



# Alberta Pensions Administration Corporation



2001 Annual Report



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**Photos:** *The employees featured in this report were among those honored at APA Corporation's 2001 Employee Recognition Ceremony.*

# The Corporation's Vision

*"To be the pension administrator of choice to Alberta public sector pension plans."*

**The Corporation's strategic focus is to improve client service, process efficiency and working conditions. We believe this focus will ensure that APA Corporation remains the service provider of choice.**



Dorothy, *External Customer Service Award*  
Pension Benefits

# Message from the Chair of the APA Corporate Board



I am pleased to present the sixth annual report of the Alberta Pensions Administration Corporation for the year ended December 2001.

The Board of APA Corporation is accountable to the shareholder, Alberta's Minister of Finance, to ensure that the Corporation meets its

mandate to provide pension

administration services to Alberta's public sector pension plans. It provides strategic direction to the Corporation and evaluates and approves strategic plans, business plans and budgets proposed by the Corporation's executive. The Board monitors corporate performance and provides guidance on the resolution of issues of strategic significance.

Although the Board found no reason in 2001 to change the basic strategic direction of the Corporation, it did extend its formal planning horizon temporarily from three to five years to enable stakeholders to see the fruition of material benefits and impacts from the APEX project.

The APEX project to develop a new pension administration system is of such critical importance to the Corporation that the Board has placed the project under the direction of a project leader and a strategy sub-committee, each reporting directly to the board chairman. At the end of 2001, APEX was on time, on scope and on budget.

The Board also approved implementation of a new compensation and incentive program for management and opted-out employees, in response to the competitive local market for pension administrators. The new program was effective for the 2001 year.

In November, I accepted the resignation of George Buse, APA's Chief Operating Officer since 1996. I wish George well in his new position as Senior Vice President, Operations at the Hospitals of Ontario Pension Plan and thank him for his considerable service to the Corporation and to Alberta's pension plans.

The Board has decided the Corporation and its clients will be better served in the future by an executive group having greater responsibility for the determination of strategic alternatives. Accordingly, we took the first step by creating the position of President and Chief Executive Officer, and in early 2002 we hired David Smith, who has extensive experience in strategic management, to assume this position.

At the end of the year the appointments of William Purdy and Dianne Keefe as members of our Board expired. I thank them and the continuing members of the Board for their wisdom and dedication throughout the past year. On behalf of the Board, I am pleased to express our sincerest thanks to the management and staff for their efforts during a very challenging period of time.

Jack H. McMahon  
Chair  
APA Corporate Board

April 26, 2002



Jim, *Mentor of the Year*  
Client Services

**Alberta Pension Administration (APA) Corporation was formed November 1, 1995 under the Province of Alberta's Business Corporations Act.**

# Background & Corporate Status

# Profile of APA Corporation

## Background and corporate status

Alberta Pensions Administration (APA) Corporation was formed November 1, 1995 under the Province of Alberta's Business Corporations Act. Its operations were previously conducted as a unit of Alberta Treasury. The formation of APA Corporation was part of a review of core services.

## Mission of APA Corporation

Alberta's Minister of Finance is the Trustee and the Administrator of the pension plans and pension funds established under the *Public Sector Pension Plans Act*. Various plan boards have been established pursuant to that Act to:

- Grant or deny permission to the government to change the plan rules, through a Board Resolution provided to the Minister;
- Review administrative decisions as delegated by the Minister to APA Corporation;
- Set or recommend changes to plan contribution rates; and
- Develop investment and administrative policy guidelines.

The Minister of Finance has delegated responsibility to the Minister of Revenue to invest each plan's trust fund for the benefit of its members, subject to the investment policy guidelines established by each plan's board. The Minister of Finance has delegated responsibility to the Corporation to administer each plan, subject to the administrative policy guidelines established by each board.

