

# Independent Auditor's Report



To the Members of the Alberta Securities Commission

## Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Securities Commission, which comprise the balance sheet as at March 31, 2011, and the statements of operations and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Securities Commission as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

June 8, 2011  
Edmonton, Alberta

# Balance Sheet

As at March 31

(\$ Thousands)

	2011	2010
<b>Assets</b>		
Current		
Cash (Note 4)	\$ 9,114	\$ 11,343
Accounts receivable	129	148
Prepaid expenses	112	330
	<b>9,355</b>	11,821
Non-current		
Restricted cash (Note 3)	–	280
Investments (Note 4)	28,238	30,749
Capital assets (Note 6)	9,991	2,028
Penalties receivable	11	17
	<b>38,240</b>	33,074
Total assets	<b>\$ 47,595</b>	\$ 44,895

## Liabilities and retained earnings

Current		
Accounts payable and accrued liabilities	\$ 4,084	\$ 2,824
Accrued vacation and benefit liabilities	501	393
Lease inducement (Note 7)	219	124
	<b>4,804</b>	3,341
Non-current		
Lease inducement (Note 7)	2,994	–
Accrued benefit liability (Note 8)	4,351	3,782
Total liabilities	<b>12,149</b>	7,123
Retained earnings (Note 3)	<b>35,446</b>	37,772
Total liabilities and retained earnings	<b>\$ 47,595</b>	\$ 44,895

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

Approved by the Members



William S. Rice, Q.C., Chair and Chief Executive Officer



Roderick J. McKay, FCA, Member

# Statement of Operations and Retained Earnings

Years Ended March 31

<i>(\$ Thousands)</i>	<b>2011 Budget</b>	<b>2011 Actual</b>	2010 Actual
	(Note 11)		
<b>Revenue</b>			
Fees (Note 9)	<b>\$ 25,899</b>	<b>\$ 26,468</b>	\$ 25,744
Investment Income (Note 5)	<b>1,355</b>	<b>2,557</b>	3,930
Settlement payments and cost recoveries (Note 9)	<b>–</b>	<b>801</b>	2,499
Conference fees and other	<b>–</b>	<b>35</b>	18
Administrative penalties (Note 3)	<b>600</b>	<b>226</b>	542
Total revenue	<b>27,854</b>	<b>30,087</b>	32,733
<b>Expense</b>			
Salaries and benefits	<b>22,695</b>	<b>21,719</b>	19,501
Premises	<b>3,120</b>	<b>3,051</b>	2,170
Professional services	<b>3,246</b>	<b>2,926</b>	2,591
Administration	<b>3,473</b>	<b>2,781</b>	2,468
Amortization	<b>1,549</b>	<b>1,320</b>	1,193
Investor education (Note 3)	<b>612</b>	<b>616</b>	469
Total expense	<b>34,695</b>	<b>32,413</b>	28,392
Budget contingency	<b>1,805</b>	<b>–</b>	–
Net (loss) income	<b>\$ (8,646)</b>	<b>(2,326)</b>	4,341
Opening retained earnings		<b>37,772</b>	33,431
Closing retained earnings (Note 3)		<b>\$ 35,446</b>	\$ 37,772

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

# Statement of Cash Flows

Years Ended March 31

<i>(\$ Thousands)</i>	<b>2011</b>	2010
<b>Operating transactions</b>		
Fees and other	<b>\$ 26,486</b>	\$ 25,790
Settlement payments and cost recoveries	<b>801</b>	2,499
Payments to and on behalf of employees	<b>(21,012)</b>	(18,735)
Payments to suppliers for goods and services	<b>(8,698)</b>	(7,911)
Investment income	<b>2,557</b>	3,930
Administrative penalties	<b>274</b>	506
Cash from operating transactions	<b>408</b>	6,079
<b>Capital transactions</b>		
Cash used to acquire capital assets	<b>(8,720)</b>	(911)
Cash from lease inducement	<b>3,286</b>	–
Proceeds on disposal	<b>6</b>	–
Cash used in capital transactions	<b>(5,428)</b>	(911)
<b>Investing transactions</b>		
Decrease (increase) in restricted cash	<b>280</b>	(90)
Increase in portfolio investments	<b>(2,489)</b>	(3,863)
Transfer from portfolio investments	<b>5,000</b>	1,940
Cash received from (used in) investing transactions	<b>2,791</b>	(2,013)
<b>(Decrease) increase in cash</b>	<b>(2,229)</b>	3,155
<b>Opening cash</b>	<b>11,343</b>	8,188
<b>Closing cash</b>	<b>\$ 9,114</b>	\$ 11,343

