



2020 Annual Report

Strength Through Change



STRENGTH THROUGH CHANGE

We continue to find it.

Dedicated and determined. Resilient and relentless. These words continue to describe us at Alberta Pensions Services Corporation (APS). The COVID-19 pandemic and other challenges we faced in 2020 demanded that we discover and develop even more strength. We take pride in holding ourselves accountable and continuing to meet or exceed service levels for our clients' members, pensioners and employers. We ensure they receive quality services because they—along with our people—are the reason we endure and succeed. In collaboration with our clients, we are setting the stage for a promising future.

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Mission, Vision & Values

Mission

Our purpose.

As a pension benefits administrator serving Albertans, we are knowledgeable, caring professionals committed to guiding the pension experience, delivering the highest standard of accurate, cost-effective service.

Vision

What we strive to achieve.

Relentlessly pursuing excellence in pension benefits administration, to serve those who serve Albertans.

Values

Drive us to do the right thing.

Service: We make every interaction count.

Quality: What we do, we do well.

Accountability: We take responsibility.

Who We Are

APS is dedicated to providing an exceptional pension experience to members, pensioners and employers. In collaboration with our clients and the Government of Alberta, we deliver services on behalf of seven public sector pension plans and two supplementary retirement plans:

- Local Authorities Pension Plan (LAPP)
- Public Service Pension Plan (PSPP)
- Management Employees Pension Plan (MEPP)
- Special Forces Pension Plan (SFPP)

- Public Service Management (Closed Membership) Pension Plan (PSM[CM]PP)
- Members of the Legislative Assembly Pension Plan (MLAPP)
- Supplementary Retirement Plan for Public Service Managers (SRP)
- Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMC[R]PP)
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (PJMC[U]PP)

What We Do

APS provides valuable pension benefits administration services to 506 participating employers across Alberta. We also provide trusted pension-related services to over 384,000 members and pensioners around the world, administering pension plan funds annually through receipts and disbursements in excess of six billion dollars. Some of our reliable pension services include:

- Contributions management
- Member, pensioner and employer information management
- Member, pensioner and employer communications
- Benefit calculations
- Disbursements to and from employers, members and other pension plans
- Policy development and implementation
- Communications design and delivery
- Compliance, regulatory and plan financial reporting



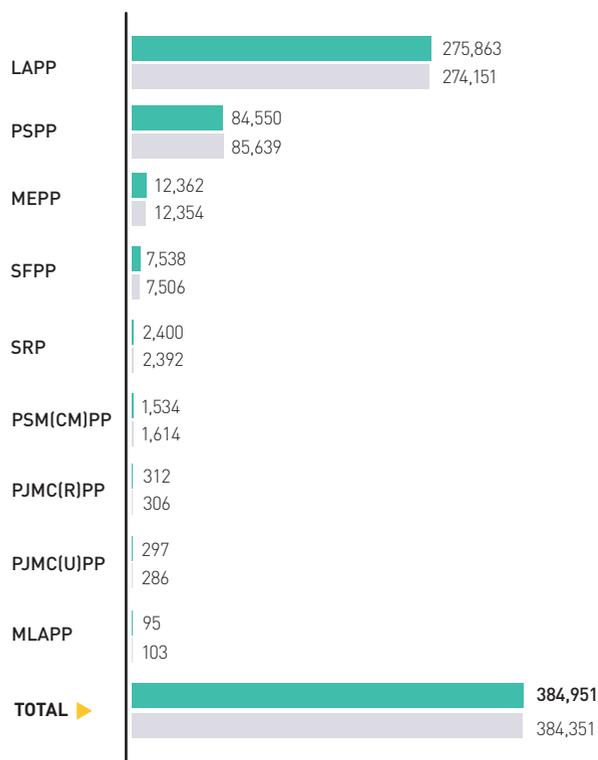
WHO WE SERVE

The number of our clients' members, pensioners and employers that we serve continues to grow. And so does the value of the funds we administer.



Members and Pensioners by Plan

▶ 2020 ▶ 2019



Number of pensioners:

116,856

2019: 111,558

Average pensionable service at retirement:

20.58

2019: 21.74

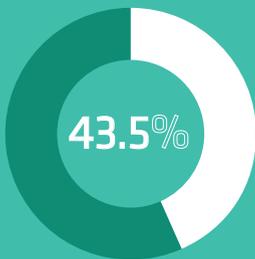
Number of pensioners 100 years or older:

65

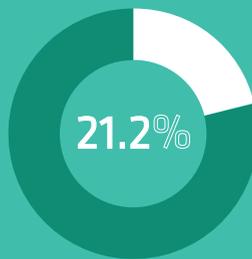
2019: 67

2020
Number
of Employers
506
2019: 494

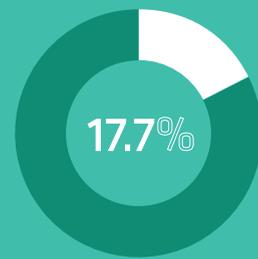
2020 Plan Members by Sector (All Plans)



▲
Health
2019: 40.5%



▲
Municipal
2019: 21.6%



▲
Education
2019: 19.2%



▲
Government
2019: 13.0%



▲
**Other Public
Agencies**
2019: 5.7%

MESSAGE FROM THE BOARD CHAIR

Colin P. MacDonald

2020 was a testament to the resiliency of a group of people dedicated to serving our clients' members, pensioners and employers. On behalf of the APS Board of Directors (Board of Directors), I want to thank the APS management and staff for all of their efforts this year. They persevered through extraordinary situations that had them working from basements and kitchen tables just to find private space to think. Many had children at home and online school to manage while still supporting members who had pandemic-related pressures of their own. Employees worked odd hours to make sure accurate, on-time pension payments happened. For all these extra efforts, the Board of Directors and I pass along our gratitude. This year of change made APS stronger.

The Board of Directors act as stewards to provide support and oversight to management to ensure our strategic plans and priorities are effective and aligned with our stakeholders and our risk appetite. The Board of Directors monitor APS' corporate performance through formal scorecards, financial monitoring and service level scores. The Board of Directors' overarching goal is to ensure APS is a top-tier service provider aligned with the clients' needs and expectations. I am pleased that APS had an exceptional year working collaboratively with our clients and their respective boards. I am also pleased to report that APS continues to be one of the most cost-effective pension administrators in its peer group, with one of the lowest overall costs per member in the industry.*

The Board of Directors had an extremely busy year while also transitioning to being completely online. Joint governance implementation remained a priority, and we revised a number of our governance policies and procedures. We continued the work of the Stakeholder Advisory Committee that was established in 2019. We also welcomed a new Board member, Meryl Whittaker, in January 2020.

The focus for 2021 will be to continue the innovative thinking about what post-pandemic life will mean to the APS workforce and to member and pensioner service. The Board of Directors want to see APS continue to find efficiencies and ways to offer self-service, and we will focus on this as we develop a new five-year strategic plan for the organization.

The Board of Directors and I go into 2021 inspired by what is possible because of the extraordinary efforts that were made in the last year by the APS team.



Colin P. MacDonald, Q.C., ICD.D
Chair, Board of Directors

*Based on the most recent CEM Benchmarking Inc. survey results.



“For all these extra efforts,
the Board of Directors and
I pass along our gratitude.
This year of change made
APS stronger.”



“...a testament to the
dedication and resilience
of Team APS.”



MESSAGE FROM THE CEO

Darwin Bozek

When 2020 began, we were focused on strengthening the foundation of our work—pension benefits administration services and the member experience. Our sights were set on working collaboratively with our clients and finding innovative ways to provide high-quality service in a cost-effective way.

Then the COVID-19 pandemic hit, and we braced ourselves for all the unknowns ahead.

When I look at all the achievements in 2020, the list is impressive. We met or exceeded our key performance indicators, met our corporate scorecard measures, collaborated with clients and launched new self-serve tools to support our clients' members and pensioners. We also implemented a major system upgrade that establishes a stronger foundation that we can now build on to improve the member experience.

Our accomplishments, especially during a pandemic where we transitioned to work from home, coupled with the pressures and stresses in our personal lives, were indeed remarkable. We did not miss a beat as we moved over 300 people to home-based workstations, modified our processes, learned new technologies and managed our service levels. Our successes in 2020 are a testament to the dedication and resilience of Team APS.

I am extremely proud of the collaboration with our clients, their members, employers and external stakeholders, which resulted in successfully completing many initiatives. A great example of a collaborative approach, and a successful project on which we can model future innovations, is the integration of the member portal into the plan websites. We established a shared vision for the member experience and collaborated with clients and internal teams to execute the project.

Moving into 2021, it is important to celebrate what we achieved in the last year and examine what went right so that we can replicate it in future projects. The pandemic is not over, and our work environment will continue to evolve to adjust to a new normal. In 2021, we will be agile and continue to be collaborative and open to change as we embark on creating our new five-year strategic plan. When we all commit to focusing on the common goal—improving the member experience—that is when the innovative solutions really come together. I look forward to working with Team APS to explore the opportunities and possibilities to better serve our clients' members in 2021.