APA Corporation also administers:

- The Universities Academic Pension Plan (UAPP)\*, an independently trustee pension plan regulated by the *Employment Pension Plans Act*.
- A registered pension plan for Provincial Judges and Masters in Chamber created by the *Provincial Court Act*.
- The Public Service Management (closed membership) Pension Plan;
- The Members of the Legislative Assembly Pension Plan (closed 1989); and
- Two supplemental retirement plans for, respectively, Public Sector Managers in Alberta, and Provincial Judges and Masters in Chambers.

\* UAPP will cease using APA Corporation as its pension administrator in November 2002.

The mission statement of APA Corporation is:

"To provide comprehensive, reliable, timely and cost-effective pension services to our customers - the boards, employers, members and pensioners of Alberta pension plans - when, where and how they are needed."

Those pension services are the collection of pension contributions, maintenance of members' accounts, payments of pension benefits and provision of information.

## Governance

APA Corporation is wholly-owned by the Government of Alberta and is a responsibility of the Minister of Finance. A Board of Directors was appointed by the Minister to oversee the operations and administration of the Corporation. The Minister has chosen to represent client plan boards, the Government of Alberta and the business community on the APA Board of Directors.

## Customers/responsibilities

APA Corporation is responsible for administering the following statutory pension plans under the direction of pension boards and the Government of Alberta:

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

At year-end, the Corporation served 464 employers, 136,000 active members, 52,000 pensioners and 27,000 members who have chosen to defer their benefits. All of the plans are contributory defined benefit pension plans administered in compliance with provincial (*Public Sector Pension Plans Act* and *Employment Pension Plans Act*) and federal legislation (*Income Tax Act, Canada*).

Combined assets of the plans administered totaled \$17 billion as of December 31, 2001.

# Profile of APA Corporation

## Knowledge and expertise

At year-end, APA had 140 employees, which is higher than normal levels due to increased work volumes and the APEX project.

For its customers, APA Corporation provides a reservoir of knowledge and expertise, including:

- pension accounting,
- pension governance,
- pension policy and analysis,
- communication,
- data and records management,
- business process design, and
- quality assurance.

Approximately one-third of staff have more than 10 years experience, one-third between two and 10 years, and one-third under two years.

Staff adhere to strict standards of confidentiality in line with the *Freedom of Information and Protection of Privacy Act*.

## Multi-plan, multi-employer administration

APA Corporation serves multiple plans and hundreds of employers. Although the plans have much in common, they are distinctly different in many areas. Each plan has its own plan rules and each pension board its own priorities and plans for the future. While a number of our staff specialize in one or two of the plans, it is common for staff at all levels of the organization to serve each of the plans in some areas of administration. While the multi-plan requirement heightens the need for ongoing training, customers benefit from the synergy of their administrator's knowledge and expertise with other plans.

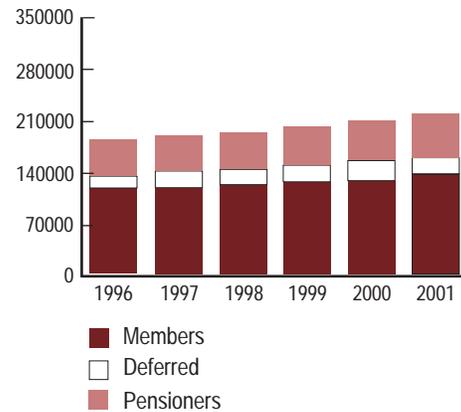
## Coordination with other government pension authorities

The Corporation works closely with other agencies of the Government of Alberta with responsibilities for pensions, primarily the Pension Policy unit of the Ministry of Finance and the Investment Management Division of the Ministry of Revenue.

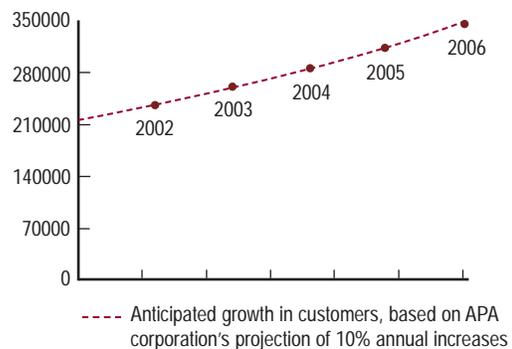
In serving its largest client plan, APA Corporation also works closely with LAPP Corporation.