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

# Notes to Financial Statements

March 31, 2011

(\$ Thousands)

## Note 1 Nature of Operations

The Alberta Securities Commission (ASC), a provincial corporation operating under the *Securities Act* (Alberta), is the regulatory agency responsible for administering the province's securities laws.

The ASC's investments are independently managed by the Alberta Investment Management Corporation (AIMCo). AIMCo is a provincial corporation responsible to the Minister of Finance and Enterprise. AIMCo invests the Commission's assets in pooled investment funds in accordance with the investment policy asset mix approved by the Commission. The ASC does not participate in capital market investment decisions or transactions.

The ASC, as an Alberta provincial corporation, is exempt from income tax.

## Note 2 Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards.

AIMCo manages and reports all ASC investments and cash balances using the accounting policies outlined in (a), (b) and (c).

### (a) Investments

Fixed income securities and equities are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Derivative contracts not designated as hedges are recorded at fair value.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

### (b) Investment income and expenses

Investment income and investment expense are recorded on the accrual basis. Investment income is accrued where there is reasonable assurance as to its measurement and collectibility.

Gains and losses arising as a result of disposal of investments are included in the determination of investment income.

Income and expense from derivative contracts designated as hedges are recognized in income on an accrual basis with gains and losses recognized in income to the extent realized.

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**(c) Valuation of investments**

Fair values of investments managed and held by AIMCo in pooled investment funds are determined as follows:

- (i) Public fixed income securities and equities are valued at the year-end closing sale price, or, if not actively traded, the average of the latest bid and ask prices quoted by an independent securities valuation company.
- (ii) Private fixed income securities are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- (iii) Derivative contracts include equity and bond index swaps, interest rate swaps, cross-currency interest rate swaps, credit default swaps, forward foreign exchange contracts and equity index futures contracts. The value of derivative contracts is included in the fair value of the ASC's investment in the Canadian Dollar Public Bond Pool and certain equity funds (Note 4). The fair value of derivative contracts is determined at the reporting date.

**(d) Valuation of financial assets and liabilities**

Because of their short-term nature, the fair value of cash, accounts receivable, restricted cash, accounts payable and accrued liabilities, accrued vacation and benefit liabilities, and a lease inducement are estimated to approximate their book values.

**(e) Capital assets**

Capital assets are recorded at cost.

Assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment and software	3 years
Furniture and equipment	10 years
Leaseholds	over 15-year lease term commencing December 2010

**(f) Fees, administrative penalties, settlement payments and cost recoveries recognition**

Fees are recognized when earned, which is upon cash receipt.

Administrative penalties, settlement payments and cost recoveries are recognized when the decision is issued or agreement reached.

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### **(g) Employee future benefits**

The ASC participates in the Public Service Pension Plan, a multi-employer defined benefit pension plan, with other government entities. This plan is accounted for as a defined contribution plan as the ASC has insufficient information to apply defined benefit plan accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for the service relating to prior years.

The ASC established a retirement plan for one employee at the time of transition to a provincial corporation. The employee is retired and the plan costs are fully provided for.

The ASC maintains a Supplemental Pension Plan for certain designated executives of the ASC. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of economic assumptions. Past service costs and actuarial losses arising from assumption changes are amortized on a straight-line basis over the average remaining service period of employees active at the date of commencement of the Supplemental Pension Plan. The average remaining service period of active employees of the Supplemental Pension Plan is five years.

The ASC also maintains a plan whereby it makes Registered Retirement Savings Plan contributions on behalf of certain employees of the ASC. The contributions are calculated based on a fixed percentage of the employee's salary to a maximum of the Registered Retirement Savings Plan contribution limit as specified in the *Income Tax Act* (Canada). The expense included in these financial statements represents the current contributions made on behalf of the employees.