Sincerely,



Darwin Bozek, FCPA, FCGA
President and Chief Executive Officer



MANAGEMENT'S DISCUSSION & ANALYSIS

2020

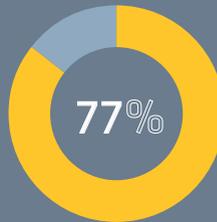
APS Operating Expenses - \$52.1M

Overview

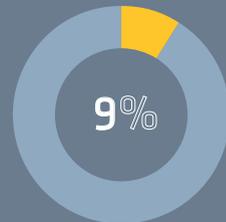
Management's Discussion and Analysis (MD&A) details the outcomes and financial condition of APS for the year ended December 31, 2020. These findings present APS through the eyes of management, who carefully assessed material trends and any ambiguities that affected the overall results.

As a service business operating on a cost-recovery basis, our top priority is delivering a high standard of service at a reasonable cost. By focusing on effective resource management, APS is able to remain vigilant in establishing measurable objectives that help us remain accountable to our shareholder and clients.

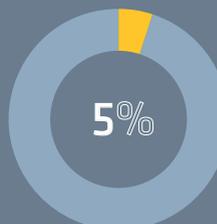
The MD&A contains prospective statements about anticipated future events and financial operations that may not be proven accurate and are subject to risks and uncertainties. Please review the MD&A in conjunction with the financial statements and accompanying notes. The accounting standards used in the preparation of APS' financial statements are the Canadian Public Sector Accounting Standards (PSAS), with all amounts presented in Canadian dollars.



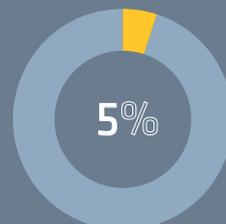
▲ Core Pension Benefits Administration Services*
\$40.2M



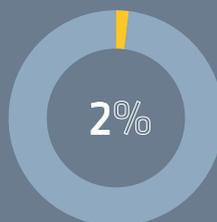
▲ Corporate Support (CEO, HR, Finance, Communications, Legal)
\$4.4M



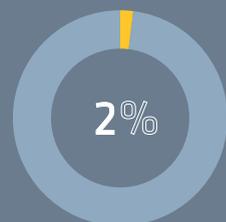
▲ Plan Specific and Corporate Services*
\$2.5M



▲ Building Related
\$2.5M



▲ Board Governance, Risk & Control
\$1.3M



▲ Joint Governance Project*
\$1.2M

*84% of operating expenses are directly related to providing pension benefits administration services to the members, pensioners and employers that we serve and to the clients that we support.

PENSIONS DURING A PANDEMIC

It would be an understatement to say 2020 was a challenging year. It would be more of an understatement to say that APS staff did well through these unprecedented times.

We faced the challenges introduced by the COVID-19 pandemic head-on. Many of us found strength we didn't know we had. Surmounting the challenges made us even stronger, more resilient. Employees persevered and lived APS' values—service, quality and accountability—to ensure our clients' members, pensioners and employers continued to receive quality services in a cost-effective way. Further, we collaborated with our clients collectively on key projects, setting the stage for a promising future.

The agility required for March's swift and seamless transition of staff to a work from home (WFH) environment—while continuing to meet or exceed our key performance indicators and corporate scorecard measures—was arguably APS' greatest success in 2020. We also implemented a major system upgrade that required a considerable amount of staff training and feedback. The upgrade sets a stronger foundation for enhancing the member experience.

We formed our Pandemic Response Committee when it became apparent COVID-19 restrictions were going to reshape the way we do business. The committee acted as a liaison between APS and the provincial government, keeping our organization informed, as well as our clients. This committee also developed safe work protocols and a Return to Building plan.

On some fronts, we were already primed for the move to a remote workspace. In 2019 and early 2020, the APS Workspace project implemented Office 365 and many related collaborative online tools, all of which moved the organization to a mobile, highly agile work environment. Of course, supporting staff to work safely, productively and confidently from home still required immense effort and dedication in the months that followed the move home.

Within a matter of days, the Service Desk team organized the physical moves of over 300 APS staff to home offices, including moving desktop and ergonomic equipment and procuring additional equipment and support where required. Technical support was suddenly complicated by adding hundreds of work locations, unprecedented service ticket volumes and entirely new support requirements.

APS' Business Resilience plans were put into motion, and the Infrastructure, IT Security, Pension Systems and Application Support teams all stepped up to help ensure APS continued to meet or exceed service levels. Within the first week of WFH operations, the "APS Work From Home" Microsoft Teams channel was created, and it proved an invaluable tool for staff to connect and communicate. All of this and more meant staff could confidently and securely work from the safety of their homes for as long as required.

Employee Support

Staff were experiencing and responding to the pandemic in different ways—some were struggling—and we anticipated it; focusing on health, wellness and resilience was paramount, and APS rose to that challenge, too. Employees were encouraged to use the supports available through staff benefit programs and, where there were gaps, APS sought to connect people with the right resources. Also, a group of employees joined together to develop and publish a guide of community-based resources. Through every stage of our response, APS employees' health and safety remained at the heart of our decisions.

In the Building

Access to the APS office building was limited in accordance with provincial guidelines; however, a small team of staff continued working within its walls. Essential operations included mail services, shipping and receiving, document scanning and certain accounting functions. Required staff protective measures included daily wellness checks, personal protective equipment, increased cleaning and clear measures to reduce exposure while working and moving within the building. Staff safety remained the highest priority for APS leadership.

The pandemic is not over, and we continue to examine new ways of working in the office and working from home. A lot is changing, but one thing will not change: APS will remain determined in our focus on high-quality member service delivered in a cost-effective way.





EMPLOYEE HEALTH, WELLNESS & RESILIENCE

Throughout an uncertain and challenging year, APS employees again proved that our organization's strength lies in our people.

In a demonstration of their resilience, and despite the challenges of 2020, our employees continued to display their commitment to providing outstanding pension services to our clients and their members, pensioners and employers.

Throughout the pandemic, employees transitioned to working from home and successfully met and exceeded service targets while demonstrating a commitment to their colleagues' health and well-being. Employees led initiatives such as our Values, People, Culture team and initiated programs that allowed employees to interact with each other while including elements of their new work reality. Other employees worked together to highlight mental health and wellness supports available to employees. At the same time, managers went out of their way to ensure the support of their team members.

At APS, we strive to nurture an environment where employees are comfortable bringing their whole selves—their best selves—to work. At the centre of engagement, our focus became active listening and continuous conversation with employees at the team and management levels. In our staff engagement feedback sessions, we talked with our staff about their greatest concerns; equipped with that information, we introduced several initiatives. APS also launched our Engagement Community of Practice, a team of like-minded employees from all levels of the organization committed to discussing and learning more about engagement, then applying their passion for engagement within their teams. We also introduced additional programs to support and foster a coaching culture, providing leaders with the skills to support the development of their staff, colleagues and peers.

APS is committed to the development, growth and well-being of our people. Engaged employees who feel great about what they do bring their best selves to work every day. And that ensures those we serve receive the best customer experience we have to offer.

I think APS has done a fantastic job providing us with different venues to allow everyone to stay in touch while working from home.



Philip So, Systems Analyst
30 years of service at APS

My family is most important to me. Both APS and my team were incredibly supportive during those first months as my wife and I juggled working full-time and being at-home teachers for my children. To this day, I still think back on it. There was a constant understanding and constant communication to ensure everything was going well.



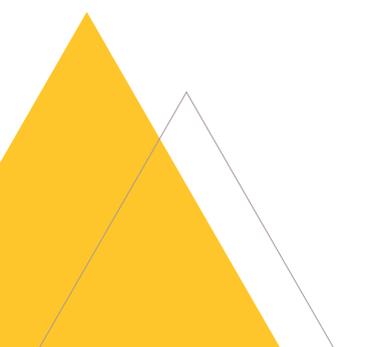
Jared Prins, Analytics and Data Science Specialist
Three years of service at APS

APS made sure everyone had the equipment they needed to do their jobs from home, from ergonomic chairs to desks and computer equipment, and the Facilities and Service Desk teams were available to help as needed. I regularly messaged with people I spent time with in the office to stay connected.



Shari McNeil, Senior Operations Representative
30 years of service at APS

THE MEMBER & PENSIONER EXPERIENCE



The conversation was cordial, the information exchange was clear, and during this difficult COVID time, it was great that individuals can still keep their sense of humour. Drawing a pension is a big decision as to the timing, as it has long-range impacts, so I was happy with the conversation and caring attitude.



Gail, LAPP pensioner, 58

I am very satisfied with the service. I did not wait for long, and they were very clear about the steps that I should do. The secure email is awesome. I do not have to send or receive the paperwork by mail. And this is great in the current COVID-19 situation, as it is better to do everything electronically.