## Actual and projected customer growth

### Actual Customer Growth



### Projected Customer Growth



# Q & A with the CEO

**In February 2002, David Smith was appointed President and Chief Executive Officer of APA Corporation. Here are his thoughts on some current issues of importance to the Corporation:**

## **What does the Board decision to give the Corporation's executive greater responsibility for identifying strategic alternatives really mean?**

The real effects of this new executive mandate will be greater rigor in planning and measuring processes as well as greater concentration of effort towards strategic issues, rather than operational management, for members of both the executive and the board. Fundamentals such as strategic and business plans, organizational and personal performance measures and external benchmarks are already established concepts in the Corporation. Changes in accountabilities for strategic management and better processes for synthesizing the business intelligence will help make strategic management a culture rather than annual planning and reporting events. This will result in earlier recognition of, and response to, opportunities for service improvements, higher efficiency and a better workplace.

## **What external factors are likely to shape the future of the Corporation?**

An important government decision will be the future of LAPP. If the long-anticipated move to independent trusteeship occurs, the government will need to consider alternatives for APA such as a Crown corporation providing service to plans outside of government control, a corporation owned by the pension boards, or an independent corporation competing for pension clients.

The provincial economy and government fiscal policies also affect the ability of APA to meet the service expectations of its customers. APA's income and expenditures are consolidated with those of other entities in the Ministry of Finance. Accordingly, in times of economic stress, APA is subject to government fiscal restraint programs even though it is fully financed by pension funds. Plan member demographics are already translating into large workload increases. The high rate of retirements resulting in more pensioners (20% per annum) and replacement members is expected to continue for a number of years.

The increasing sophistication and knowledge of our client plan boards will lead to greater demands for new or more effective services. As sponsors, the boards are the primary voices of our member, pensioner and employer clients. And as fiduciaries, the boards set expectations for financial management and control.

## **What is the Corporation's present strategic focus?**

Simply put, our focus is to improve client service, process efficiency and working conditions. Those three goals will be the drivers of our planning during 2002. The Corporation is presently operating under board direction that its two overriding objectives are to maintain service levels and to deliver the APEX project.

The Corporation has a number of initiatives planned to improve service and efficiency. An important step in 2002 and subsequent years will be to establish more productive relationships with boards, members, pensioners and employers in order to validate those initiatives and determine additional service and process improvements.

## **How does APA's current performance rank in the industry?**

We participate in Qualitative Services Measurement, a benchmarking association of large Canadian public sector pension administrators. We also benefit from knowledge gained by the LAPP Corporation in Cost Effectiveness Measurement, an international benchmarking body. Both consistently rate APA Corporation well compared to other administrators of its size.

## **Why should stakeholders expect that, this time, APEX will succeed?**

Previous systems development projects have encountered difficulties, but APEX is on target to meet project goals. The symptoms of success are there. The project enjoys the active sponsorship of the Government of Alberta and the participating pension plan boards. Sufficient staff and financial resources have been committed. The project has a seasoned leader who, with participating contractors, is applying best practices in major project management techniques. And the Corporation has paid close attention to the issues of transition of people and processes to be ready to implement the new applications.

## **Is APA looking for new customers?**

Not at this time. In fact, the Board removed this goal from the business plan in 2002 until it better understands the shareholder's expectations following the government's review of pension plan governance.



Sherri, *Internal Customer Service Award*  
Records Management

# The Corporation's Values

- **quality**
- **respect**
- **achievement**
- **integrity**
- **communication**
- **teamwork**
- **commitment**



Leanne, *New Employee of the Year*  
Communications

# Management Discussion & Analysis

The following discussion and analysis should be read in conjunction with APA's financial statements and the related notes contained therein.

## Focus on Two Corporate Goals

In 2001, APA Corporation focused its efforts on two critical goals:

- 1) providing high quality service to client pension plans; and
- 2) achieving progress targets in preparation for successful implementation of a new pension administration system, known as the Alberta Pension Excellence (APEX) project.