### **(h) Lease inducement**

Cash payments received as lease inducements are deferred and amortized on a straight-line basis over the lease term.

### **(i) Accounting estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates include uncollectible amounts of accounts receivable for administrative penalties and related cost recoveries, the useful lives of capital assets, and the value of accrued employee benefit liabilities. Actual results could differ from those estimates.

Estimates of capital asset useful lives are outlined in Note 6.

Benefit liability estimates are primarily subject to actuarial assumptions summarized in Note 8.

The estimated provision for uncollectible administrative penalties and cost recoveries is based on an assessment of the ability to pay at the time of penalty assessment. Subsequent collection actions and changes in the ability to pay may result in recovery of amounts previously considered uncollectible. However, it is not possible to estimate what, if any, subsequent recoveries may occur.

### **(j) Restricted cash**

The *Securities Act* (Alberta) restricts the use of revenues the ASC receives from administrative penalties to certain operating expenditures that educate investors and enhance the knowledge of securities market operation.

### Note 3 Restricted Cash and Retained Earnings

Retained earnings include \$0 accumulated net penalty revenues (\$280 in F2010) because eligible expenditures exceeded accumulated penalty revenues. The F2010 amount was represented by restricted cash, as described in Note 2(j).

The change in restricted cash is comprised of:

	2011	2010
Administrative penalties	\$ 6,671	\$ 1,190
Less provision for uncollectible amounts	(6,670)	(1,075)
Plus recoveries of prior-year assessments	222	425
Net realizable value	223	540
Interest income and other	3	2
Administrative penalty revenue	226	542
Plus: Education seminar fees	34	17
Less: Eligible education expenses	(616)	(469)
Plus: Eligible expenses funded from operations	76	–
Restricted cash (decrease) increase	(280)	90
Restricted cash opening balance	280	190
Restricted cash closing balance	\$ –	\$ 280

## Note 4 Cash and Investments

### (a) Summary

	2011			2010		
	Cost	Fair Value	%	Cost	Fair Value	%
Cash						
Deposit in the CCITF	\$ 9,114	\$ 9,114		\$ 11,343	\$ 11,343	
Investments						
Deposit in the CCITF	\$ 75	\$ 75	0.2	\$ 74	\$ 74	0.2
Fixed-income securities	21,041	20,823	71.9	22,564	22,267	72.1
Equities	7,122	8,080	27.9	8,111	8,539	27.7
	<b>\$ 28,238</b>	<b>\$ 28,978</b>	<b>100.0</b>	\$ 30,749	\$ 30,880	100.0

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed by AIMCo with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The CCITF portfolio comprises high-quality short-term and mid-term fixed-income securities with a maximum term to maturity of three years. As at March 31, 2011, securities held by the CCITF have a time-weighted return of 1.1 per cent per annum (1.0 per cent in F2010).

The ASC's investments are held in pooled investment funds established and managed by AIMCo. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

Fixed income securities held at March 31, 2011 have maturities ranging from less than one year to over 20 years and an average duration of 5.76 years. The fixed income pool includes a mix of high-quality government and corporate (public and private) fixed income securities and debt-related derivatives. The fund is actively managed to minimize credit and market risk through the use of derivatives, portfolio duration and sector rotation.

Equity investments include publicly traded Canadian large cap and market index participant equities. The equity pools participate in derivative transactions to simulate index composition and minimize investment risk.

### (b) Investment risk management

Income and financial returns of the ASC are exposed to credit, market and interest rate risk.

AIMCo manages risk through diversification within each asset class, quality and duration constraints on fixed income instruments, and extensive use of derivative contracts. ASC's investments include derivatives as described in the annual MD&A.

In order to earn an optimal financial return at an acceptable level of risk, management has established an investment policy that is reviewed annually. Investment income risk is reduced through asset class allocation targets of 75 per cent fixed income securities and 25 per cent equities with a small value of residual cash.

## Note 5 Investment Income

The ASC's investment income included \$1,546 from interest-bearing securities (\$1,388 in F2010) and \$1,011 from equities (\$2,542 in F2010).

The ASC's investments increased in market value 10.6 per cent for the year ended March 31, 2011 (20.9 per cent in F2010). This performance compares to a benchmark (composite of DEX T-Bill, Bond and S&P/TSX indexes) gain of 9 per cent in F2011 and a benchmark gain of 13.9 per cent in F2010.

