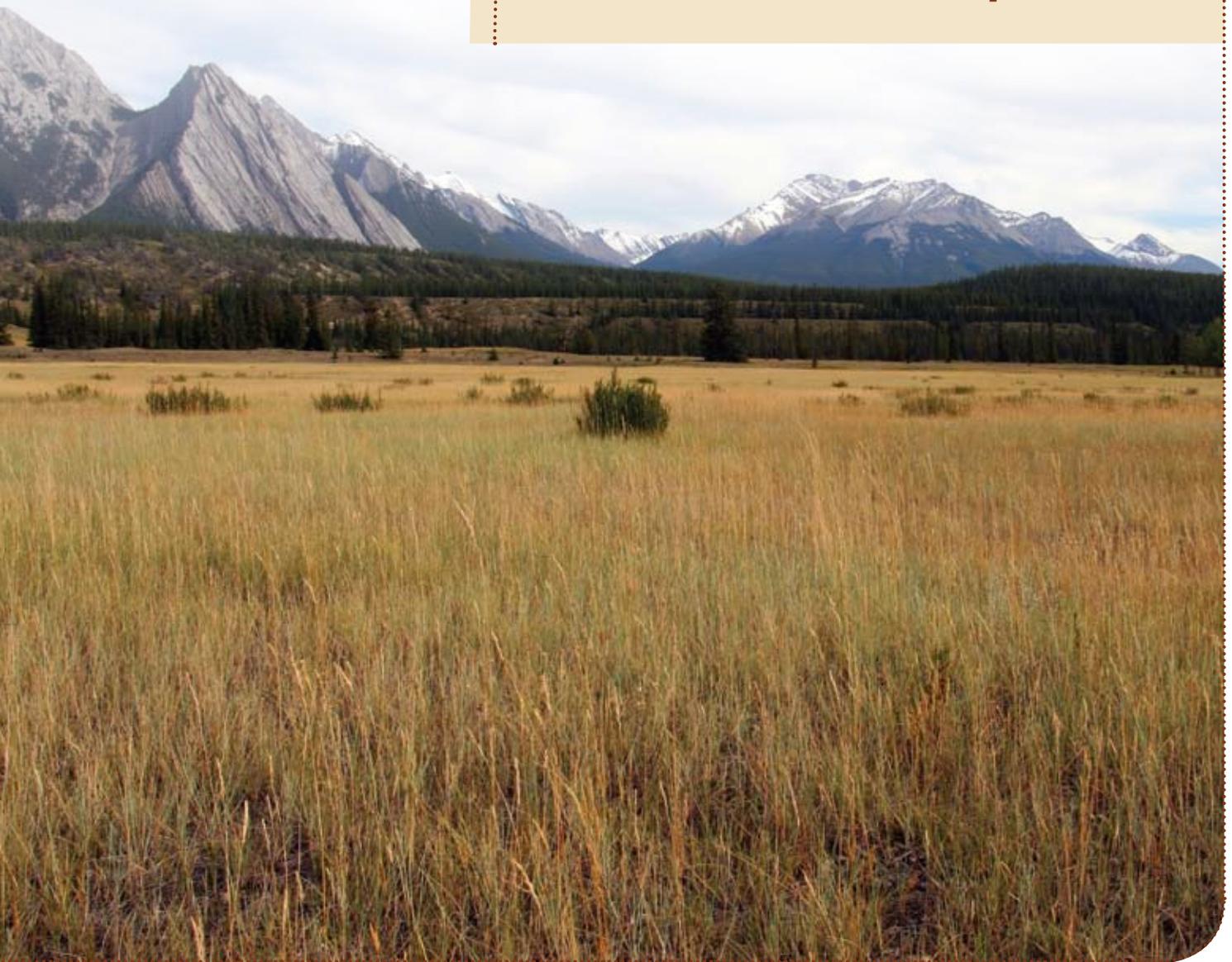




2010

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:

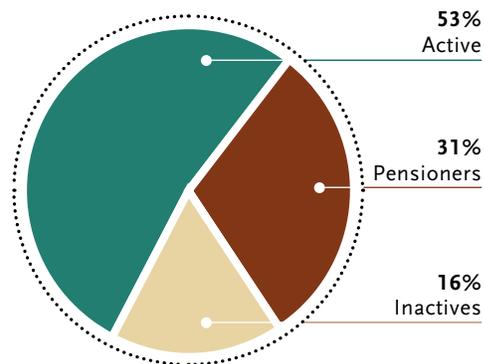
- 38,384 active teachers;
- 22,284 pensioners; and
- 11,884 inactive teachers.

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 \$1.787 billion.

The Private School Teachers' Pension Plan has a deficiency of \$6.044 million and covers:

- 194 active teachers;
- 150 pensioners; and
- 235 inactive teachers.

TOTAL MEMBERSHIP PROFILE



Financial & Operational HIGHLIGHTS

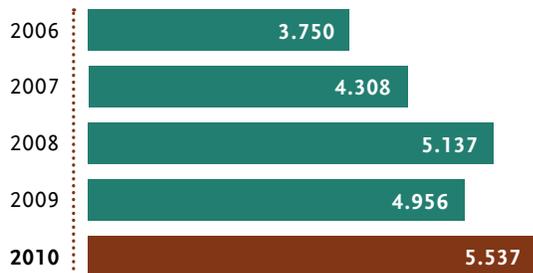
ATRF FINANCIAL POSITION AT AUGUST 31, 2010

\$ Thousands	2010	2009
Investments		
Equities	\$ 3,507,585	\$ 3,001,382
Bonds and debentures	1,805,110	597,921
Money-market securities and cash	190,053	158,257
	5,502,748	3,757,560
Cash	3,674	1,351
Contributions Receivable	11,324	11,166
Loan Receivable from the Province	–	1,184,685
Other Assets and Liabilities	19,199	1,678
Net Assets Available for Benefits	5,536,945	4,956,440
Actuarial Value of Accrued Pension Benefits	7,467,688	6,861,654
Deficiency	\$ 1,930,743	\$ 1,905,214

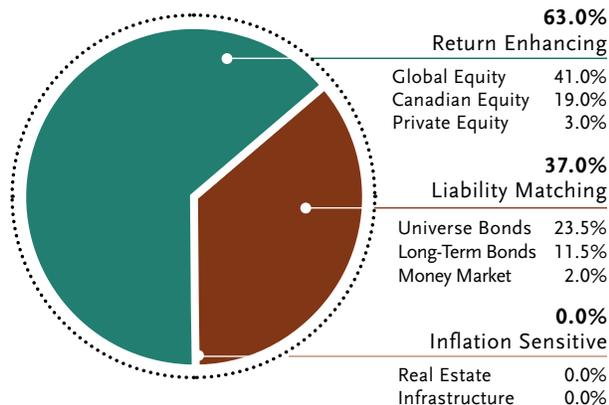
ACTIVITY DURING YEAR ENDED AUGUST 31, 2010

\$ Thousands	2010	2009
Benefit and Investment Operations		
Investment earnings (losses)	\$ 274,299	\$ (443,500)
Net contributions	499,197	433,722
Pension benefits	(173,029)	(152,976)
Administrative expenses	(19,962)	(18,199)
Increase (Decrease) in Net Assets	580,505	(180,953)
Increase in Cost of Accrued Pension Benefits	(606,034)	(539,750)
Increase in Deficiency	\$ (25,529)	\$ (720,703)

NET ASSETS OF ATRF (\$ BILLIONS)



ASSET MIX – POST-1992 PERIOD TEACHERS' PENSION PLAN at August 31, 2010



TEACHERS' PENSION PLAN			
7.739	5.952	Funding Liabilities	7.739
		Funding Value of Assets	5.952
	1.787	Funding Deficiency	1.787
at August 31, 2010		(\$ Billions)	

PRIVATE SCHOOL TEACHERS' PENSION PLAN			
37.820	31.776	Funding Liabilities	37.820
		Funding Value of Assets	31.776
	6.044	Funding Deficiency	6.044
at August 31, 2010		(\$ Millions)	

Fund Results

- Over the 18-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.
- For the year ended August 31, 2010, the Teachers' Pension Plan fund returned 5.6% and the Private School Teachers' Pension Plan fund earned 6.9%.