Dalia, PSPP member, 41

Really helpful young lady. I appreciated her cheerful manner and expertise at a very difficult time. Good on you folks for keeping the lights on and being there to help!



Barbara, PSPP member, 56

I was in a state of panic (COVID-19, upcoming layoffs, and trying to figure out how to work from home will do that). The person who helped me on the phone talked me off the ceiling and was extremely helpful. A big thank you to the staff member who helped calm me down. And I really needed calming down!



Peggy, PSPP pensioner, 61

(The Member Services Representative) was incredibly helpful in terms of answering specific questions, generating a pension estimate and doing all of this under these stressful COVID-19 circumstances.



Scott, LAPP pensioner, 56

I want to thank you all for your perfect services, especially at this time of difficulties and the virus crisis. You were the ONLY people I got on the phone. Keep it up. Thank you. Stay Safe.



Horona, LAPP pensioner, 65



The Client Experience

With the pandemic causing shutdowns, APS implemented its plans to handle disruptions. We appreciate that SFPP pension payments remain uninterrupted and that SFPP services continued virtually and over the phone.



Huw Buchtman, Executive Director, Pension Policy and Communications, SFPP Corporation

2020 was a very challenging year, and APS was quick to adapt to working from home and use online tools to maintain services for our members.



Kathleen Rivest-Muir, Pension Policy Director, PSPP Corporation

With all the challenges LAPP members had to face in 2020 because of COVID-19, we are grateful they could still benefit from the responsive customer service provided by staff at APS, who had to quickly adjust to working from home.



Phil Rivard, Vice President, Pension Policy and Funding, LAPP Corporation



DETERMINED TO SERVE

APS strives to deliver a high standard of pension benefits administration services to over 384,000 members and pensioners along with over 500 employers. Over the last several years, we have made significant progress in improving the quality, responsiveness and range of our service offerings while effectively managing cost. APS' operating costs, membership numbers and transactional information are submitted annually to Cost Effectiveness Measurement (CEM) Benchmarking Inc.; this helps us understand our position in relation to cost-effectiveness and service levels with our peer organizations in Canada.

CEM Cost per Member

▶ APS

▶ Peer Average

Pensions Administration Cost:
The total pensions administrative cost is \$175 per active member and was \$46 below the peer average of \$221.

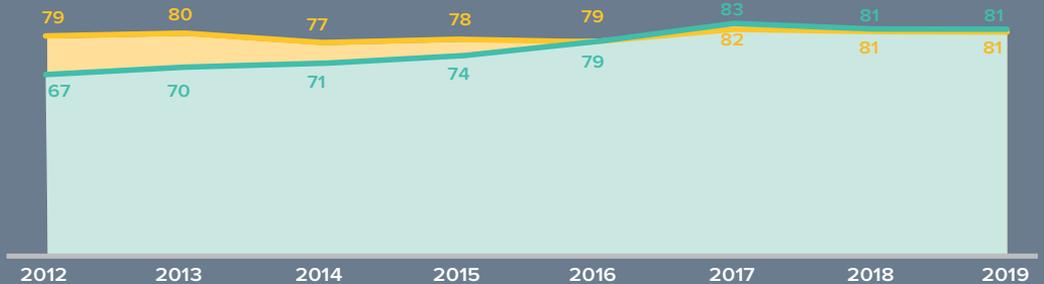


CEM Total Service Score

▶ APS

▶ Peer Median

Total Service Score:
The total service score is 81. This is equal to the peer median.



CEM Total Service Score

In 2019, we maintained our position as a low-cost, high-service provider of pension administration services when benchmarked against our peers.

**High-Service/
Low-Cost**

APS (81 / \$175)



High-Service/
High-Cost

Low-Service/
Low-Cost

Low-Service/
High-Cost

PENSIONS SERVICES HIGHLIGHTS

2020 was a challenging year, but we faced adversity head-on and became even better at what we do. We focused on the member, pensioner and employer experience, keeping in mind that our dedicated and determined team is a strong foundation for success.

We achieved significant service and operational successes while implementing pension plan-rule changes for our clients, aligning operations with *Employment Pension Plans Act* legislation as part of joint governance, and upgrading our pension administration systems. We accomplished all of this during the challenge of transitioning staff to working from home due to provincial COVID-19 restrictions.

Our regular surveys indicate that members and pensioners were very satisfied; we resolved more calls on the first interaction, and employers were extremely satisfied, too.

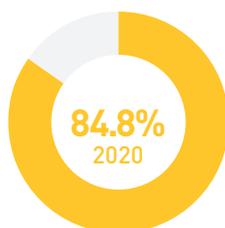
Year-over-year:

- We improved the speed at which we answer calls by 23.0%.
- We reduced the number of callers that left while on hold (call abandon rate) by 17.2%.
- We improved satisfaction with employer representatives by 8.5%.
- We increased overall member and pensioner satisfaction (Voice of the Customer) by 2.2%.

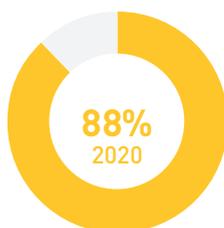
To accomplish this and more:

- We focused on collaboration and training new skills so our teams could pivot quickly and offer critical support during peak call volumes.
- We embraced our online collaboration tools by optimizing staff online-chat functionality. This was crucial to enhance daily support for staff while we worked from home. We are building great habits we can continue to use in a post-pandemic world.
- We improved Employer Portal processes and enhanced employer support to close year-end files two months earlier than the year before.
- Online services were enhanced to make it easier for members going through various life events. And we began accepting electronic signatures and rolling out new online pension tools, including an online pension-service buyback solution.

We're building off these successes and our commitment to our corporate values—service, quality and accountability—to become even better. Among other things, we are working with our clients in finding more ways to innovate and automate, plotting a self-serve roadmap, integrating digital channels and continuing to expand our team's expertise and collaboration. Together, we're stronger than ever.



Member and Pensioner Satisfaction
2020 target: 82%
2019 actual: 83%



First Call Resolution
2020 target: 80%
2019 actual: 87%



Employer Engagement
2020 target: 80%
2019 actual: 78%

Member Services Centre

Tier 1 Calls – Answered within 135 seconds
(Retirements and Death calls)

Tier 2 Calls – Answered within 180 seconds (all other calls)

Target	2020	2019
80%	87.8%	84.9%
70%	76.5%	74.5%

Client Operations

Retirement Calculations
(Estimates – 7 days, Options – 14 days, Finalizations – 30 days)

Termination Calculations
(Estimates – 30 days, Options – 30 days, Finalizations – 30 days)

Buyback Calculations (Quotes – 30 days, Elections – 30 days)

Death Calculations
(Estimates – 7 days, Options – 14 days, Finalizations – 30 days)

Payout Calculation Accuracy (based on sample auditing)

Target	2020	2019
95%	95%	95.6%
90%	98%	99.1%
95%	99.5%	91.9%
95%	98.6%	98.5%
99%	99.5%	99.5%