## Note 6 Capital Assets

	<b>Computer equipment and software</b>	<b>Furniture and equipment</b>	<b>Leaseholds</b>	<b>2011 Total</b>	2010 Total
Estimated useful life	<b>3 years</b>	<b>10 years</b>	<b>Lease Duration</b>		
Cost					
Beginning of year	<b>\$ 2,820</b>	<b>\$ 1,009</b>	<b>\$ 4,332</b>	<b>\$ 8,161</b>	\$ 7,912
Additions	<b>1,847</b>	<b>1,761</b>	<b>5,681</b>	<b>9,289</b>	916
Disposals	<b>(504)</b>	<b>(446)</b>	<b>(3,906)</b>	<b>(4,856)</b>	(667)
	<b>\$ 4,163</b>	<b>\$ 2,324</b>	<b>\$ 6,107</b>	<b>\$ 12,594</b>	\$ 8,161
Accumulated amortization					
Beginning of year	<b>\$ 2,065</b>	<b>\$ 652</b>	<b>\$ 3,416</b>	<b>\$ 6,133</b>	\$ 5,607
Amortization expense	<b>529</b>	<b>135</b>	<b>623</b>	<b>1,287</b>	1,193
Disposals	<b>(504)</b>	<b>(407)</b>	<b>(3,906)</b>	<b>(4,817)</b>	(667)
	<b>2,090</b>	<b>380</b>	<b>133</b>	<b>2,603</b>	6,133
Net book value	<b>\$ 2,073</b>	<b>\$ 1,944</b>	<b>\$ 5,974</b>	<b>\$ 9,991</b>	\$ 2,028

Leaseholds at March 31, 2011 are for a 15-year lease commencing December 1, 2010.

Leaseholds at March 31, 2010 included \$426 for the current lease and the remainder for a lease that terminated March 31, 2011.

Disposals are a result of the December 2010 office relocation.

Amortization of \$1,320 includes capital amortization of \$1,287, plus a loss on disposal of \$39 less proceeds on disposal of \$6.

## Note 7 Lease Inducement

Lease Term		2011	2010
15 years ending November 30, 2025	Current inducement	\$ 219	–
	Long-term inducement	\$ 2,994	–
8 years ending March 31, 2011	Current inducement	–	\$ 124

## Note 8 Accrued Benefit Liability and Pension Expense

The accrued benefit liability is comprised of:

	2011	2010
Retirement Plan	\$ 160	\$ 184
Supplemental Pension Plan	4,274	3,681
Less: current portion	(83)	(83)
	\$ 4,351	\$ 3,782

The following pension expense for the plans is included in the Statement of Operations and Retained Earnings under salaries and benefits.

	2011	2010
Public Service Pension Plan	\$ 749	\$ 550
Registered Retirement Savings Plan	489	446
Supplemental Pension Plan	653	551
	\$ 1,891	\$ 1,547

### (a) Public service pension plan

The ASC participates in the Public Service Pension Plan. At December 31, 2010, the Public Service Pension Plan reported a deficiency of \$2,067,151 and in 2009 a deficiency of \$1,729,196.

### (b) Registered retirement savings plan

The ASC makes contributions on behalf of employees who do not participate in the Public Service Pension Plan to employee Registered Retirement Savings Plans.

### (c) Retirement plan

The Retirement Plan is unfunded and the benefits will be paid to August 2017 (\$24 in F2011, \$24 in F2010) from the assets of the ASC.

#### (d) Supplemental pension plan

The ASC has a Supplemental Pension Plan for certain designated executives of the ASC. The provisions of the Plan were established pursuant to a written agreement with each designated executive.

The Supplemental Pension Plan provides pension benefits to the designated executives based on pensionable earnings that are defined by reference to base salary in excess of the limit (\$125 effective January 1, 2011 and \$122 effective January 1, 2010) imposed by the *Income Tax Act* (Canada) on registered pension arrangements.