## Maintaining and Improving Quality of Service Changes to Existing Systems

While a number of plan changes await the new APEX system, the current systems were adapted as required in 2001 to maintain service and implement essential plan changes.

In line with requirements of the *Employment Pension Plans Act (EPPA)* of Alberta, APA will provide termination options packages to give members who leave a plan before retirement a more informed choice. Members began receiving the package at the beginning of April 2002. During 2001, this project required substantial modifications to APA's legacy systems and changes to its method of reporting data. Responses to surveys of employers and members who receive the packages will be used in the design of similar packages to be produced in the new APEX system.

## Performance measures

APA Corporation had higher volumes in January and February than in the same months of the previous year, thereby affecting our ability to meet performance targets in that period. New staff were hired and trained in the first part of the year, resulting in a full complement by the end of the second quarter. Performance improved after the second quarter and by year-end, most services were delivered at the defined level. However, several performance measures remained below the year-long target at the end of 2001.

Higher volumes than the previous year affected several service results. Of particular note, volumes of optional service costings increased 17 per cent, retirement options increased 36 per cent, and questions received by e-mail increased 232 per cent.

All major areas of service were above performance standards by the fourth quarter.

## Quantitative Service Measurement

Each year APA participates in a nation-wide survey of public sector administrators known as Quantitative Service Measurement (QSM). The survey compares APA's cost and service delivery times against those of other large pension administrators. APA reviews its performance by measuring achievements against pre-determined standards for major activities. Activities that do not match established standards are

reviewed and enhanced to meet objectives. Actual 2001 results showed APA continues to be one of the most cost-effective pension plan administrators of similar size, with costs 23 per cent lower than the QSM average.

## Customer Satisfaction Based on Survey

Results of the annual Employer Survey, as well as new surveys conducted with board members, plan members and pensioners, were tabulated and reported by a professional research firm. The Employer Survey shows changes and trends from previous annual surveys. The Board Member, Plan Member and Pensioner Surveys are the first to be conducted in this format. Results will be used for identifying services that require extra attention, as well as benchmarking for progress in customer satisfaction in 2002 and subsequent years.

## Employer Survey

One hundred and fifty-eight employers (34 per cent of the total served) responded to the employer survey conducted in December 2001. Below are the overall averages of employer survey responses regarding pension services, service delivery and communications.

2001 Employer Survey	Very Satisfied	Overall Satisfied
(2000 results)		
Pension services	28% (33%)	95% (90%)
Delivery	41% (38%)	94% (90%)
Communications	21% (29%)	96% (96%)

## Board Member Survey

In December 2001, APA surveyed the members of the five pension boards it serves. Twenty-seven board members participated (63 per cent response rate). The survey included an evaluation of APA's timeliness, accuracy, clarity and advice from a board member's perspective.

Board Member Survey	Very Satisfied	Overall Satisfied
Board Support	39%	86%
Policy and Legal	8%	61%
Communications	19%	79%
General satisfaction with APA service	10%	75%

In light of these results, the Corporation is paying special attention in 2002 to improve service in areas of lower satisfaction.

## Member Survey

In November and December, APA mailed service satisfaction surveys to members of the plans served by the Corporation. Survey questionnaires were given to members who requested and received either a pension estimate, an optional service purchase calculation or a retirement options package. Subsequently, 105 of 474 questionnaires were returned.

Member Survey	Very Satisfied	Overall Satisfied
Courteous service	55%	97%
Accurate estimate	39%	98%
Timely estimate	47%	89%
Overall average	47%	95%

# Management Discussion & Analysis

## Pensioner Survey

In December, a survey of a sample of pensioners had a 62 per cent response rate, with a total of 1,240 respondents. Ratings from pensioners in all plans for service areas are presented below.

Pensioner Survey	Very Satisfied	Overall Satisfied
Accurate written information	57%	97%
Timely written information	52%	97%
Courtesy on the telephone	67%	97%
Overall Average	62%	97%

## Evaluations from Workshops, Seminars and One-on-One Sessions

During the year, APA provided 204 employee seminars for 4,188 plan members. There were also 830 one-on-one sessions provided in conjunction with the seminars. As well, 925 participants attended 54 employer workshops. Below are results of questionnaires completed after the session.