10,000

more member statements
sent year-over-year

5,300+

pensions revaluations processed

12.6%

more retirees started pensions
year-over-year

Funds Administered

2020

\$6.6B

384,951 members and pensioners

2014

\$5.6B

342,410 members and pensioners

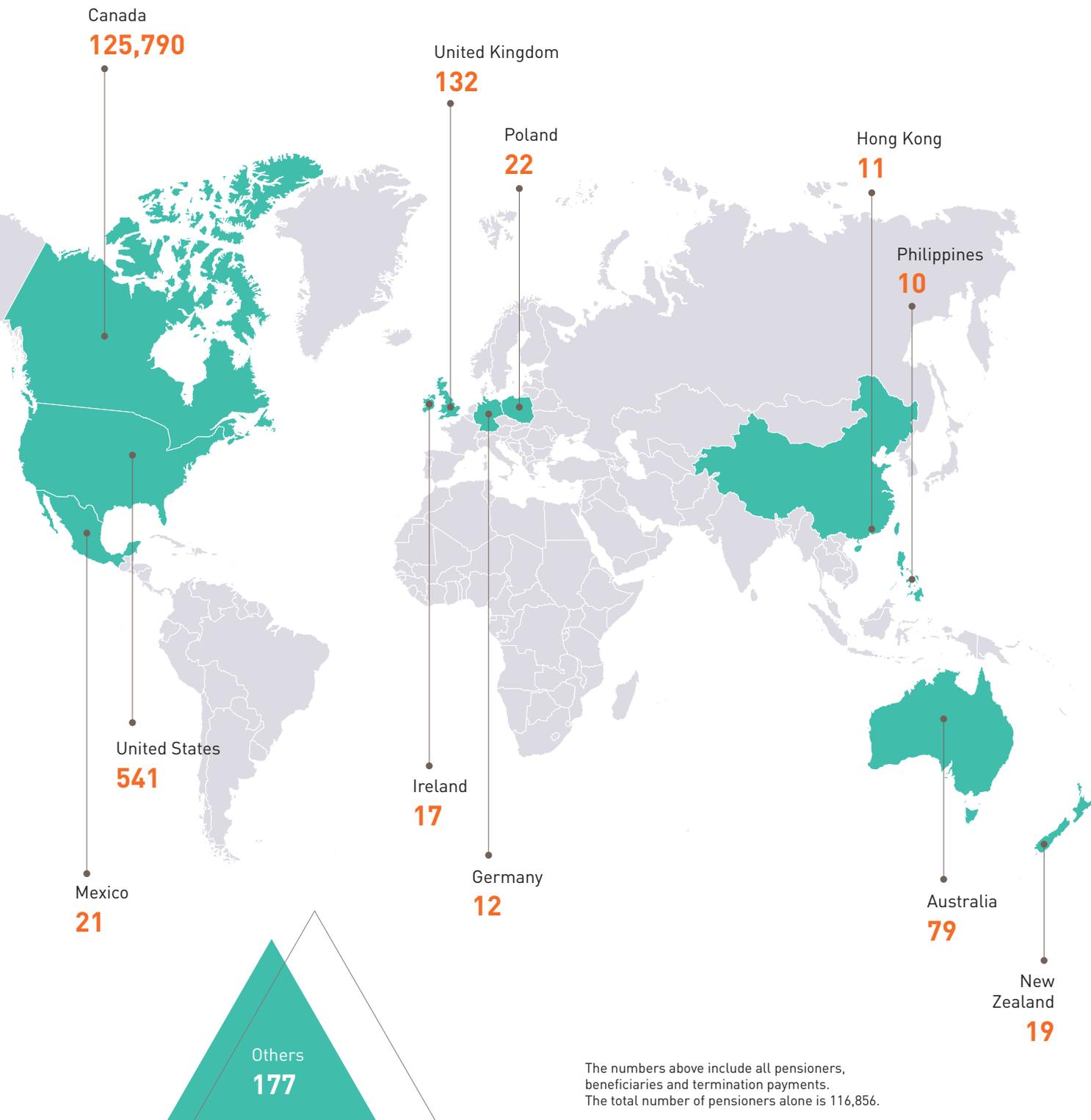
2010

\$3.7B

304,514 members and pensioners

In 2020, APS was responsible for administering over \$6.6 billion of funds across the nine pension plans we serve. This amount includes receipts and disbursements to and from employers, members and other pension plans.

**PAYEES
AROUND
THE WORLD
126,831**





APS IS EVOLVING

From service agreements to cost modelling and enhanced technology, our relationships with our clients continue to evolve. We focused much of 2020 on setting the foundation for the future of our pensions services.

Pension Services Agreements

As required by provincial legislation, we began renegotiating the terms of the existing Pension Services Agreements (PSAs) with LAPP Corporation, PSPP Corporation and SFPP Corporation in a client-focused, collaborative process. This includes a long-term planning process—also involving our clients—with an eye to the service delivery of the future.

Business Plan

We collaborated with our clients and were transparent during the development of our 2021 business plan. This helped us understand our clients' needs and the needs of their members, pensioners and employers. We aligned our strategic priorities with our clients' strategic priorities when prioritizing initiatives and projects. All this while considering external factors such as budget constraints and legislation.

The business plan is the foundation of our drive towards operational excellence through three key themes:

1. **Reliability** of core pension administration services
2. **Innovation** to improve our services
3. **People and Culture** initiatives to foster a culture of service

Cost Recovery Methodology

The APS Board approved a significantly revamped cost recovery methodology in 2020; now, costs are linked closely with the relative amount of resources a plan consumes, not the plan's size relative to the other plans. This ensures that costs are fairly and equitably recovered from our clients while striking a reasonable balance between cost accuracy and the effort to calculate them. As a result, our clients can better understand how to control their share of costs. Setting this methodology was a collaborative process involving clients and APS staff of all levels, and it was informed by an independent external consultant.

Pension Benefits Administration System

A significant system upgrade was a challenge in 2020. The upgrade ensures our systems and core system components remain up to date. This upgrade introduced an administrator portal that streamlined many of our regular workflows and processes while increasing efficiency. The upgrade required a considerable amount of staff training and feedback.

Client Relations and Communications

Client Relations launched a client report repository, centralizing and simplifying how and where clients access documents. We also finalized the implementation of information sessions for APS staff, which focused on a client-centred philosophy. The Communications team supported APS' core client and internal work and enhanced the focus on the member experience. The team began streamlining and enhancing some reporting processes, finding efficiencies in compiling and producing the documents.

Analytics

In 2020, our Analytics Centre of Excellence (ACE) made secure information available to our clients by beginning to provide reporting and analytics on a self-serve basis. These tools and capabilities continue to evolve; however, the foundation has been set for APS staff and clients to harness the power of information.

Education

The Education team adapted in-class training for delivery on virtual platforms. This allowed us to be more agile in the future as we develop our workforce. The training was segmented into a combination of self-directed learning, instructor-led sessions and targeted assistance.

We introduced a new booking tool and moved all member one-on-one sessions to virtual platforms; this allowed members wider access to one-on-one sessions without travelling. And it's proven essential during COVID-19 restrictions.

COMMUNITY INVOLVEMENT

APS Employees Give Something Back

2020 was a challenging year, but APS employees still managed to give back to their community through donations and volunteer efforts. Some of these included:

I volunteer for an organization in Beaumont called Citizens on Patrol. We typically patrol the city on weekends in vehicles to see if there is any type of crime going on. This year, because of COVID-19 and not being allowed in a vehicle with another member, some of us did socially distanced walking patrols instead.



Cam Wolfe, Manager in the Member Services Centre

As a family, we did a drive-thru donation in October 2020 to support Boyle Street Community Services. It was really neat. They had various tents set up with prizes and swag, and there were even mascots. The kids really enjoyed it, and it felt great being able to contribute and keep safe.



Janessa Ferry, Employer Services Operations Coordinator

I continue to volunteer for Edmonton Community Legal Centre bi-monthly as the services have continued virtually since March.



Anonymous

My certified therapy dog, Gambler, and I volunteered twice a week at the Edmonton International Airport and the University of Alberta Hospital until March 13, 2020, when COVID stopped all pet therapy volunteer activity. We also visited students doing their master's programs at the university during their exam week in February; therapy dogs are great stress busters. I am looking forward to when pet therapy starts up again!



Deborah Schmidt, Member Services Representative

I sponsor a World Vision child, and I donate to Tree Canada monthly because I buy too much stuff from Amazon, and maybe the trees they plant help offset some of the environmental impacts of all that shipping.



Anonymous

Canadian Blood Services

COVID-19 restrictions didn't keep APS employees from giving blood in 2020 when donations were all the more important because of challenges related to the pandemic. Our tally of 92 units donated almost tripled our goal of 33 units, and it fell only four units short of our total the year before. Each donation can save as many as three lives, so approximately 276 lives were forever changed. Since joining Canadian Blood Services' Partner for Life program in the fall of 2014, APS has proudly helped change the lives of more than 900 people.

We are immensely grateful to the donors who helped meet the patient need for blood products during a pandemic. Congratulations, and we look forward to working with you in 2021. Together, we are Canada's lifeline.



Jennifer Gretzan-Melnichuk, Canadian Blood Services' associate director of donor relations



JOINT GOVERNANCE MATURES

Legislated changes to pension plan governance saw three of our clients transition to a joint governance structure in 2019. In 2020, we collaborated with clients to renegotiate PSAs and support plan-rule changes.

Pension Services Agreements

As per the amendments made by Bill 22: *Reform of Agencies, Boards and Commissions and Government Enterprises, 2019*, APS was required to renegotiate the terms of the existing PSAs with LAPP Corporation, PSPP Corporation and SFPP Corporation with a deadline of December 31, 2020. The negotiation process commenced in mid-2020 and continued for the remainder of the year. The negotiations are focused on developing a more collective, collaborative relationship, including a long-term planning process on how services will be delivered into the future. As the negotiations had not concluded by the end of the year, the existing PSAs were extended to June 30, 2021, to allow for negotiations to continue. It is expected that amended and restated PSAs will be in place prior to June 30, 2021.

Plan Text Changes

Under Bill 27: *Joint Governance of Public Sector Pension Plans Act*, the joint governance framework that was implemented in 2019, the Sponsor Boards of LAPP, PSPP and SFPP are responsible for making decisions on plan design, which includes making and amending plan rules. Several plan-rule changes were implemented in 2020, with more changes planned for 2021. In addition to the plan-rule changes initiated by the Sponsor Boards of those plans, LAPP, PSPP, SFPP and MEPP were also required to adopt changes legislated by the Government of Alberta. APS staff worked diligently to prepare for and support the implementation of changes initiated by the clients and the Government of Alberta. These changes required adjustments to our administration system, updating training material and communicating the changes to our staff.