Pension benefits from the Supplemental Pension Plan are payable on or after attainment of age 55 and are equal to 1.75 per cent of the highest average pensionable earnings (average over five years) for each year of service with the Commission. Members of the Supplemental Pension Plan become vested in the benefits of the plan after two years of service. Accrued benefits are also payable on early retirement (with reductions), death or termination of employment of the designated executive.

The Supplemental Pension Plan is unfunded and the benefits will be paid as they come due from the assets of the ASC.

Actuarial valuations of the Supplemental Pension Plan are undertaken every three years. At April 1, 2009, an independent actuary performed a Supplemental Pension Plan valuation. The next valuation is scheduled for April 1, 2012. The results of the actuarial valuation and management's cost estimates as they apply to the Supplemental Pension Plan are summarized below:

<b>Balance sheet at March 31</b>	<b>2011</b>	2010
Accrued benefit and unfunded obligation	\$ 4,253	\$ 3,676
Unamortized transitional obligation	(34)	(64)
Unamortized actuarial gain	55	69
Accrued benefit liability	\$ 4,274	\$ 3,681
<b>Accrued benefit obligation</b>		
Accrued benefit obligation at beginning of the year	\$ 3,676	\$ 3,192
Service cost	393	322
Interest cost	244	216
Benefits paid	(60)	(54)
Accrued benefit obligation at end of the year	\$ 4,253	\$ 3,676

<b>Pension expense</b>	<b>2011</b>	2010
The pension expense for the Supplemental Pension Plan is as follows:		
Service cost	\$ 393	\$ 322
Interest cost	244	216
Amortization of transitional obligation	30	29
Recognized actuarial gains during the year	(14)	(16)
	\$ 653	\$ 551

The assumptions used in the actuarial valuation of the Supplemental Pension Plan and three-year projections are summarized below. The discount rate was established in accordance with the yield on long-term corporate bonds and applies to both the accrued benefit obligation and benefit costs. Other economic assumptions were established as management's best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on a best estimate of the future experience of the plans.

	<b>2011</b>	2010
Discount rate, year-end obligation	6.2%	6.2%
Discount rate, net benefit cost prior year	5.4%	5.4%
Rate of inflation	2.5%	2.5%
Salary increases	4.0%	4.0%
Remaining service life	5 years	5 years

#### **Note 9 Fees, Settlement Payments and Cost Recoveries**

	<b>2011</b>	2010
Distribution of securities	\$ 10,954	\$ 11,658
Registrations	10,210	9,082
Annual financial statements	5,014	4,686
Orders (applications)	290	318
Total fees	\$ 26,468	\$ 25,744
Settlement payments and cost recoveries	\$ 1,278	\$ 2,219
Less provision for uncollectible amounts	(480)	(139)
Plus recoveries of prior-year assessments	3	419
Total settlement payments and cost recoveries	\$ 801	\$ 2,499

## Note 10 Commitments and Contingencies

Details of commitments to organizations outside the ASC and contingencies from legal actions are set out below. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

### (a) Commitments

**Premises lease and equipment rental** Commitments arising from contractual obligations are associated primarily with the lease of premises to March 31, 2025 and rental of office equipment to 2016 totalling \$59,428 (\$57,969 in F2010). A 15-year lease of premises commencing December 2010 was added in 2009. These commitments become expenses of the ASC when the terms of the contracts are met.

2011–12	\$	2,716
2012–13		2,786
2013–14		2,860
2014–15		2,940
2015–16		3,403
Thereafter		44,723
Total	\$	59,428

**Canadian Securities Administrators (CSA)** The ASC shares, based on an agreed-upon cost-sharing formula, the costs incurred for the maintenance of the CSA Secretariat and any third-party costs incurred in the development of harmonized rules, regulations and policies. The CSA Secretariat was established to assist in the development and harmonization of rules, regulations and policies across Canada.

**National systems operations agreements** CDS Inc. (CDS) operates the SEDAR (electronic filing and payment), NRD (national registration database) and SEDI (insider trading) systems on behalf of the CSA under various operating agreements. The ASC, as one of the agreement signatories, commits to pay CDS up to 11.7 per cent of any shortfall from approved system operating costs that exceed revenues. Alternatively, CDS must pay to CSA revenues in excess of system operating costs (surplus). The surplus is not divisible; the CSA owns it as a group. CDS payments received from accumulated system operating surpluses since inception and interest earned totalled \$64,880 at March 31, 2011 (\$49,135 in F2010). This amount is held in trust by the OSC. The principal CSA administrators, including the ASC, have agreed that surplus amounts can only be used to offset any shortfall in revenues, develop or enhance the systems and reduce fees charged to users. The CSA is remediating these systems and has committed approximately \$1,000 to commence this process, with expenditure to date of \$673.