Evaluations	Very Satisfied	Overall Satisfied
Employee seminars	71%	100%
One-on-one interviews	67%	100%
Employer workshops	76%	100%

## Survey responses regarding Web site usage

In the Employer Survey, 77 per cent said they had accessed their plan's Web site, with 62 per cent visiting it at least every three months. In the Member Survey, 36 per cent said they had visited their plan's Web site. The Corporation is carefully monitoring

these trends because Web sites hold tremendous promise for connecting employers, members and pensioners with their pension plan. The convenience, flexibility and economy of Web sites are already helping stakeholders understand their plan better. As noted on page 10 of this report, the addition of new functions and interactive services through the APEX project will significantly enhance the value of plan Web sites for all stakeholders.

## Communications Initiatives to Improve Service

Communications continued to be a priority for APA and for pension boards in 2001. Regular communications products such as member handbooks, annual reports and annual highlights, newsletters were produced for members and pensioners of PSPP and SFPP, and assistance was provided to LAPP for its member and retiree updates. As a result of the launching of new Web sites for SFPP and MEPP in October, all major plans administered by APA have their own Web site.

To enhance internal communications, the staff newsletter was expanded and regularly published by Communications staff, and the Intranet was revamped in response to input from staff.

Other communications milestones of 2001 included the first LAPP employer on-line manual, the first member handbook for the Supplementary Retirement Plan for Public Service Managers, posting of Designation of Beneficiary forms on APA and plan Web sites, and the production of new logos and identity programs for both MEPP and SFPP.

## 2001 performance measures in relation to targets and 2000 performance

		Target	Actual	
Service measure (for all plans)	Performance benchmark (calendar days)		2001	2000
Pension estimates	5 days from completed application	90%	83%	86%
Retirement options (including disability pension adjudication and death benefits)	5 days from completed application	90%	90%	92%
Termination payments	21 days from completed application	90%	100%	100%
Optional service costing	21 days from completed application	90%	83%	76%
Reciprocal transfers	Internal — 90 days from completed application	90%	88%	78%
	External — 180 days from completed application	90%	100%	100%
Pay pension amount	30 days from receipt of required documents	90%	92%	91%
Administer regular pension payments (direct deposit)	Deposit by 2nd last banking day of the month	100%	100%	N/A
Annual member statement for active members	Mailed to employers by March 31	75%	78%	71%
	Mailed to employers by June 30	100%	100%	100%
Telephone enquiries	24 hours to respond	95%	100%	100%
Written enquiries	Respond within 14 days of receipt	75%	81%	N/A
	Acknowledge within 14 days of receipt	25%	10%	N/A
Prepare appeal fact summary of administrative decisions for Board review	30 days from receipt of required information (45 days from receipt of appeal in 2000)	75%	89%	70%

# Management Discussion & Analysis

## APEX Project

APA's Alberta Pensions Excellence (APEX) Project, formed to implement a new system to enhance pension administration services to employers, members, pensioners and pension boards, made significant progress in 2001. The new system will be phased in on a plan-by-plan basis with implementation on the following dates:

- November 2002 - Public Service Pension Plan, Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers;
- April 2003 - Local Authorities Pension Plan;
- June 2003 - Special Forces Pension Plan;
- October 2003 - Provincial Judges Pension Plan and Supplementary Retirement Plan; and
- December 2003 - All others

The \$20 million project started April 17, 2001, with IBM contracted to assume overall responsibility to manage and direct all project requirements. The primary software on which the system is based has been licensed from CPAS Systems Inc., one of Canada's leading providers of pension administration software.

The objectives of the APEX Project are to:

- replace aging systems on multiple platforms with an integrated, single platform, Web-enabled system that will provide security, flexibility, adaptability and expandability;
- automate pension administration services to the fullest extent possible to improve service delivery and minimize the risk of error;
- deliver efficiencies to employer partners in the form of enhanced data submission and access capabilities and improved reporting; and
- enhance services to plan members in the form of personalized products.