Key Accomplishments – 2009/10

- Completed detailed planning with respect to the implementation of the new target policy asset mix, with specific focus on infrastructure, private equity, real estate and global equity asset classes
- Met or exceeded all service turn around benchmarks for services to pensioners, and to active and inactive plan members
- Recognized as having one of the lowest plan member service costs in the industry at \$69 per member
- Ensured ongoing improvement of customer service and operational efficiency through best-practice reviews that identified work process enhancements
- Implemented enhancements to the plan member and pensioner On-Line Services functions, and increased the number of registered users of On-Line Services through a marketing initiative
- Reviewed and updated the Enterprise-Wide Risk Management Plan and identified additional risk mitigation plans
- Initiated testing of the operational effectiveness of internal controls relating to financial reporting



THE BOARD

From left to right

JAMES FLEMING

Business Consultant; Chair of the Investment Committee.

LOWELL K. EPP

Executive Director, Capital Markets, Alberta Finance and Enterprise;
Vice Chair of the Board and Vice 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.

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 Vice Chair
of the Audit Committee.

Report of the Board CHAIR



Greg Meeker

Funding Challenges Facing Retirement Savings Plans

The returns from the global investment markets and the 2007-09 financial crisis have been very challenging to retirement savings plans all around the world. Over the past decade, global markets have provided returns that have been below the long-term investment rate of return assumed by pension plans resulting in significant funding deficits.

Even more significant is that global interest rates have continued to decline (the yield on Government of Canada 30-year bonds dropped below 3.5% in ATRF's 2009-10 fiscal year). As a result, there is increasing sentiment that the low interest rate environment will translate into lower returns for a number of years.

The lower return expectation has required, and will continue to require, pension plans to adjust their assumed long-term investment rate of return for funding the benefits under the plans. A lower long-term investment rate of return assumption increases the cost of future benefits to be earned by plan members. In addition, it raises the plan's accrued liabilities for benefits already earned and results in further contribution rate increases to amortize the larger plan deficit.

Impact on Retirement Savings Plans

These issues have impacted all individual retirement savings vehicles and group defined benefit pension plans. The impact on individual retirement savings is largely dependent on the age of the individual and the ability of that individual to recover from the low returns and lower expected future returns. In particular, an individual would be required to find additional

disposable income to save for retirement. However, the older an individual is, the less time there is to accumulate savings and the harder it will be to reach the previously expected retirement savings objectives.

A defined benefit pension plan, such as the Teachers' Pension Plan or the Private School Teachers' Pension Plan, provides pension benefits that are based on years of pensionable service and best-average earnings, and are not dependent on the value of the fund at the time of retirement. However, the impact of low market returns and lower expected future returns does increase the required funding contributions, a reality experienced by virtually all defined benefit pension plans. In addition to increasing contribution rates, some sponsors of defined benefit pension plans have reduced prospective benefit accruals and in some cases even earned benefits. Others have also taken steps to share the funding risk with pensioners by limiting the amount of cost-of-living increases that can be provided based on the funded status of the plan.

Unlike most individuals or other defined benefit plans, the defined benefit pension plans for Alberta teachers have a much greater capacity to recover from the impacts of poor market returns than any individual. This ability arises not only from the lower costs that comes from the larger scale of the fund, but particularly from the fact that the plans have an extremely long-term time horizon and the funding risk is being shared by employers, taxpayers and 39,000 active plan members. However, since the cost of providing pension benefits in the current lower-return environment is higher, we must be prudent and increase funding contributions as required to ensure sufficient funds are available to provide for the promised benefits.

ATRF Board Actions

The Board continues to monitor the impact of the recent financial crisis on the plans. We undertook a detailed asset-liability study in 2009 and approved a revised long-term policy asset mix for the fund. We carefully examine the plan funding policies and various funding assumptions with management and the plan's actuary. We also stress test the funding assumptions and make changes to these long-term assumptions as required. In addition, we provide the plan sponsors with detailed information on the current funded status of the plan and on forward-looking funding challenges that may arise for the plans. Finally, the Board makes changes to the amount of funding contributions to ensure that current benefits are being funded and that any deficits are amortized within the maximum 15-year period required by legislation.

Even though contribution rates have increased due to the low market returns and the lower expected future returns, and will most likely increase further, it is important to note that the pension benefits under the plans are safe.

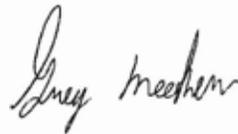
- Pension benefits and cost-of-living adjustments are calculated based on legislated formulas and not on the investment performance of the fund.
- Benefits for pensionable service prior to September 1992 under the Teachers' Pension Plan are guaranteed by the Government of Alberta.
- The funding status of benefits for pensionable service after August 1992 under the Teachers' Pension Plan and for all benefits under the Private School Teachers' Pension Plan is regularly reviewed, and contribution rate adjustments are made as required to ensure that all pension payments will be made.
- We carefully oversee the investment policies, asset mix and fund managers to maximize risk-controlled, long-term investment returns.

Acknowledgments

On behalf of the Board, I congratulate the staff of ATRF on their ongoing successes in professionally serving the needs of the plan members and other stakeholders, and thank them for their dedicated work. The other Board members and the external members of the Investment Committee deserve particular recognition for their commitment to the strong corporate governance of ATRF.

James Fleming retired from the Board on November 17, 2010 after more than 16 years of very active involvement in our various challenges since 1994. He provided significant contribution to the Board's corporate governance role in working with management on the strategic and business plan initiatives of ATRF, and in our oversight role in monitoring the management, operations and key financial aspects of ATRF. He was Chair of the Investment Committee for the last 10 years and has led the Committee in its important asset-liability reviews, investment policy decisions and investment monitoring. I want to recognize and thank James for all of his hard work and commitment in securing the pension income of plan members.

A special thank you is extended to Frank Sayer who left the Board's Investment Committee after six years of valuable service. We welcome two new members to the Investment Committee, Jai Parihar and Robert Maroney, and look forward to working with them on the key investment policies 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 fiscal year ended August 31, 2010 saw global financial markets begin a tepid recovery, providing the fund the opportunity for the first positive rate of return in three fiscal years. This followed a period from mid-2007 to early in 2009 when the global investment markets were under severe pressure, resulting in two consecutive fiscal years of negative returns for the fund.

With the worst of the 2007-09 financial crisis over, the road to recovery has proven to be slow and volatile in most parts of the world. While strong economic growth returned to emerging markets, it was much more elusive in the developed world. Europe in particular struggled with a sovereign debt crisis, while the United States still waits for signs of recovery in its housing and employment markets. In this environment, global equity returns were weak, but falling interest rates resulted in attractive returns from fixed-income markets.

By the end of the 2009-10 fiscal year, the Teachers' Pension Plan fund returned 5.6%, while the Private School Teachers' Pension Plan fund earned 6.9%. The difference in the rates of return of the two funds is attributable to the fact that the Teachers' Pension Plan fund had 23% of its assets (\$1.186 billion) in a loan earning a short-term money market rate of return from September 1, 2009 until mid-January 2010, when the loan was fully repaid by the Government of Alberta (see page 9 of this Annual Report). The Private School Teachers' Pension Plan fund did not have such a loan and earned higher returns when the global equity markets rallied over that same period of time.

Despite weak markets in recent years, long-term investment returns have met long-term return funding objectives. Over the 18-year period from September 1, 1992, to August 31, 2010 the Teachers' Pension Plan

fund 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 this same period, the Private School Teachers' Pension Plan has returned 6.6% matching the plan's funding rate-of-return objective.