INNOVATION MINDSET

APS continued its exciting innovation journey in 2020. The focus in this second year was on building an understanding of innovation as a driver not only of efficiency and effectiveness but also—importantly— of engagement. Adopting an innovation mindset allows employees to make substantive contributions and understand their valuable impact on the organization and all stakeholders, especially members and pensioners. Innovation begins by understanding where we are now, so the Innovation Working Group (IWG) carried out several activities in 2020 geared toward understanding the current mindset and perspective of the organization regarding innovation. Chief among these efforts were the Design Thinking workshops, which involved managers and senior leaders. They set about identifying those opportunities already existing within their business areas to implement incremental shifts that yield great returns, and how to use impactful storytelling, journey mapping, and other tools to bring about those results.

Organizations maturing toward an innovation mindset start with business improvements and optimization. So the second focus of the IWG in 2020 was in supporting and shepherding those efforts that were already underway at APS.

The innovation journey at APS is ultimately about improving the member experience through improvements in efficiency and effectiveness. A key building block to achieving this is first improving the employee experience—removing roadblocks, inviting and encouraging curiosity, creativity and conversation. Therefore, most of the accomplishments listed in the Top 5 Enhanced Member and Pensioner Experience Initiatives also focus on the employee. Today we measure the success of innovation at APS separately, but as we continue to adopt an innovation mindset, those results will be seen everywhere we measure success throughout the organization.

Top 5 Enhanced Member and Pensioner Experience Initiatives

- 1 Decreased longest call-wait time and high abandonment rate
- 2 Enhanced retirement application process
- 3 Enhanced Your Pension Profile secure messaging and automatic reminders
- 4 Implemented Pension Payment Management System—created seamless pension payments to pensioners
- 5 Commissioned documents—balanced legislative requirements while addressing challenges created by the pandemic

INFORMATION & INSIGHTS

2020 was a formative year for data, analytics and information management at APS. In the old world, a client in need of information would request a specific report from the Analytics Centre of Excellence (ACE) team, and that report would be a blend of data, information and foregone conclusions. In 2020, ACE made information available to our clients, on a secure channel, by providing self-serve reporting and analytic capabilities. Internally, we established the Data Governance Council, acknowledging that everyone, at every level, plays an important role in the lifecycle and stewardship of data. Meanwhile, the ACE team continues to evolve our tools and capabilities to ensure that all data is consistent, adheres to policies and privacy considerations, has integrity, and can be trusted.

In 2021 the focus will be on increasing the amount of data available and continuing to roll out both the Data Management and Information Management programs to support the maturation of information and analytics at APS.

All of this means that, to a limited extent now and broadly in the future, APS staff and clients will be able to engage and interact with the information themselves, investigating, drawing insights, making fact-based decisions, answering truly impactful and transformative questions. As these programs mature, we are moving information, analytics, machine learning and artificial intelligence at APS from the static to the dynamic, and that dynamism facilitates fact-based decision making and meaningful transformation.





CYBERSECURITY EVOLUTION

This year APS built on the foundations established in 2019 and continued to fortify cybersecurity, enjoying many successes along the way. We leveraged enterprise tools and managed services to achieve exponential improvements and enhancements to threat and vulnerability management, and we will continue to strengthen these protections by adopting new features as they mature. The organization achieved a new level of protection against ever-growing threats such as phishing emails and ransomware.

APS employs regular third-party security testing of our systems and web applications to ensure and verify the security and stability of our systems and the information of our clients' members, pensioners and employers. In 2020 we also

extended the security education and awareness program with the rollout of additional training modules. This service now includes not only APS staff but some clients; in 2021, we are looking at opportunities to further extend this as a service to more clients. Security awareness supports APS staff, Board members and clients to work safely from any location while also safely and reliably delivering services to members, pensioners and employers. This support was crucial as APS moved to a work-from-home environment due to COVID-19 restrictions.

A robust cybersecurity stance helps to ensure the stability and reliability of all IT services, including business-critical pension administration systems.

RISK MANAGEMENT & COMPLIANCE

2020 proved to be a challenging year in an ever-changing environment, and throughout the difficulties introduced by COVID-19, APS' commitment to identifying, assessing and managing corporate risks did not waiver. APS uses a risk-based strategy to prioritize resource allocation to ensure compliance, manage risks and support achievement of objectives.

Throughout the year, APS continued to monitor and assess its key corporate risk profile to ensure it reflected the organization's ever-changing risk landscape and that we have appropriate mitigation strategies to respond to significant changes to risk levels. Our comprehensive risk-assessment process included conducting semi-annual risk management workshops and quarterly reviews of both the current environment and emerging risks. The assessment results were supported by established key risk indicators and performance metrics, which allowed us to make informed decisions for our business.

In 2021, APS will proactively adapt to changes in our environment. We will manage through challenges and uncertainties to continue to deliver on our mandate to provide quality, cost-effective pension services.

Compliance

Our compliance management program supports the overall risk management strategy. APS is committed to preserving its reputation and integrity through compliance with applicable laws, regulations and other corporate obligations.

The program provides a structured approach to managing compliance risk. As our pension and workplace landscapes changed through 2020, APS did not compromise its high standards of compliance management. We focused on key compliance management activities to ensure we continue to be compliant with our obligations and mitigate our compliance risk.





LOOKING AHEAD

It is exciting to look forward to our plans and goals for 2021 and beyond. The pandemic is not over. As we work towards the new normal, we will continue to embrace change and remain agile and determined in our focus on high-quality member service delivered in a cost-effective way. Even though Team APS and our clients have experienced considerable change and challenge over the last few years, our relationships, processes and the foundation it all rests on are stronger for it.

The process of developing the 2021 business plan is an excellent example of how we will navigate change through collaboration and dedication. We focused on working closely with our clients to understand their needs and goals, and then we carefully considered how to support them. We have collaborated with clients to focus on the member experience—we are aligned with our clients and aligned with our key themes: reliability, innovation, and people and culture. This work will continue, and these themes will carry us through the challenges ahead.

We are accountable to clients and their members, pensioners and employers for reliable pension services. We will continue to work with our clients to deliver these critical core services efficiently and effectively.

We will continue to innovate new solutions that make our services more efficient and effective.

We will foster an environment where collaboration and service come naturally because our people are inspired, empowered and values-driven—our people make reliability and innovation happen.

We are nearing the end of our five-year strategic-plan cycle, and we will reflect our commitment to collaborate with our clients in the development of a new five-year plan. We will work alongside our clients to create a plan which aligns our strategic objectives with theirs. The new five-year strategic plan will serve as our guide to achieving our common goal—improving the member experience—no matter what challenges lie ahead.

Corporate Governance

As a corporation under Alberta's *Business Corporations Act*, APS is governed by a Board of Directors. The Directors are appointed by the Government of Alberta as sole shareholder, in accordance with a Unanimous Shareholder Agreement (the USA) made by the sole shareholder. The Board of Directors is responsible for managing and overseeing the business of the corporation, subject to certain restrictions set out in the USA. The Board delegates operating authority to the CEO and other officers of APS.

In 2020, APS reviewed and updated various aspects of its corporate governance, including its bylaws and delegation structures, and including establishing a new Board Charter. In addition,

an updated Mandate and Roles Document was made effective March 27, 2020, by the Chair of the Board and the President of Treasury Board and Minister of Finance. Both the Board Charter and the new Mandate and Roles Document are posted on the APS website.

Directors

In accordance with the USA, the Board of Directors consists of seven members appointed by the shareholder. In 2020, the Board of Directors met ten times, including five full meetings and five special meetings.

NAME	TERM OF SERVICE¹	BOARD / COMMITTEE MEMBERSHIP²
Colin P. MacDonald	June 2017 – present	<ul style="list-style-type: none"> • Board Chair • Governance Committee Vice-Chair
Bonnie Andriachuk*†	June 2017 – present January 2013 – April 2016	<ul style="list-style-type: none"> • Board Vice-Chair • Governance Committee Chair
Ward Chapin	January 2013 – present	<ul style="list-style-type: none"> • Technology and Innovation Committee Chair
Brenda McInnes	August 2018 – present	<ul style="list-style-type: none"> • Human Resources Committee Chair • Technology and Innovation Committee Vice-Chair
Claudia Roszell*	June 2017 – present	<ul style="list-style-type: none"> • Audit Committee Vice-Chair
Roger Rosychuk*	February 2013 – present	<ul style="list-style-type: none"> • Audit Committee Chair
Meryl Whittaker	January 2020 – present	<ul style="list-style-type: none"> • Human Resources Committee Vice-Chair

¹Directors are appointed by the shareholder normally for a 3-year term with a maximum service of ten years from the date of the first appointment.

²Each Director is a member of all standing Board Committees. Committees normally meet immediately in advance of the Board meeting and report thereafter to the Board.

*Reappointed in 2020, to a maximum term length of ten years.