In 2001, the project team provided the following deliverables:

- Project Charter - terms of reference for all project activities;
- Strategies for business requirements, data conversion, testing, training, reporting, technology, implementation and ongoing operations; and
- Business and technical specifications for processes, testing, training, reporting, data conversion, technical implementation and operations.

Rules, tables and formulas are being loaded into the CPAS software for the PSPP, MEPP and SRP plans and the initial data load and testing is under way.

The Board's APEX Strategy Committee considered the following business cases:

- Defined Contribution, Phased-in Retirement and Flexible Pensions business case studies were completed and provided to the plan boards for consideration;
- Document Management and Document Imaging business

case studies were completed and are to be implemented at appropriate points in the project; and

- Process Re-engineering and Workflow business case studies are under way and expected to be delivered as a basis for decision in mid-2002.

## Web services

A separate project called APEX Web Services was undertaken for delivering Web-based functionality associated with providing pension administration services. Following a Request for Proposal process, a consortium headed by Sierra Systems was contracted to carry out this initiative in conjunction with the main project. The main objective is to deliver pensions self-service functionality to employers and members.

Web Services' products will be delivered in three phases in conjunction with the APEX implementation over the next two years: 1) Information and Site Administration 2) Interactive and 3) Transaction.

### Information and site administration will include:

- providing stakeholders with access to information so as to facilitate communications with them; and
- developing Web site administration functionality to simplify Web site management.

### Interactive will include:

- "push" technology to communicate information items to employers electronically via a self-managing subscription e-mail service;
- capability for employers to communicate in a common forum; and
- on-line forms for downloading and printing.

### Transaction will include data upload, on-line forms and application submission and member services.

#### Data upload:

- providing Electronic Data Submission to allow secure online transactional capability for employers to submit and correct transactions;
- maintaining audit tracking for all files and transactions; and
- returning errors via e-mail to employers for correction or deletion as required.

#### On-line forms and application submission:

- accepting data updates for benefits via the Web.

#### Member services:

- providing member annual statements directly to plan members through secure channels when authorized to do so;
- enabling on-line calculations by members; and
- providing retirement or termination estimates for various scenarios.

# Management Discussion & Analysis

## Financial Review of Operations

APA's 2001 operating costs before plan-specific and APEX project costs totaled \$11.3 million, compared to a budget of \$12.0 million. The \$700,000 in under-spending was primarily due to lower manpower spending and less consulting services than anticipated. The reduced costs did not have a material impact on the execution of the Corporation's business plan.

System development costs expensed in the year totaled \$2.4 million compared to a budget of \$4.6 million. The \$2.2 million under-spending was primarily due to:

• Operating costs deferred to 2002	\$ 1,136,000
• Decrease in operating costs	\$ 372,000
• Operating costs reclassified to capital investment	\$ 692,000

APA's 2001 per-member administration costs (net of miscellaneous revenue) are summarized below:

	2001 Actual	2001 Budget	2000 Actual
<b>Operating Costs</b> (excluding APEX and Plan Specific)	\$ 52	\$ 58	\$ 48
<b>APEX Operating Costs</b>	12	23	3
<b>Total Per-Member Cost</b>	\$ 64	\$ 81	\$ 51

Plan specific costs totaled \$1.8 million compared to a budget of \$2.6 million. The \$800,000 underspending was primarily due to the withdrawal of UAPP from statute, resulting in a reduction of \$600,000 in plan specific costs. The remaining \$200,000 resulted from less than anticipated spending in communication and actuarial consulting services.

## Managing Risk and Uncertainty

Recognizing the importance of retaining knowledgeable staff, particularly in the transition before full implementation of the APEX system, APA is developing a succession plan and taking actions to mitigate the risk. To encourage retention of talent and better knowledge levels, APA continued its emphasis on training and development in 2001.

APA's Financial Plan provides resources for additional staffing to compensate for lost productivity when staff are seconded to APEX or receive APEX training. New staff will not be as productive as experienced staff, so replacements are provided on a 1.5: 1 basis.