Implementation of New Target Policy Asset Mix

A new funding agreement between the plan sponsors came into effect September 1, 2009. In preparation for this new funding agreement, in the 2008-09 fiscal year, we completed a comprehensive reassessment of the funding, liability and investment structures of the plans. This review resulted in 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. In the past fiscal year, we completed detailed implementation planning for this new target policy asset mix, with specific focus on infrastructure, private equity, real estate and global equity asset classes.

There are significant changes arising from the new long-term target policy mix that will be implemented gradually over the next few years. Our 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. Our approach is to manage these illiquid asset classes in a cost-effective manner by building internal capability and leveraging strategic partnerships to source funds and to co-invest with like-minded investors.

To facilitate this investment approach, we added to our investment staff in the past fiscal year and are planning to continue to add new positions in the 2010-11 fiscal year, more than doubling our investment staff in a two-year period. These new professionals will place us in a position 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. As the size of these illiquid asset classes grows over the next five years, additional staff will be hired to ensure our effective maintenance of existing investments and the ongoing review of new investment opportunities.

Enhancing Plan Member Services

In the past fiscal year, we continued to focus on further enhancing our cost-effective and successful services to plan members. We know this from the high marks we receive from our ongoing surveys of plan members, our tracking of customer service turn-around statistics, and from the assessment of our annual customer service cost of \$69 per member that is about half of the average cost for a group of similar major Canadian public sector pension organizations.

Through our ongoing reviews of best practices, we identified and implemented changes to our work processes that have further improved customer services to plan members. We implemented various enhancements to our communication materials and focussed on expanding web-based communications by increasing the available features of our plan member online services. We plan to continue to make cost-effective, incremental improvements to our plan member services and communication.

Enhancing Risk Management

Last year, we undertook a comprehensive review of our Enterprise-Wide Risk Management Plan. This plan includes our approach in assessing the enterprise-wide risks of ATRF, the various steps involved in the risk evaluation process, a risk assessment summary of the key risks facing ATRF and the current risk mitigation strategies in place at ATRF. The plan was discussed in detail at the Board's strategic planning session, additional risk mitigation plans were identified and the plan was approved by the Board.

Our risk-enhancement activities include: further development of our investment risk systems; providing additional information to the plan sponsors on the investment risk within the target policy asset mix and the potential impact on future contribution rates; and the testing of the operational effectiveness of the various internal controls relating to financial reporting.

Acknowledgements

The staff of ATRF effectively carries out a large amount of day-to-day regular activity that is necessary in order to meet our responsibilities to the plan members and to ensure the ongoing successful operation of ATRF. In addition, they readily take on additional challenges to further increase organizational capability to enhance the services we provide to the stakeholders of the plans. I wish to recognize the staff of ATRF for their ongoing dedication and successes.

I want to thank the members of the Board and Investment Committee for their support of our business plans, their counsel and their commitment to enhancing 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 investments, assets 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 likely 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. From early 2003, when the assets of the Pre-1992 Period were depleted, to September 2009, the Pre-1992 Period borrowed from the Post-1992 Period to fund benefit payments.

In 2008, the plan sponsors agreed to significant changes to the funding of the Pre-1992 Period liabilities. Effective September 1, 2009, the Government of Alberta assumed full responsibility for funding Pre-1992 Period benefits. 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. In addition in January 2010, the Government of Alberta repaid the entire \$1.186 billion amount that was lent by the Post-1992 Period fund.

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 has adopted a funding policy for the Post-1992 Period 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 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 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.

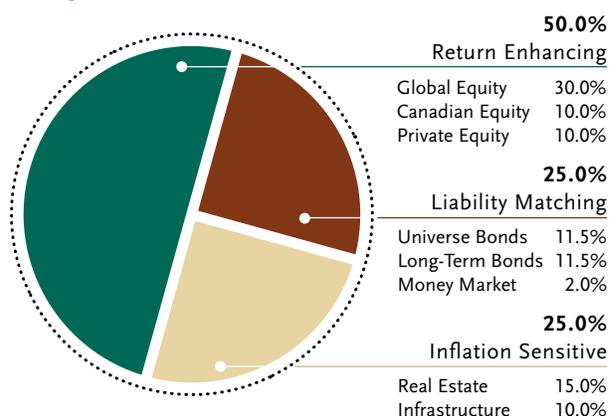
- Contribution rate stability is a key secondary objective. The cost of the plan should be sustainable over time and reflect a long-term view of the plan's assets and liabilities. The plan should be funded to ensure that the level of required contributions remains relatively stable without undue fluctuations, 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.

Target Policy Asset Mix

In 2009, we undertook a comprehensive asset-liability study of the plan with key consideration on:

- the funding policy outlined above;
- the elimination of the \$1.186 billion loan to the Pre-1992 Period from the plan's asset mix, which represented about 24% of all plan assets as at August 31, 2009; 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 – POST-1992 PERIOD TEACHERS' PENSION PLAN at August 31, 2010



The long-term target policy asset mix in the chart above was adopted by the Board. The change to the 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. Management is pursuing cost-effective internal operations, and partnerships with external managers and like-minded investors to manage these illiquid asset classes.

Funding Study

A funding study of the Post-1992 Period Teachers' Pension Plan was completed as at August 31, 2010. This study was conducted to assess whether the funding position of the plan remained on track with the funding position identified in the last actuarial funding valuation as at August 31, 2009 and to ensure that the funding contribution rates continued to be appropriate.

The discount rate for this study 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 study assumptions were the same as those used in the actuarial 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 study as at August 31, 2010.

TEACHERS' PENSION PLAN	
at August 31, 2010	(\$ Billions)
Funding Liabilities	7.739
Funding Value of Assets ¹	5.952
Funding Deficiency	1.787

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, 2010, the plan's funding value of net assets available was \$444 million higher than the fair value of net assets available (2009 – \$374 million higher).

The study showed that the funded position of the plan was consistent with that identified in the August 31, 2009 actuarial funding valuation of the plan and that no immediate changes were necessary to the current overall funding contribution rate of 20.81% of teacher salaries. The table below shows the current contribution rates based on the results of the August 31, 2009 actuarial funding valuation.

TEACHERS' PENSION PLAN	
Contribution Rates	September 2010 to August 2012
(Percent)	
Teachers	
Total Teacher Contribution	10.71
Salary up to YMPE ¹	9.04
Salary above YMPE	12.91
Government	10.10

¹ YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan (\$48,300 in 2011).

Plan Funding Challenges

The funding of the plan is based on a number of assumptions. One key assumption 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, 2010 funding study revealed that, primarily due to the 2007-2009 financial crisis, the current market value of plan assets is \$444 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 four years and must also earn an additional \$444 million to avoid further contribution increases. If the plan's investments earn only 6.75% each year over the next four years, the funding deficiency will grow and the additional amount will have to be amortized by increasing funding contribution over a 15-year period. We have estimated that should this occur, overall funding contributions would remain unchanged over the next year and then increase each year 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, primarily on our long-term discount rate assumption of 6.75%. For example, if the future long-term rate of return on investments is only 6.25%, total plan cost would increase by almost one-fifth from the total current plan funding cost of 20.81% of teacher salaries to 24.72%. We will continue to carefully assess all the long-term funding assumptions and make changes as required. Through our annual actuarial funding studies and valuations, contribution rate changes will be implemented to ensure that plan benefits are funded in accordance with the funding structure established by the plan sponsors.

Best-Estimate Actuarial Valuation Results

For the purposes of the financial statements, we conduct a best-estimate actuarial valuation. 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 study, as the funding study 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.

In addition, the best-estimate actuarial valuation must use the fair value of net assets and cannot employ the actuarially accepted practice of smoothing market returns over a five-year period used in the funding study. It is for these reasons that the asset and liability amounts of the best-estimate actuarial valuation differ from those in the funding study.

The table below outlines the results of the best-estimate actuarial valuation as at August 31, 2010.