† Bonnie Andriachuk resigned from the Board in March 2021 and began employment at APS as the General Counsel and Corporate Secretary.

Committees of the Board

In 2020, the Board had four standing committees:

- Audit Committee
- Governance Committee
- Human Resources Committee
- Technology and Innovation Committee

In 2020, the Technology and Innovation Committee met three times, the Audit Committee met four times, and the Governance Committee and Human Resources Committee met five times. Attendance for Board and Committee meetings was 100%.

Stakeholder Advisory Committee

In accordance with the USA, the Board of Directors has established a Stakeholder Advisory Committee (the SAC) as an adjunct to but not a committee of the APS Board of Directors. The APS Board Chair is the Chair of the SAC. Meetings are attended by the APS CEO and by representatives of each of LAPP Corporation, PSPP Corporation, SFPP Corporation, the Management Employees Pension Board, and Alberta Treasury Board and Finance. The SAC met twice in 2020.

Board Compensation

Per the USA, Directors' compensation is set by resolution of the shareholder. In 2020, compensation (rounded to the nearest thousand) paid to the Board Chair was \$38,000 (2019 - \$48,000), and aggregate compensation paid to the other directors totalled \$118,000 (2019 - \$147,000). In addition, Directors' expenses are eligible for reimbursement in accordance with APS' corporate policy and posted on the APS website.

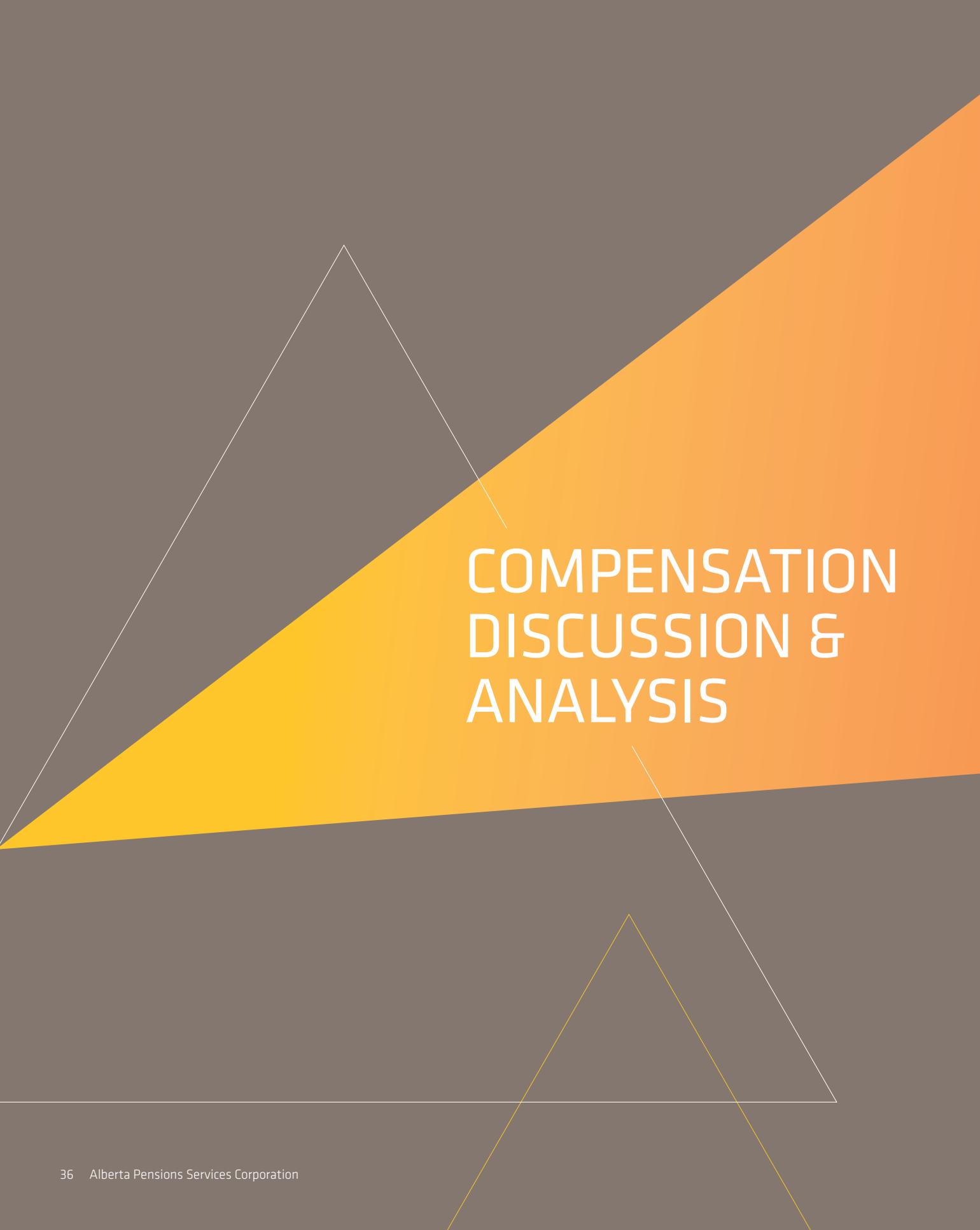
Governance Framework

APS has a comprehensive governance and compliance framework in place, including a Board Code of Conduct; additional documentation is available at apsc.ca under "About APS."

Top Row: (left to right)
Ward Chapin
Meryl Whittaker
Brenda McInnes
Roger Rosychuk

Bottom Row (left to right):
Claudia Roszell
Colin P. MacDonald
Bonnie Andriachuk



The background features a diagonal gradient from dark grey at the top to bright orange at the bottom. A large white triangle is positioned on the left side, and a smaller white triangle is at the bottom. The text is centered in the orange area.

COMPENSATION DISCUSSION & ANALYSIS

Our People

APS acknowledges the value of attracting and retaining a qualified workforce and strives to reward employees equitably. We base our compensation design and practices on four key principles:

Internal Consistency

Compensation at APS is based upon each employee's expected contribution to the overall achievement of our business objectives, and it is determined by a job evaluation system that is fair, valid and logical.

Market Competitiveness

APS aligns its market strategy with the private and public sectors, with a weighting of 50 per cent between each market.

Goal Achievement

Through its performance management program, APS endeavours to create an environment that fosters and rewards. We remain committed to achieving excellence, engaging in collaborative and respectful relationships with employees, employers and other stakeholders, and maintaining the highest ethical standards.

Simplicity

APS promotes and rewards desired behaviours and results by designing, implementing and communicating compensation policies and practices that are aligned, consistent and understandable.

Human Resources Committee

The Board's Human Resources Committee (HRC) ensures all human resources policies and practices support the achievement of APS' corporate objectives. The HRC performs its responsibilities to empower the Board to fulfill its overseeing responsibilities for:

- HR strategies that align to APS' strategic plan, business plan and values-based culture
- Compensation and benefits, employment conditions and related risks, and workforce capacity
- Counsel for the appointment, compensation and performance evaluation of the President and CEO
- Succession planning related to the President and CEO and Executive positions

Collective Bargaining

In November of 2018, APS and the Alberta Union of Provincial Employees sanctioned a three-year collective agreement that included no increases to the in-scope salary scales in 2018 and 2019 and a wage re-opener in 2020. As a result, in-scope employees will receive lump-sum payments of three per cent for 2019 and two per cent for 2020, as part of the agreement, in recognition of the removal of the organization's variable pay program.

Salary Restraint

The Salary Restraint Regulation was announced on April 1, 2018, which prohibits base pay increases for exempt and management employees. With the ongoing salary restraint, APS is experiencing pressure on its recruitment and retention strategies as it draws from and competes for talent in the private and public sector market.



Executive Compensation

The HRC provides direction to the compensation structure for the President and CEO and APS Executives*, and performs the following duties on an annual basis:

- Reviews the compensation structure for the President and CEO within the framework of the *Reform of Agencies, Boards and Commissions Compensation Act*
- Evaluates the performance of the President and CEO against set objectives
- Provides compensation recommendations for the President and CEO to the Board

APS Executives participate in MEPP and SRP. Combined, these plans provide pension benefits equal to two per cent of each Executive's best five-year average pensionable salary for each year of service. The pension provided by MEPP is limited to base salary up to the maximum pensionable salary limit permitted under the federal *Income Tax Act* (ITA). The SRP provides a pension in respect of the base salary in excess of the maximum pensionable salary limit under the ITA.

*APS President and CEO and APS Executives are subject to Alberta's Salary Restraint Regulation.

Summary Compensation Table

The table below provides complete disclosure of salary, other cash benefits and other non-cash benefits paid during the years ended December 31, 2020, and 2019 to the President and Chief Executive Officer and Vice Presidents.