Other initiatives in 2001 to assist with change management control included:

- implementation of software to provide better payroll and human resources information;
- activity-based accounting software to provide access to information on our cost structure. This includes identifying and controlling costs according to functions; and
- using new accounting software to provide faster and more complete access to financial information.

## Service agreements with pension boards

In 2001, APA signed service agreements with the Public Service Pension Board, the Special Forces Pension Board and the Management Employees Pension Board, and began discussions with the Local Authorities Pension Plan Board of Trustees for a similar agreement. The agreements establish an ongoing process for monitoring performance standards identified in the agreements and specify core and non-core administration services. As a result, the boards have more flexibility to obtain expanded service offerings, and APA is able to plan better to deliver such service.

## Investment in People and Organizational Development

In preparation for dramatic changes associated with the APEX system, transition communication and training commenced in the second half of 2001 and accelerated in the first months of 2002. Transition initiatives are spearheaded by a transition team. The transition initiatives are designed to ensure that APA has aligned its people, processes and systems so they are ready to work with the new system and new ways of doing business.

Our pension plans are complex and require a great deal of attention to detail as well as exemplary customer service. Due to the steep learning curve, it takes approximately 12 months to train a new Pension Benefits employee. To mitigate this risk, standard training materials are being developed, training and development encouraged, and a job rotation program initiated.

Reflecting the increased emphasis on training, APA employees received an average of 56 hours of training in 2001, up from 42 hours in the previous year.

To enable more employee achievements to be recognized, the Employee Recognition Program was expanded and given a higher profile in the Corporation.

A comprehensive re-evaluation of jobs throughout APA established 12 classification levels in the corporation. The new levels ensure APA Corporation's compensation is competitive with the market for equivalent knowledge and skills. The new job classifications form part of the new collective agreement with the Alberta Union of Provincial Employees Local #118.

Signed in January 2002, the collective agreement was effective September 1, 2001 and expires December 31, 2003.

As a result of changes in 2001, performance evaluations and non-union compensations are now based on personal goals, linked to business unit goals, which in turn contribute to corporate goals.

# Management's Responsibility for Financial Reporting

The financial statements and information in the APA Annual Report are the responsibility of Alberta Pensions Administration Corporation and have been approved by management and the Board of Directors.

The financial statements have been prepared in conformity with generally accepted Canadian accounting principles and, of necessity, include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, Alberta Pensions Administration Corporation, acting in the capacity of pension administrator, 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 of Directors 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. The Committee reviews the financial statements and Annual Report and recommends them to the Board for approval. The Committee

meets with management and external auditors to discuss internal controls, auditing matters, and financial reporting issues.

The Auditor General of Alberta, the Corporation's external auditor, provides an independent audit of operations and financial statements. His examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements prepared by management.

David Smith  
Chief Executive Officer

Terry Eliuk  
Executive Director,  
Finance and Administration

April 26, 2002

## Auditor's Report

To the Shareholder of Alberta Pensions Administration Corporation

I have audited the balance sheet of the Alberta Pensions Administration Corporation as at December 31, 2001 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta  
February 21, 2002

Jim Hug, CA  
Acting Auditor General

# Investment. in People

**In preparation for dramatic changes associated with the APEX system, transition communication and training commenced in the second half of 2001 and accelerated in the first months of 2002.**

*Donna, Leader of the Year*  
Pension Benefits



# Financial Statements

## Alberta Pensions Administration Corporation Balance Sheet as at December 31, 2001

	(\$ thousands)	
	2001	2000
<b>Assets</b>		
Cash (Note 5)	\$ 423	\$ 32
Accounts receivable	28	26
Prepaid expenses	6	20
Due from pension plans	2,222	1,230
Capital assets (Note 6)	4,028	1,495
	<u>\$ 6,707</u>	<u>\$ 2,803</u>

### Liabilities and Shareholder's Equity

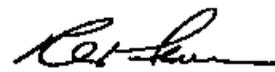
#### Liabilities:

Accounts payable and accrued liabilities	\$ 1,998	\$ 758
Accrued salaries and benefits	156	35
Accrued vacation pay	510	455
Obligation under capital lease	15	60
Unearned capital contributions (Note 3(b))	4,028	1,495
	<u>6,707</u>	<u>2,803</u>
Shareholder's equity		
Share capital (Note 7)	<u>-</u>	<u>-</u>
	<u>\$ 6,707</u>	<u>\$ 2,803</u>

The accompanying notes are part of these financial statements.