TEACHERS' PENSION PLAN POST-1992 PERIOD	
at August 31, 2010	(\$ Billions)
Best-Estimate Liabilities	7.432
Fair Value of Assets	5.508
Deficiency	1.924

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.

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 significant difference in the funding policy for the PSTPP, as compared to the funding policy outlined above for the Post-1992 Period of the Teachers' Pension Plan, is the addition of a further margin for potential adverse plan experience. 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 must contain additional margins 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.

Target Policy Asset Mix

The comprehensive asset-liability study we completed in 2009 concluded that the long-term target policy asset mix outlined above for the Post-1992 Period of the Teachers' Pension Plan was also optimal for the PSTPP.

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.

Funding Study

A funding study of the PSTPP was carried out as at August 31, 2010. This study was conducted to assess whether the funding position of the plan remained on track with the funding position identified in the last actuarial funding valuation of plan as at August 31, 2009 and to ensure that the funding contribution rates continued to be appropriate.

The discount rate for this study 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 study assumptions were the same as those used in the actuarial funding valuation as at August 31, 2009 and used a discount rate of 6.50% and a long-term Alberta inflation rate assumption of 2.75%.

The following table outlines the results of the funding study as at August 31, 2010.

PRIVATE SCHOOL TEACHERS' PENSION PLAN	
at August 31, 2010	(\$ Millions)
Funding Liabilities	37.820
Funding Value of Assets ¹	31.776
Funding Deficiency	6.044

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, 2010, the plan's funding value of net assets available was \$2.889 million higher than the fair value of net assets available (2009 – \$2.684 million higher).

The study showed that the cost of future benefits to be earned by teachers was consistent with that identified in the August 31, 2009 actuarial funding valuation of the plan. However, the funding deficiency increased more than expected in the past year due to plan experience different from the long-term funding assumptions. The impact that this increase would have on the cost of amortizing the deficiency was further aggravated by the loss of future contributions from one employer who withdrew from the plan. As a result, if this employer does not rejoin the plan in September 2011, total plan costs will increase 0.55% of teacher salaries, 0.29% for teachers and 0.26% for employers.

We will carefully assess the future membership of the plan in the spring of 2011 and determine what actual contribution rate changes are required effective September 2011. The table below shows the current contribution rates.

PRIVATE SCHOOL TEACHERS' PENSION PLAN	
Contribution Rates (Percent)	September 2010
Teachers	
Total Teacher Contribution	10.46
Salary up to YMPE ¹	9.14
Salary above YMPE	13.06
Private Schools	9.78

¹ YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan (\$48,300 in 2011).

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, 2010 funding study revealed that, primarily due to the 2007-2009 financial crisis, the current market value of plan assets is \$2.889 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 \$2.889 million to avoid further contribution increases. If the plan's investments earn only 6.50% each year over the next four years, the plan's deficiency will grow and the additional deficiency will have to be amortized by increasing funding contribution over a 15-year period. We have estimated that should this occur, overall funding contributions would remain unchanged over the next year and then increase each year over the three years ending August 31, 2014 for a total increase of about 2.1%.

Best-Estimate Actuarial Valuation Results

For the purposes of the financial statements, we conduct a best-estimate actuarial valuation. 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 used for the funding study, as the funding study 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.

In addition, the best-estimate actuarial valuation must use the fair value of net assets and cannot employ the actuarially accepted practice of smoothing market returns over a five-year period used in the funding study. It is for these reasons that the asset and liability amounts of the best-estimate actuarial valuation differ from those in the funding study.

The following table outlines the results of the best-estimate actuarial valuation as at August 31, 2010.

PRIVATE SCHOOL TEACHERS' PENSION PLAN	
at August 31, 2010	(\$ Millions)
Best-Estimate Liabilities	35.236
Fair Value of Assets	28.887
Deficiency	6.349

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 actuarial valuations.

Key among those assumptions is the expected rate of return of the fund. While the long-term expected rate of return is based on our best estimate of the long-term future rate of return of the fund's policy asset mix, 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 decade. In addition, as a result of the major decline in global interest rates, we anticipate lower returns for the next few years.

It is important to note that 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. In so doing, the plans have been afforded time for markets to recover and to better gauge the longer-term contribution increases that the financial crisis will require. As the future unfolds, 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

The 2009-10 fiscal year started off on an encouraging note, as global economies slowly began to recover from one of the worst recessions on record. However, divergent paths soon emerged between the developed and emerging economies. While most developed economies struggled under the weight of excess debt and limited job growth, developing economies were much quicker to recover and return to strong economic growth.

Amid this somewhat uncertain backdrop, ATRF achieved positive investment returns for the 2009-10 fiscal year. The Teachers' Pension Plan fund returned 5.6%, while the Private School Teachers' Pension Plan fund returned 6.9%. The difference in return between the two funds results from the fact that, for the first four months of the fiscal year, 23% 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 loan was fully repaid to the fund in January 2010, after which time the asset mix was identical for both plans. For these first four months however, the Private School Teachers' Pension Plan held greater exposure to the equity markets, accounting for the difference in return between the two funds.

Over the last year we started work on the multi-year strategy to fully implement our new target policy asset mix. Investing the \$1.186 billion proceeds from the repayment of the loan to the Government of Alberta was a significant first step in this process. We established a new long-term bond portfolio. We also completed detailed implementation planning related to the new investment programs for real estate and infrastructure, and our enhanced program for private equity. In support of this growth, we strengthened our internal investment team with the addition of new staff, and plan to add several more investment professionals in the coming year.

Return Enhancing Assets

As noted above, 2009-10 represented the first year in the long-term implementation of a new target policy asset mix. Part of this change included a reclassification of the major asset classes into three new asset categories,

which are based on the primary purpose those assets serve in the fund. Return Enhancing Assets is the largest of these categories, and includes our equity portfolios and other assets whose primary purpose is to increase the overall return of the fund.

RETURN ENHANCING		
at August 31, 2010	(\$ Millions)	(%)
Canadian Equity	1,141	21
Global Equity	2,220	40
Private Equity	209	4
Total¹	3,570	65

¹ Includes \$49.6 million cash and \$5.7 million in accrued interest.

Public Equity Markets

The 2009-10 fiscal year was a return to a somewhat more normal market environment following a couple of years of tumultuous volatility. This is not to say the year was without hiccups or newsworthy events. In fact, the past year saw a continuation of the general themes of excessive borrowing and spending but this time by European governments rather than American consumers. The European sovereign debt crisis shed light on the similarities between some government balance sheets and that of many consumers in that they too can be overburdened with debt or over-leveraged.

In the spring of 2010, markets became very concerned over the state of Greece's public finances. With a deficit-to-GDP ratio approaching 14% and total debt outstanding at 115% of annual GDP, the country found it difficult to refinance its maturing debt. As a result the European Union and International Monetary Fund were forced to provide a bailout package in the form of emergency loans in order to buy time and help restore order to their finances. In the end the government was forced to enact austerity measures across the country in order to obtain a bailout package supported by other European nations. Progress appears to have been made, however significant work is still required to bring debt levels down. Greece was not the only country in this situation as Portugal, Italy, Ireland and Spain were all suffering from a similar financial dilemma and saw the cost of their debt rise dramatically in the second half of the year.

This crisis placed Europe's financial markets in turmoil for much of the past year and accordingly equity markets in the Eurozone were the poorest performing globally. In addition, the Euro declined by more than 20% versus North American currencies, resulting in very disappointing returns for Canadian investors.

Despite these troubling events the global corporate earnings recovery continued, primarily on the back of cost-cutting during the recent recession, but also due to improving business conditions in some areas. As a result many stock markets around the world advanced higher; however this was concentrated among the developing markets and a select few developed markets that benefited from growth in emerging economies. The strength of the Canadian dollar during the year further diluted returns from most foreign markets. In the United States for example, the Standard and Poors 500 Index advanced by approximately 4.9% in local currency, but this was reduced to only 1.9% in Canadian dollars. Overall in the past fiscal year, ATRF's global equity benchmark, the Morgan Stanley Capital World Index, returned a disappointing -1.4% in Canadian dollars.