Position	Base Salary ¹	Other Cash Benefits ²	Other Non Cash Benefits ³	2020 Total	2019 Total
President and Chief Executive Officer	\$ 260	\$ 27	\$ 61	\$ 348	\$ 348
Vice President, Pensions Services	225	25	52	302	295
Vice President, Finance and Chief Financial Officer	210	14	48	272	317
Vice President, Information Services and Technology	200	8	51	259	263
Vice President, Human Resources and Organizational Development	195	14	43	252	289

1. Base salary includes regular base pay.

2. Other cash benefits include automobile allowance, vacation payouts, personal leave payouts and variable pay, as applicable. In 2020, personal leave for two years, 2019 and 2020, was paid out. There was no variable pay in 2020. Variable pay was discontinued in December 2018 and was last paid in 2019, as shown in the 2019 comparatives.

3. Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees. This includes pension, health care, dental coverage, group life insurance, short and long-term disability plans, WCB premiums, professional memberships, education expenses and parking.



FINANCIAL
STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2020 Annual Report are the responsibility of Alberta Pensions Services Corporation (APS) and have been approved by management and the APS Board of Directors (Board).

The financial statements have been prepared in conformity with Canadian Public Sector Accounting Standards and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2020 Annual Report that relates to the operations and financial position of APS is consistent with that in the financial statements.

To discharge its responsibility for the integrity and objectivity of financial reporting, APS maintains a system of internal accounting controls comprised of written policies, standards and procedures, and a formal authorization structure. These systems are designed to provide management with reasonable assurance that transactions are properly authorized, that reliable financial records are maintained and that assets are adequately accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. As part of this responsibility, the committee reviews the financial statements, the Management's Discussion and Analysis, and the Compensation Discussion and Analysis in the Annual Report, and once satisfied, recommends them to the Board for approval. The committee also meets with management and the external auditor to discuss internal controls, auditing matters and financial reporting issues.

The Auditor General of Alberta, APS' external auditor, provides an independent audit opinion on the financial statements.



Darwin Bozek, FCPA, FCGA

Darwin Bozek, FCPA, FCGA
President and Chief Executive Officer



Doug Woloshyn, CPA, CA

Doug Woloshyn, CPA, CA
Vice President, Finance and Chief
Financial Officer

Independent Auditor's Report

To the Shareholder of Alberta Pensions Services Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Pensions Services Corporation, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Pensions Services Corporation as at December 31, 2020, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Alberta Pensions Services Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Alberta Pensions Services Corporation 2020 Annual Report*, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Alberta Pensions Services Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Pensions Services Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Alberta Pensions Services Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Alberta Pensions Services Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Alberta Pensions Services Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

April 21, 2021
Edmonton, Alberta

STATEMENT OF OPERATIONS

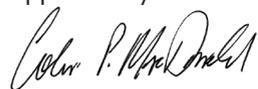
Year ended December 31, 2020

(in thousands)

Expenses	2020		2019	
	Budget	Actual	Actual	
Salaries and benefits	\$ 34,252	\$ 31,158	\$ 35,031	
Contract services	2,389	2,505	3,424	
Software licensing and support	5,862	5,248	6,087	
Office related expenses	4,472	3,845	5,308	
Amortization (Note 8)	5,541	5,544	5,652	
Total before other services	52,516	48,300	55,502	
Plan specific and corporate services (Note 5)	5,044	3,758	2,750	
Employer specific services (Note 6)	40	40	40	
Total operating expenses	\$ 57,600	\$ 52,098	\$ 58,292	
Recovery of costs (Note 7)	\$ 57,600	\$ 52,098	\$ 58,292	
Annual surplus (deficit)	-	-	-	
Net assets at beginning of year	-	-	-	
Net assets at end of year	\$ -	\$ -	\$ -	

The accompanying notes are an integral part of these financial statements.

Approved by the Board:


Colin P. MacDonald, Q.C., ICD.D

Chair, Board of Directors


Roger Rosychuk

Chair, Audit Committee

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

(in thousands)

	2020	2019
Financial assets		
Cash	\$ 2,675	\$ 2,376
Accounts receivable	66	31
Due from pension plans and plan corporations (Note 7)	1,440	5,749
	4,181	8,156
Liabilities		
Accounts payable and other accrued liabilities	\$ 2,929	\$ 6,349
Accrued salaries and benefits	665	1,610
Accrued vacation pay	829	725
Deferred lease inducement (Note 12)	913	1,162
Capital lease obligation	-	40
	5,336	9,886
Net debt	\$ (1,155)	\$ (1,730)
Non-financial assets		
Tangible capital assets (Note 8)	\$ 35,019	\$ 38,270
Prepaid expenses	1,155	1,730
	36,174	40,000
Net assets before spent deferred capital contributions	35,019	38,270
Spent deferred capital contributions (Note 8)	35,019	38,270
Net assets (Note 9)	\$ -	\$ -

Contractual obligations (Note 12)**Contingent liabilities** (Note 13)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGE IN NET DEBT

Year ended December 31, 2020

(in thousands)

	2020		2019
	Budget	Actual	Actual
Annual surplus (deficit)	\$ -	\$ -	\$ -
Acquisition of tangible capital assets (Note 8)	(2,510)	(2,293)	(3,599)
Amortization of tangible capital assets (Note 8)	5,541	5,544	5,652
Change in spent deferred capital contributions	(3,031)	(3,251)	(2,053)
Change in prepaid expenses	-	575	(507)
Decrease (increase) in net debt	-	575	(507)
Net debt at beginning of year	(1,730)	(1,730)	(1,223)
Net debt at end of year	\$ (1,730)	\$ (1,155)	\$ (1,730)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

(in thousands)

	2020	2019
Operating transactions		
Annual surplus (deficit)	\$ -	\$ -
Non-cash items included in annual surplus (deficit):		
Amortization of tangible capital assets (Note 8)	5,544	5,652
(Decrease) increase in deferred lease inducement (Note 12)	(249)	1,051
Amortization of spent deferred capital contributions	(5,544)	(5,652)
	(249)	1,051
(Increase) decrease in accounts receivable	(35)	53
Decrease (increase) in prepaid expenses	575	(507)
Decrease (increase) in due from pension plans and plan corporations	4,309	(1,182)
(Decrease) increase in accounts payable and other accrued liabilities	(3,420)	3,293
Decrease in accrued salaries and benefits	(945)	(832)
Increase in accrued vacation pay	104	182
Cash provided by operating transactions	339	2,058
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(2,293)	(3,599)
Cash applied to capital transactions	(2,293)	(3,599)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	2,293	3,599
Repayment of capital lease obligation	(40)	(39)
Cash provided by financing transactions	2,253	3,560
Increase in cash	299	2,019
Cash at beginning of year	2,376	357
Cash at end of year	\$ 2,675	\$ 2,376

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2020

1. Authority

Alberta Pensions Services Corporation (APS) is incorporated under the *Business Corporations Act* (Alberta). APS is a “Provincial corporation” under the *Financial Administration Act* (Alberta) and a “public agency” under the *Alberta Public Agencies Governance Act*. The issued share of the Corporation is owned by the Government of Alberta and accordingly, the Corporation is exempt from income taxes under the *Income Tax Act*. APS is referred to as “the Corporation” throughout the Notes to the Financial Statements.

2. Nature of Operations

The Corporation provides a comprehensive suite of pension administration services in respect of nine registered and unregistered pension plans. These services are provided pursuant to a “Pension Services Agreement” with each of LAPP Corporation, PSPP Corporation, and SFPP Corporation and a “Pension Administration Services Agreement” with the Government of Alberta.

The services provided to LAPP Corporation, PSPP Corporation and SFPP Corporation are respectively in relation to the Local Authorities Pension Plan (LAPP), the Public Service Pension Plan (PSPP) and the Special Forces Pension Plan (SFPP). These services are provided pursuant to the *Joint Governance of Public Sector Pension Plans Act* (Alberta) and in accordance with the *Employment Pension Plans Act* (Alberta).

The services provided to the Government of Alberta pertain to the following registered and unregistered pension plans:

- Management Employees Pension Plan (MEPP) and Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP), each established and governed by the *Public Sector Pension Plans Act* (Alberta);
- Supplementary Retirement Plan (SRP) for Public Service Managers (established by Treasury Board Directive);
- Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMC(R)PP) and Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (PJMC(U)PP), each established and governed by Alberta Regulation 196/2001;
- Members of the Legislative Assembly (Registered) Pension Plan (MLAPP), established and governed by the *Members of the Legislative Assembly Pension Plan Act* (Alberta).

3. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

Recovery of Costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for the recovery of costs are recognized as the related expenses are incurred.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

FINANCIAL STATEMENT COMPONENT	MEASUREMENT
Cash and cash equivalents	Cost
Accounts receivable and due from pension plans and plan corporations	Lower of cost or net recoverable value
Accounts payable and other accrued liabilities, salaries and benefits	Cost

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

CASH AND CASH EQUIVALENTS

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

ACCOUNTS RECEIVABLE

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Non-financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

3. Summary of Significant Accounting Policies (Continued)

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and overhead directly attributable to construction and development.

