) Fixed income securities held as at December 31, 2009 had an average effective market yield of 4.5 per cent per annum (2008: 5.4 per cent per annum). The following term structure of these securities as at December 31, 2009 was based on the principal amount:

	2009 %	2008 %
under 1 year	4	4
1 to 5 years	29	30
6 to 10 years	28	26
11 to 20 years	18	18
over 20 years	21	22
	100	**100**