In contrast to most other developed markets, Canadian stocks performed very well, with the benchmark S&P/TSX Composite Index rising by 12.7% in the year. Canada was the beneficiary of "safe haven" flows from investors in two ways. The first was due to investors' preference for jurisdictions where governments exhibited fiscal prudence. Canada's bond market rallied as international investment in our fixed-income markets drove interest rates down to once unimaginable levels, which had a positive impact on yield-driven stocks, such as utilities. The second way Canada benefited was as a result of the makeup of our equity market. Gold is often seen to be a safe haven for investors in times of uncertainty, and the past year saw the price of bullion rise by over 30%. Gold stocks are well represented in the Canadian equity market, and this contributed to the strong returns.

Stocks in the materials sector in general have been a significant source of return in Canada over the past number of years. Along with gold stocks, base metal, fertilizer, and bulk commodity stocks also performed well. Rising demand, particularly from developing economies, declining inventories and limited new supply were the primary reasons for the strength.

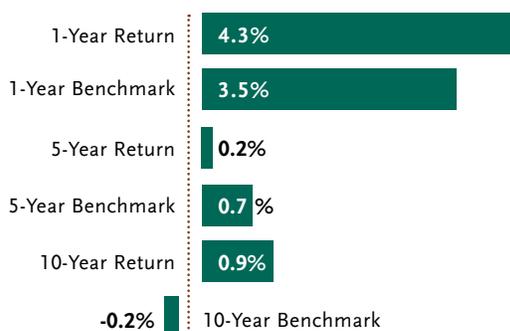
Private Equity Markets

Despite concerns and growing uncertainty about the sustainability of the economic recovery over the latter half the fiscal year, private equity investors still benefitted from a significantly improved environment when compared to 2009. Buyers and sellers increasingly found common ground on price, and debt financing was available on more reasonable terms. As a result, transaction volumes increased, as did the number of exits and realizations, including the number of successful public offerings. In short, valuations continued to slowly improve and managers continued to successfully source and complete new transactions. While still far short of robust, private equity markets returned to a state of functionality, providing the necessary backdrop for higher valuations.

Performance of Return Enhancing Assets

Both public and private equities are held in a variety of different portfolios, and are well diversified by geography, investment style, and market capitalization. As noted above, global equity markets were far from robust in the past year, but the modest positive returns were a welcome improvement over the negative returns of the prior year. As a whole, our public and private equity portfolios returned 4.3%, which exceeded the fund's equity benchmark return of 3.5%.

RETURN ENHANCING VS. BENCHMARK PERFORMANCE to August 31, 2010



In contrast to most other developed markets, Canadian equity returns were strong in the past year, with the benchmark S&P/TSX Index returning 12.7%. On a combined basis, our Canadian equity portfolios matched the performance of the benchmark, also generating a return of 12.7% for the fiscal year.

Outside of Canada, equity markets in developed countries struggled to generate positive returns this past year, and these returns were further reduced by the relative strength of the Canadian dollar. In Canadian dollar terms, the benchmark Morgan Stanley Capital World Index returned a disappointing -1.4% for the year. On a combined basis, our global equity portfolios were able to return -0.4%, which was approximately 1.0% better than the return of the benchmark.

The calculation of returns for private equities differs materially from public equities in that the investments are typically illiquid, and values are not based on prices quoted on a public stock exchange. The underlying partnerships within ATRF's portfolio are valued quarterly by general partners based on a best-estimate of fair market value. As a result, price adjustments tend to lag valuations in the public markets, making public and private market returns not directly comparable over short time periods. The positive return of 11.91% from our private equity portfolio reflects the general improvement in valuations within the asset class over the year.

Also included in the Return Enhancing Asset category are our active currency mandates, which are designed to add long-term absolute value to the fund. Rather than investing directly in currencies, these mandates take positions in currency derivatives based on a notional value of assets, within pre-defined risk limits. ATRF closely monitors and manages the degree of risk managers can assume, using a variety of controls including specific exposure limits, stop-loss provisions and restrictions on the types of securities used.

After disappointing returns last year, our currency portfolios achieved a positive return in 2010-11. While currency markets continued to be volatile, liquidity was much improved relative to the prior year, and our managers were able to identify trends that could be exploited to generate positive returns. For the year, our currency mandates gained \$3.4 million, which translates into a return of approximately 0.1% for each of the pension plans.

RATES OF RETURN - RETURN ENHANCING to August 31, 2010						
Asset Class	1 Year (%)		5 Years (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark	ATRF	Benchmark
Canadian Equity	12.7	12.7	4.3	5.1	7.0	4.9
Global Equity	-0.4	-1.4	n/a	n/a	n/a	n/a
Private Equity	11.9	11.9	n/a	n/a	n/a	n/a
Total Return Enhancing	4.3	3.5	0.2	0.7	0.9	-0.2

Liability Matching Assets

The primary purpose of Liability Matching Assets is to reduce the duration mismatch between plan assets and liabilities, as well as reduce the overall volatility of returns. Three different fixed-income asset classes make up this category, including the new policy allocation to long-term bonds.

LIABILITY MATCHING		
at August 31, 2010	(\$ Millions)	(%)
Universe Bonds ¹	1,273	23
Long-Term Bonds ²	550	10
Money-Market Securities	133	2
Total	1,956	35

¹ Includes \$10.7 million in accrued interest.

² Includes \$6.5 million in accrued interest.

Fixed-Income Markets

In the first half of the fiscal year, fixed-income markets began to rebound from the depths of the previous year's global financial crises. As stability started to emerge in both banking systems and economies, bond yields started to move higher, reflecting a less pessimistic growth outlook for the world's economies. With risk appetite returning, credit spreads on provincial and corporate bonds fell to levels not seen since early 2008, with high-yield and real estate related issues outperforming other types of credit. Fixed-income markets were also beginning to speculate as to when central bankers might begin to remove some of the emergency rate cuts of the previous year.

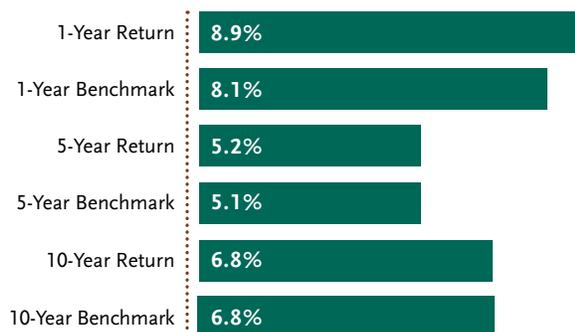
In the second half of the year however, this relative market stability was upset by the possibility of a sovereign debt crisis in Greece. The contagion from Greece quickly spread to Portugal, Ireland and Spain, raising concerns over the future of the European Monetary Union. Investors flooded to safe havens such as U.S., Japanese, Swiss and Canadian government debt, which caused bond yields to fall in these countries. In the latter part of the fiscal year, U.S. policy makers also began to discuss the potential need for additional monetary policy measures to further stimulate a lethargic U.S. economy.

With this backdrop, bond yields in Canada, which started the year at historically low levels, fell further, particularly in the second half of the year. The yield on 10-year Government of Canada bonds fell from 3.4% at the beginning of the fiscal year to 2.8% by the end, while the yield on 30-year bonds fell from 3.9% to 3.4% over the same time period. Money market yields remained close to zero throughout the year, despite two small rate increases by the Bank of Canada.

Performance of Liability Matching Assets

The size and nature of the portfolios within the Liability Matching Asset category changed materially over past year as a result of the repayment of the \$1.186 billion loan to the Government of Alberta in January 2010. In accordance with the long-term implementation plan for our new policy asset mix, the proceeds of the loan, which itself was a fixed-income asset, were re-invested into other Canadian fixed-income assets when received. Specifically a new long-term bond portfolio was created, while the size of our existing universe bond portfolio more than doubled.