### (b) Legal actions

The ASC is not currently involved as a defendant in any legal actions.

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**Note 11 Budget**

The ASC's budget was approved on January 13, 2010.

**Note 12 Related-Party Transactions**

The ASC is related through common ownership to all provincial government ministries, agencies, boards, commissions and crown corporations. The ASC conducted all transactions with these entities as though they were unrelated parties and recorded transaction costs of \$58 in administration expense (\$35 in F2010).

## Schedule of Salaries and Benefits – Schedule A

For the Year Ended March 31, 2011

(\$ Thousands)	2011				2010
	Base Salary <sup>(1)</sup>	Cash Benefits <sup>(2)</sup>	Non-Cash Benefits <sup>(3)</sup>	Total	Total
Chair, Securities Commission <sup>(4)</sup>	\$ 495	\$ 83	\$ 131	\$ 709	\$ 698
Executive Director	\$ 323	\$ 55	\$ 144	\$ 522	\$ 515
Vice-Chair, Securities Commission <sup>(4)</sup>	\$ 295	\$ 45	\$ 113	\$ 453	\$ 451
Vice-Chair, Securities Commission <sup>(4)</sup>	\$ 295	\$ 45	\$ 85	\$ 425	\$ 407
Independent Members <sup>(5)</sup>	\$ 532	–	–	\$ 532	\$ 561

(1) Base salary includes regular base pay and Independent Member compensation.

(2) Cash benefits include variable pay and Chair and Executive Director's automobile allowances.

(3) Employer's share of all employee benefits including current and prior service cost for the unfunded supplemental pension plan for designated executives as described in Note 8(d) of the financial statements and summarized in the accounting narrative.

(4) The Chair and Vice-Chairs are full-time Commission Members.

(5) The Independent Members compensation includes fees paid in dollars for governance responsibilities of \$294,000 (\$342,000 in F2010) and hearing and application panel participation of \$238,000 (\$219,000 in F2010). Independent Member fees include a \$10,000 annual retainer, \$2,500 for Committee memberships, \$5,000 for Committee chairing and \$5,000 for the Lead Independent Member position. Meeting attendance fees include \$1,000 per day for an ASC meeting and \$750 for a Committee meeting. Hearing fees are payable as to \$1,000 per hearing day and \$125 per hour of related preparation, review and decision writing.

## Supplemental Retirement Benefits

Under the terms of the Supplemental Pension Plan as described in Note 8(d) of the ASC financial statements, executive officers may receive supplemental retirement payments. Supplemental Pension Plan costs, as detailed below for the four most highly paid executives of the ASC, are not cash payments in the period, but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. The Supplemental Pension Plan provides future pension benefits to participants based on years of service and earnings as described in Note 8(d). The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected inflation and salary costs and the remaining service period for benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

(\$ Thousands)

	2011			2010
	Current Service Costs	Prior Service and Other Costs	Total	Total
Chair, Securities Commission	\$ 112	\$ (9)	\$ 103	\$ 92
Executive Director	\$ 93	\$ 22	\$ 115	\$ 114
Vice-Chair, Securities Commission	\$ 72	\$ 11	\$ 83	\$ 79
Vice-Chair, Securities Commission	\$ 54	\$ 5	\$ 59	\$ 56

The accrued obligation for each of the four highest paid executives under the Supplemental Pension Plan is outlined in the following table:

(\$ Thousands)

	Accrued Obligation April 1, 2010	Changes in Accrued Obligation	Accrued Obligation March 31, 2011
Chair, Securities Commission	\$ 397	\$ 82	\$ 479
Executive Director	\$ 683	\$ 49	\$ 732
Vice-Chair, Securities Commission	\$ 530	\$ 71	\$ 601
Vice-Chair, Securities Commission	\$ 256	\$ 54	\$ 310