Assets under construction are not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease liabilities are recognized at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Corporation's rate for incremental borrowing or the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Pension Benefits Administration System (Compass)	12 years
Furniture and equipment	5 years
Computer hardware and software	3 years
Leasehold improvements	Term of lease

The threshold for capitalizing software is \$100,000 and \$5,000 for all other items, where these items have a useful life in excess of one year.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

PREPAID EXPENSES

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Financial Instruments

Financial instruments of the Corporation consist of cash, accounts receivable, due from pension plans and plan corporations, accounts payable and other accrued liabilities, accrued salaries and benefits, and accrued vacation pay. Due to their short-term nature, the carrying value of these instruments approximates their fair value.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and therefore, a statement of remeasurement gains and losses has not been presented.

3. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities in the financial statements. Actual results could differ from these estimates, and the impact of any such differences will be recognized in future periods. The significant area requiring the use of management estimates relates to the estimated useful lives of tangible capital assets.

4. Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2022)**

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2023)**

This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange transactions and non-exchange transactions.

The Corporation has not yet adopted these standards. Management is currently assessing the impact of these standards on the financial statements.

5. Plan Specific & Corporate Services

(in thousands)

The Corporation provides tailored services to plan corporations and public sector pension plans and their respective boards and committees.

Entity	2020	2019
LAPP	\$ 951	\$ 335
PSPP	813	555
MEPP	718	668
SFPP	628	550
PSPP Corporation	160	139
SRP	112	126
SFPP Corporation	106	146
PJMC(R)PP	88	64
LAPP Corporation	69	52
PJMC(U)PP	67	41
PSM(CM)PP	29	59
MLAPP	17	15
	\$ 3,758	\$ 2,750

6. Employer Specific Services

(in thousands)

In 2008, the Minister approved the Corporation administering post retirement benefits for certain employers who participate in the public sector pension plans. The Corporation also entered into an agreement to provide certain administration services on a cost-recovery basis to Alberta Investment Management Corporation (AIMCo), a related Crown Corporation, in respect of an AIMCo supplementary retirement plan. All costs associated with administering these benefits are recovered directly from the specific employers as follows:

Employer	2020	2019
Alberta Health Services	\$ 1	\$ 1
City of Edmonton	1	1
EPCOR	1	1
Government of Alberta	1	1
Legislative Assembly	1	1
	5	5
Alberta Investment Management Corporation	35	35
	\$ 40	\$ 40

7. Recovery of Costs

(in thousands)

The Corporation charges each public sector pension plan and plan corporation with its proportionate share of the Corporation's operating costs based on the cost allocation methodology described in each of their formal agreements. At December 31, 2020, \$1,440 (2019 – \$5,749) is receivable from the plans and plan corporations. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

Entity	2020	2019
LAPP	\$ 34,719	\$ 38,983
PSPP	11,539	13,023
MEPP	2,330	2,511
SFPP	1,634	1,704
SRP	712	823
PSM(CM)PP	231	307
PJMC(R)PP	227	204
PJMC(U)PP	191	166
PSPP Corporation	160	139
SFPP Corporation	106	146
MLAPP	97	96
LAPP Corporation	69	52
	52,015	58,154
Interest and other miscellaneous cost recoveries	43	98
Employer specific services (Note 6)	40	40
	\$ 52,098	\$ 58,292

8. Tangible Capital Assets

(in thousands)

	2020					2019
	Compass system	Computer hardware & software	Leasehold improvements	Furniture & equipment	Total	Total
Estimated useful life	12 years	3 years	Lease term	5 years		
Historical cost⁽¹⁾						
Beginning of year	\$ 51,663	\$ 9,335	\$ 6,335	\$ 1,527	\$ 68,860	\$ 65,806
Additions	1,656	637	-	-	2,293	3,599
Disposals, including write-downs	-	(267)	-	-	(267)	(545)
	53,319	9,705	6,335	1,527	70,886	68,860
Accumulated amortization						
Beginning of year	16,057	6,712	6,321	1,500	30,590	25,483
Amortization expense	4,178	1,344	12	10	5,544	5,652
Effect of disposals, including write-downs	-	(267)	-	-	(267)	(545)
	20,235	7,789	6,333	1,510	35,867	30,590
Net book value at						
December 31, 2020	\$ 33,084	\$ 1,916	\$ 2	\$ 17	\$ 35,019	
Net book value at						
December 31, 2019	\$ 35,606	\$ 2,623	\$ 14	\$ 27		\$ 38,270

Financing obtained from the public sector pension plans to acquire tangible capital assets is recognized as spent deferred capital contributions. The recovery of costs is recognized on the same basis as the tangible capital assets are amortized.

⁽¹⁾ Historical cost includes asset under construction at December 31, 2020 totalling \$39 (2019 – \$2,903) comprised of computer hardware and software \$39 (2019 – computer hardware and software \$940 and Compass system \$1,963).

9. Share Capital

	2020	2019
Issued:		
1 common share	\$ 1	\$ 1

An unlimited number of common and preferred shares are authorized with a single common share issued (Note 1).

10. Employee Future Benefits

(in thousands)

The Corporation participates in three multi-employer defined benefit public sector pension plans: PSPP, MEPP and SRP. Multi-employer plans are accounted for as defined contribution plans. Accordingly, the Corporation does not recognize its share of any plan surplus or deficit. The expense for these pension plans is equivalent to the annual contributions of \$3,130 for the year ended December 31, 2020 (2019 – \$3,533). This amount is included in salaries and benefits.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2019, PSPP reported a surplus of \$2,759,320 (2018 – surplus of \$519,218), MEPP reported a surplus of \$1,008,135 (2018 – surplus of \$670,700) and SRP had a deficiency of \$44,698 (2018 – deficiency of \$70,310).

11. Related Party Transactions

(in thousands)

Related parties are those entities consolidated using either line by line or modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2020	2019
EXPENSES		
Data processing, software licences, printing, postage and training	\$ 1,653	\$ 1,292
Plan financial reporting	76	117
Risk management and insurance	203	187
Management training	2	1
	\$ 1,934	\$ 1,597
Payable to Service Alberta	\$ 663	\$ 442

The Corporation also provided services to the plan corporations and public sector pension plans and their respective boards and committees as disclosed in Notes 5 and 7. These transactions are in the normal course of operations.

12. Contractual Obligations

(in thousands)

The Corporation has entered into some multi-year agreements whereby the Corporation will be obligated to make future payments when the goods or services are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

YEAR	Operating
2021	\$ 4,140
2022	3,824
2023	1,805
2024	1,203
Thereafter	-
	<u>\$ 10,972</u>

The Corporation entered into a 5-year lease agreement for a new facility commencing on September 1, 2019. As part of the lease agreement, the Corporation received a lease inducement of \$1,245. The inducement is recognized as a reduction in lease expense over the 5-year term of the lease.

Operating obligations include non-cancellable purchase and contract commitments from service and software license agreements.

13. Contingent Liabilities

(in thousands)

APS is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at December 31, 2020, accruals totaling \$150 (2019 – \$75) have been recognized as a liability.

APS has been named in 13 (2019: 13) claims, the outcomes of which 7 claims are likely and 6 cases are not determinable. In most cases these claims have been filed jointly and severally against APS, one of the pension plans and in some cases involve third parties. Of the likely claims, 4 (2019: 4) have a specified amount totaling \$1,983 (2019: \$1,965). Of the indeterminate claims, 1 (2019: 1) has a specified amount totaling \$800 (2019: \$800). The remaining claims have no specified amounts. Management estimates that any potential liability relating to these claims would be to the pension plan(s) named for any benefit related costs and any potential damages would be covered by the insurance provided by the Alberta Risk Management Fund.

The resolution of claims may result in a liability, if any, that may be significantly lower than the claimed amount.

14. Salaries and Benefits Disclosure

Details of Executive and Board member remuneration are presented in the Compensation Discussion and Analysis section of the Corporation's 2020 Annual Report.

15. Financial Instruments

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost-effective manner. The Corporation's only source of liquidity is amounts charged to pension plans (Note 7).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

16. 2020 Budget

The Corporation's 2020 budget was approved by the Board of Directors on February 4, 2020.

17. Approval of Financial Statements

The Board approved the financial statements of the Corporation.

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

Supplementary Information Required by Legislation

For the year ended December 31, 2020 (Unaudited)

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* (the "Act") requires the Corporation to report annually on the following parts of the Act:

- a) the number of disclosures received by the designated officers of the Corporation, the number of disclosures acted on and the number of disclosures not acted on by the designated officers;
- b) the number of investigations commenced by the designated officers as a result of the disclosures; and
- c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing, plus any recommendations made or corrective measures taken in relation to the wrongdoing, or the reasons why no corrective measure was taken.

In 2020, the Corporation's designated officers did not receive any disclosures of wrongdoing pursuant to the Act.



CORPORATE INFORMATION

Corporate Directory

(as at December 31, 2020)

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