LIABILITY MATCHING RETURN VS. BENCHMARK PERFORMANCE to August 31, 2010



Falling interest rates and tightening credit spreads provided a positive environment for bonds, with the benchmark DEX Universe Bond Index returning 7.6% for the year. ATRF's portfolios were able to add value by successfully capturing opportunities in the credit markets, and returned 9.6% on a combined basis.

As noted earlier, our new long-term bond portfolio was created in January 2010, funded by the proceeds from repayment of the loan to the Government of Alberta. The portfolio is benchmarked against the DEX Long-Term Government Bond Index, which does not include any corporate credit exposure. In the very short time period since inception, this portfolio returned 9.6%, which was below the 10.4% return of the benchmark over this same time period.

With short-term interest rates near zero, money market returns have been extremely low over the past two years. ATRF's internally managed money market portfolio generated a modest return of 0.4% for the year, which was slightly above the 0.2% return of the benchmark DEX 30 Day T-Bill Index. On a combined basis, ATRF's Liability Matching Assets returned 8.9% for the fiscal year, which exceeded the benchmark return of 8.1%.

Inflation Sensitive Assets

The primary purpose of the inflation sensitive asset category is to partially mitigate the risk of unexpected inflation, in light of the fact that pension benefits under the plans are 70% indexed to inflation. Assets in this category exhibit return streams that are at least partially correlated with inflation rates over the long-term. Infrastructure and real estate are new asset classes that fall into this category.

Activity in this area over the past year has been focused on developing detailed implementation plans and investment strategies, and beginning to build the necessary internal resources. We expect to begin actively investing in both of these asset classes in the coming year.

RATES OF RETURN - LIABILITY MATCHING

to August 31, 2010

Asset Class	1 Year (%)		5 Years (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark	ATRF	Benchmark
Universe Bonds	9.6	7.6	5.5	5.2	6.7	6.7
Long-Term Bonds	9.6	10.4	n/a	n/a	n/a	n/a
Money-Market Securities	0.4	0.2	2.8	2.4	2.9	2.7
Total Liability Matching	8.9	8.1	5.2	5.1	6.8	6.8

LONG-TERM INVESTMENT PERFORMANCE

Long-Term Investment Objective

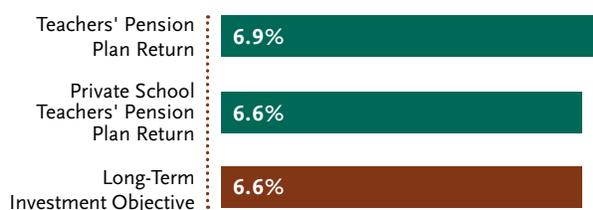
The primary long-term investment objective of the fund is to meet the real rate of return target above the level of Alberta inflation. This target is an essential long-term assumption in determining the funding requirements of the plans to ensure that plan benefits are funded in accordance with the established 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.

Over the 18-year period since September 1, 1992, the investment performance of the Teachers' Pension Plan has exceeded this long-term objective. The annualized rate of return on the fund's assets over this time period has been 6.9%, which compares favourably with the 6.6% rate of return objective.

Over this same time period, the investment performance of the Private School Teachers' Pension Plan has been slightly lower, as it did not benefit from the stable return of the loan that was part of the assets of the Teachers' Pension Plan until the end of 2009. As a result the annualized rate of return on that fund's assets over the same time period has been 6.6%, which matches the rate of return objective of 6.6%.

18-YEAR RETURN VS LONG-TERM INVESTMENT OBJECTIVES to August 31, 2010



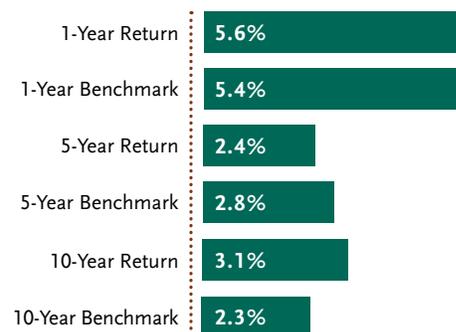
Benchmark Performance

The overall effectiveness of our investment strategies is assessed regularly 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 target policy asset mix.

Over the past fiscal year, execution of our investment strategy was somewhat complicated by the repayment of the loan to the Government of Alberta and the creation of a new long-term bond portfolio at a time of high volatility in the bond market. Nevertheless, total fund returns did exceed benchmark returns for the year, largely due to the strong relative performance of global equities and universe bonds.

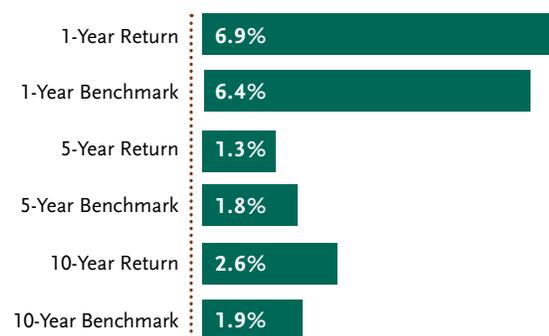
As shown in the table below, the return on the Teachers' Pension Plan fund exceeded the benchmark by 0.2% in the most recent year. For the five years ended August 31, 2010, the return is 0.4% below the benchmark, while over 10 years the fund rate of return exceeds the benchmark by 0.8%.

TEACHERS' PENSION PLAN RETURN VS. BENCHMARK PERFORMANCE to August 31, 2010



For the Private School Teachers' Pension Plan, the return for the last year was 0.5% above benchmark. Over five years, the return is 0.5% below benchmark, while over 10 years the fund return exceeds the benchmark by 0.7%.

**PRIVATE SCHOOL TEACHERS' PENSION PLAN
RETURN VS. BENCHMARK PERFORMANCE
to August 31, 2010**



Socially Responsible Investing

An important component of our long-term investment strategy involves encouraging companies to undertake best practices in corporate governance, which includes issues related to social responsibility. There are three primary ways in which we accomplish this.

First, our investment managers regularly communicate with the management and boards of companies in which we invest. Corporate governance and social responsibility are part of these discussions.

Second, we communicate and compare information with other 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. Its members include many of Canada's largest institutional investors.

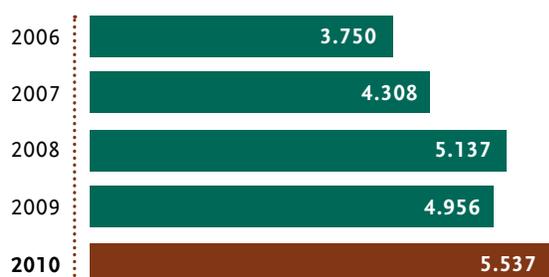
The third way in which we encourage companies to strive for better corporate governance is through our proxy voting guidelines. Along with promoting good governance and shareholder rights, our guidelines express support for the OECD Guidelines for Multinational Enterprise. This is a comprehensive set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



CHANGE IN NET ASSETS

The modest recovery in global investment markets contributed to a year-over-year increase in fund assets of \$581 million (an increase of 11.7%) leaving the fiscal year-end value at \$5.537 billion. Investment earnings of \$274 million and \$307 million of positive net cash flows from contributions above benefit payments and expenses, accounted for this change.

NET ASSETS (\$ BILLIONS)



Costs of Providing Services

Total operating costs increased by 9.7% to \$19.962 million. Investment costs increased from \$13.947 million in the previous year to \$15.782 million for the 2009-10 fiscal year, as external investment management fees increased in conjunction with the recovery in the global investment markets. Investment costs were about 29 cents for each \$100 of net assets, as compared to 28 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)	2010	2009
External investment management fees	11,495	9,976
Salaries and benefits	2,365	1,940
Custodial and banking charges	1,043	965
External professional services	352	586
Communications	252	237
Premises and equipment	114	134
Board and Investment Committee	79	66
Audit	38	39
Other	44	4
Total	15,782	13,947

Plan member service costs decreased 1.7% to \$4.180 million, from \$4.252 million in the previous year. The cost of providing services to plan members in the 2009-10 fiscal year was \$69 per member, less than one-half of the average cost of \$148 per member for a group of major Canadian public sector pension organizations that benchmark cost and service levels.

PLAN MEMBER SERVICE COSTS

(\$ Thousands)	2010	2009
Salaries and benefits	2,659	2,541
External professional services	552	744
Premises and equipment	410	470
Communications	370	364
Board	81	50
Audit fees	37	39
Custodial and banking charges	35	27
Other	36	17
Total	4,180	4,252

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:

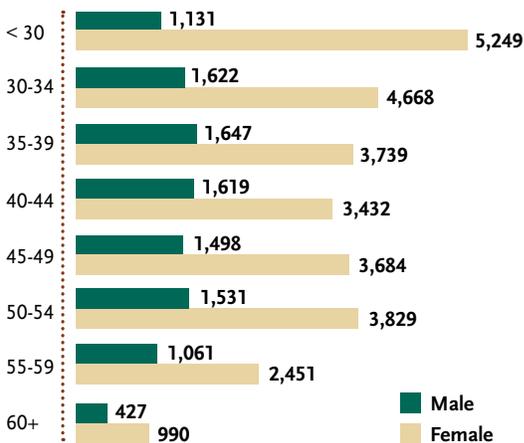
- 38,578 active members who accrued pensionable service during the 2009-10 fiscal year;
- 22,302 pensioners; and
- 12,119 inactive members.

Active members include 1,328 disabled teachers who earned pensionable service in the 2009-10 fiscal year. The number of disabled teachers accruing pensionable service as a percentage of the total number of active teachers has been level over the last four years.

Year ended August 31	Number of Disabled Teachers	Number of Active Teachers	Percentage of Disabled Teachers
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
2006	1,342	36,640	3.7

The age and gender distribution of the active members shows a fairly even distribution of the active members across the age ranges and that 73% of the active members are female. Both demographic observations contribute to the assumptions used when determining funding requirements of the plans.

AGE AND GENDER DISTRIBUTION OF ACTIVE MEMBERS



PLAN MEMBER STATISTICS

	2010	2009	2004	2000
Active member average age	41.7	41.7	42.4	42.7
Active member average years of pensionable service	11.1	11.1	12.4	12.0
Pensioner average age	68.0	68.0	68.0	68.0
New pensioner average age	59.0	58.2	57.9	57.8
Average pensionable service of new pensioners	26.2	25.9	25.8	26.6

The number of new pensioners who commenced their pension in the 2009-10 fiscal year was 1,056, a slight decrease from 1,060 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 number of new pensions added each year will be between 1,000 and 1,100 per year for the next decade.

NUMBER OF NEW PENSIONS GRANTED



Service to Plan Members

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

We have established benchmarks for the delivery of services and each year measure our benefit delivery against those benchmarks. Below are our service turnaround benchmarks for key processes and our results for the 2009-10 fiscal year, with comparisons for the 2008-09 fiscal year. We exceeded the benchmark in all processes and improved our average elapsed time in two of the nine processes.

SERVICE PROVIDED	BENCHMARK	AVERAGE ELAPSED TIME IN 2009-2010	AVERAGE ELAPSED TIME IN 2008-2009
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	4 days	6 days
Pension payment for new pensioner	Within 7 days	3 days	5 days
Pension estimate	Within 7 days	1 day	1 day
Purchase estimate	Within 10 days	2 days	2 days
Termination benefit	Within 10 days	2 days	2 days
Urgent written inquiries including email inquiries	Within 7 days	2 days	2 days
Non-urgent written inquiries including email inquiries	Within 10 days	2 days	2 days
Telephone inquiries	Within 1 day	Less than 1 day	Less than 1 day

Our Focus on Customer Service

Each of the 1,056 plan members who retired during the 2009-10 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 16% who responded:

- 98% rated ATRF service and communication as good to excellent;
- 64% indicated they were registered for On-Line Services;
- 82% said they had visited the website; and
- 56% had used the online calculator to do pension estimates.

Respondents were invited to provide written comments and 98 did so. While the majority of the comments were positive and focused on excellent customer service and knowledge of ATRF staff, we will use the comments and suggestions provided to continue to improve the level of customer service provided to our retiring plan members.

Also, in the past fiscal year, we conducted best practice reviews for a number of our work processes and in doing

so, identified and implemented enhancements to those processes. These enhancements will further improve our customer services to plan members and we will continue our best practice reviews into the next fiscal year.

Communication with Plan Members

Our team of four Pension Counsellors provides individual counselling sessions in our office in Edmonton, as well as at many locations throughout Alberta. During the 2009-10 school year, about 900 plan members visited our office for a personal interview. In addition, we conducted 738 interviews with plan members at 12 different locations across the province and for an additional 605 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, Your Pension Matters, to over 870 plan members at 14 locations as well as to over 700 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 or pensioner statements, newsletters and annual report highlights. About 3,300 plan members and 1,500 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 46% of plan members received their annual statements by November 30, 2009, and all plan members had received them by February 18, 2010.

Website and On-Line Services

Using feedback from our last plan member and pensioner surveys, we made enhancements to make On-Line Services more user friendly. We launched the revamped site in June with a contest to increase registration and usage. Active and inactive members registering or using On-Line Services over the summer were eligible to win a gift card.

This marketing initiative helped to increase registration of active members by almost 20% between June and September of 2010. Some 13,360 active plan members, 2,215 inactive plan members and 7,940 pensioners are now registered to take advantage of the functions available through On-Line Services. 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. They also have the option of submitting applications for plan benefits electronically. Pensioners can use On-Line Services to view and update their own specific pension information in a secure environment.

Our goal is to continually enhance the information on our website and in our print material. Over the past fiscal year we launched five video presentations on the website to provide an alternative way for plan members to receive information about the plan. To date, over 5,100 plan members have accessed the videos, with the two most popular topics being Steps to Retirement and About Your Pension.

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

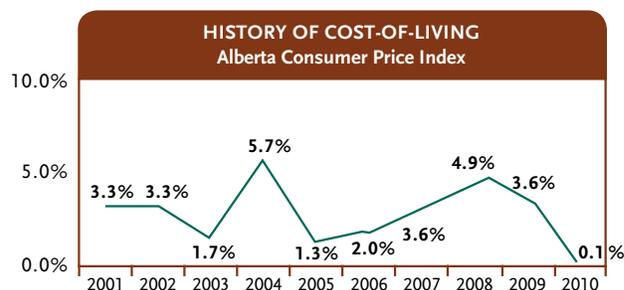
The growth in the number of pensioners and the impact of cost-of-living adjustments (COLA) have resulted in an increase in total annual pension payments of 4.9% to \$596 million as at August 31, 2010. Under the existing funding structure, despite the recent volatility of financial markets and the impact of investment returns on asset values, the fund is well positioned to meet ongoing cash-flow requirements. The average new monthly pension paid in 2009-10 was \$2,759 compared to \$2,627 in the previous year.

During the 2009-10 fiscal year, 3,100 pensioners had returned to teaching while receiving a pension from ATRF. This was a 3.3% increase over the 3,000 in 2008-09. Of the pensioners who returned to work, 92 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 2010, COLA adjustments were based on an ACPI increase of 0.10%, compared to 3.6% in January 2009. Pensions that had been paid for the entire 2009 calendar year received a 0.06% increase for pre-1993 service and a 0.07% 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 HUMAN RESOURCES AND COMPENSATION COMMITTEE

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.

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 four times during 2009-10 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 Chief Executive Officer and management.

COMPENSATION PHILOSOPHY

ATRF's compensation philosophy is designed to attract and retain the best-possible staff to manage the plan and invest the assets of the fund. Accordingly, its 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 the 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.

COMPARATOR GROUPS USED TO SET COMPETITIVE PAY

ATRF's overall objective is to provide competitive compensation as compared to those organizations against which it competes 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. 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 the 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 increases, 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 2009-10 fiscal year, the HRCC's advisor for human resource and compensation purposes was Lim HR Compensation Consulting Inc. In July 2010, the HRCC retained Global Governance Advisors as its independent advisor and will be undertaking a regular full review of ATRF's executive compensation practices in the 2010-11 fiscal year.

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 a performance-based short and long-term incentive plan 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 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. Performance measures, targets and weightings are approved annually by the HRCC. Corporate, fund and/or portfolio benchmarks 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, payouts can range from zero to 1.5 times the target corporate incentive amount.

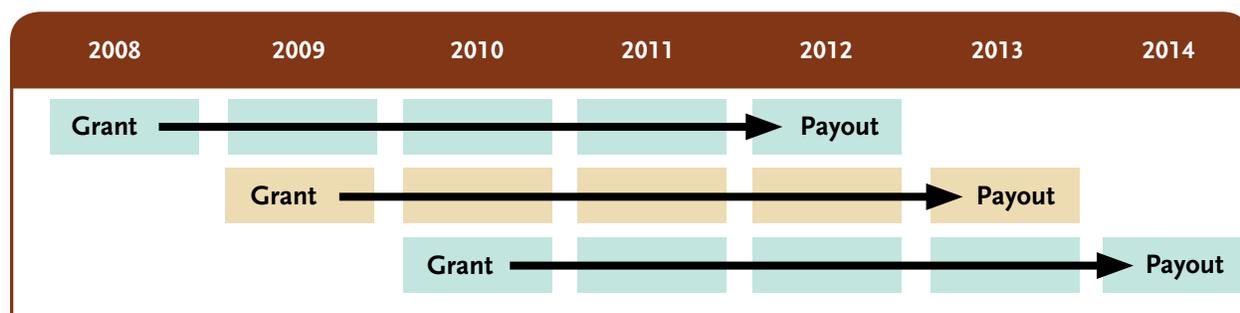
Investment incentive payments are based on the achievement of total fund and/or portfolio performance above established benchmarks. Consistent with ATRF's compensation objectives, payments are weighted 75% towards long-term performance results over a four-year rolling period and 25% towards the performance 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.

The annual incentive plan has a threshold level of performance. If the threshold is not met, incentive payments are not made. If superior performance is achieved, compensation is designed to pay up to two times the target amount.

Long-Term Incentive Plan

The long-term incentive plan (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 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.

Consistent with market practice, participation in the LTIP is limited to the CEO, CIO 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. 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 2009-10 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 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, 2010, 2009 and 2008 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 Chief Executive Officer	2010	254,200	62,700	10,500	37,700	365,100
	2009	243,500	57,700	63,300	36,200	400,700
	2008	225,000	57,300	28,800	35,200	346,300
Derek Brodersen Chief Investment Officer ³	2010	233,800	38,700	11,200	36,800	320,500
	2009	224,000	36,300	76,700	36,000	373,000
	2008	183,900	1,800	16,300	21,800	223,800
Andrejs Elson Portfolio Manager, Fixed Income	2010	169,000	77,300	27,300	26,800	300,400
	2009	143,500	53,800	8,000	25,100	230,400
	2008	132,300	34,200	5,300	22,900	194,700
Charlie Kim Portfolio Manager, Equities	2010	191,300	31,400	13,200	24,800	260,700
	2009	177,000 ⁴	66,400	9,400	22,800	275,600
	2008	–	–	–	–	–
Albert Copeland Director, Information & Technology Services	2010	146,400	22,400	6,500	42,500 ⁵	217,800
	2009	139,900	20,500	2,100	25,000	187,500
	2008	133,300	19,100	4,700	22,900	180,000

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, 2010 the amount, recorded in accounts payable, is \$692,317 (2009 - \$591,500). The present value of accrued benefits, based on the accrued pensionable salary earned to August 31, 2010, that would be paid if all named employees left employment is \$375,200 (2009 - \$293,000).

(\$ Dollars)	Present Value of Accrued Benefits August 31, 2009	Change In Present Value of Accrued Benefits Due to		
		Benefit Accrual	Interest Cost and Change in Assumptions	Present Value of Accrued Benefits August 31, 2010
Emilian Groch Chief Executive Officer	311,200	10,500	13,400	335,100
Derek Brodersen³ Chief Investment Officer	228,900	11,200	9,900	250,000
Andrejs Elson Portfolio Manager, Fixed Income	18,800	27,300	1,200	47,300
Charlie Kim Portfolio Manager, Equities	10,900	13,200	1,300	25,400
Albert Copeland Director, Information & Technology Services	21,700	6,500	6,300	34,500

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 Includes \$16,400 for vacation payout.

LONG-TERM INCENTIVE AWARDS, ACCUMULATED VALUE

The total accumulated value as at August 31, 2010 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 estimated impact of the rolling four-year average investment performance component to date 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:	2012	2013	Total
Emilian Groch – Chief Executive Officer	0	44,648	44,648
Derek Brodersen – Chief Investment Officer	0	27,385	27,385
Andrejs Elson – Portfolio Manager, Fixed Income	0	15,257	15,257
Charlie Kim – Portfolio Manager, Equities	0	18,705	18,705
Total	0	105,995	105,995

¹ The long-term incentive plan was effective September 1, 2008. The accumulated value for the fiscal year ended August 31, 2010 is 1/4 of the accumulated value of the total grant for the 2009-10 fiscal year, which is based on performance for the period September 1, 2009 to August 31, 2013. The accumulated values are estimated by using actual fund performance multipliers where fund performance is known (i.e. 2009-10), and target multipliers and fund performance for future years (a multiplier of one (1.0X)).

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, only one was eligible to receive remuneration in the 2009-10 fiscal year.

In the past year, remuneration 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.

(\$ Dollars – Audited)						
Board Member	Retainer	Board Meetings	Committee Meetings	Meeting Fees	Total 2009-10 Remuneration	Total 2008-09 Remuneration
James Fleming	19,000	8	13	19,200	38,200	23,800

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

During the 2009-10 fiscal year, the Board members attended all Board meetings and each applicable committee meeting, except that one Board member was unable to attend one Board meeting, and another Board member was unable to attend one Board meeting and one committee meeting.



From left to right: Derek Brodersen, Peggy Corner, Myles Norton, Emilian Groch, Margot Hrynyk, Albert Copeland, Randy Round.

CORPORATE DIRECTORY

BOARD & CORPORATE

BOARD

Greg Meeker, Chair
 Lowell K. Epp, Vice Chair
 Karen A. Elgert
 James Fleming
 Sharon L. Vogrinetz
 Gene Williams

CORPORATE

Emilian V. Groch
 Chief Executive Officer

Derek M. Brodersen
 Chief Investment Officer

Albert Copeland
 Director, Information and
 Technology Services

Peggy Corner
 Director, Benefit Information Services

Margot M. Hrynyk
 Director, Human Resources
 and Communication

Myles Norton
 Director, Financial Services

Randy G. Round
 Director, Internal Control

COMMITTEES OF THE BOARD

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 Lowell K. Epp, Vice Chair
 James M. Drinkwater
 Robert Maroney
 Allison D. O'Brien
 Jai Parihar
 Sharon L. Vogrinetz

AUDIT

Greg Meeker, Chair
 Gene Williams, Vice Chair
 Lowell K. Epp

FINANCE AND PLANNING

Gene Williams, Chair
 Karen A. Elgert, Vice Chair

HUMAN RESOURCES AND COMPENSATION

Sharon Vogrinetz, Chair
 Gene Williams, Vice Chair
 Karen A. Elgert
 Lowell K. Epp
 James Fleming
 Greg Meeker

We welcome any comments or suggestions for this annual report, or any other aspects of our communications program.



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