On behalf of the Board:

  
Jack H. McMahon  
Chairman of the Board

  
R. C. (Rick) Milner  
Audit Committee Chairman

# Financial Statements

## Alberta Pensions Administration Corporation Statement of Income for the year ended December 31, 2001

	Budget 2001 (Note 16)	(\$ thousands) Actual 2001	Actual 2000
Revenue			
Service revenue (Note 8)	\$ 18,843	\$ 15,102	\$ 12,528
Miscellaneous revenue (Note 9)	350	420	369
Total revenue	<u>19,193</u>	<u>15,522</u>	<u>12,897</u>
Operating costs before APEX project and plan specific costs			
Salaries and benefits	6,655	6,180	5,369
Data processing	2,863	2,824	2,690
Contract services	665	559	500
Materials and supplies	905	904	745
Rent	496	477	463
Amortization of capital assets	374	371	290
Operating costs before APEX project and plan specific costs	<u>11,958</u>	<u>11,315</u>	<u>10,057</u>
APEX project costs (Note 15)	4,648	2,448	511
Operating costs before plan specific costs	<u>16,606</u>	<u>13,763</u>	<u>10,568</u>
Plan specific costs (Note 11)	2,587	1,759	2,329
Total operating costs	<u>19,193</u>	<u>15,522</u>	<u>12,897</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Financial Statements

## Alberta Pensions Administration Corporation

### Statement of Cash Flows

for the year ended December 31, 2001

	(\$ thousands)	
	2001	2000
Operating activities		
Net income	\$ -	\$ -
Items not requiring cash		
Amortization	439	290
Loss on disposal of capital assets	-	20
Capital contributions recognized in current year	(439)	(290)
	<u>-</u>	<u>20</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(2)	153
Decrease in prepaid expenses	14	-
Decrease (increase) in due from pension plans	(992)	471
Increase (decrease) in accounts payable and accrued liabilities	1,240	(1,004)
Increase (decrease) in accrued salaries and benefits	121	(103)
Increase in vacation pay	55	36
	<u>436</u>	<u>(447)</u>
	<u>436</u>	<u>(427)</u>
Investing activities		
Acquisition of capital assets		
APEX	(2,640)	(157)
Non-APEX	(332)	(460)
	<u>(2,972)</u>	<u>(617)</u>
Financing activities		
Decrease in capital lease obligation	(45)	(87)
Increase in capital contributions	2,972	597
	<u>2,927</u>	<u>510</u>
Increase (decrease) in cash for the year	391	(534)
Cash at beginning of year	<u>32</u>	<u>566</u>
Cash at end of year	<u>\$ 423</u>	<u>\$ 32</u>

## Alberta Pensions Administration Corporation Notes to the Financial Statements

### Note 1 Authority

The Alberta Pensions Administration Corporation (APA) was incorporated on August 10, 1995 and operates under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000 and commenced operations on November 1, 1995. The issued share of the Corporation is owned by the Province of Alberta, and accordingly the Corporation is exempt from income taxes.

### Note 2 Nature of Operations

#### (a) Public Sector Pension Plans

The Minister of Finance of Alberta, operating under the authority of the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000, is responsible for administering the following pension plans:

The Local Authorities Pension Plan  
 The Public Service Pension Plan  
 The Management Employees Pension Plan  
 The Special Forces Pension Plan  
 The Public Service Management (Closed Membership) Pension Plan  
 The Provincial Judges and Masters In Chambers Pension Plan  
 The Members of the Legislative Assembly Pension Plan.

All administrative services required by the pension plans are provided by the Corporation pursuant to an agreement with the Minister dated November 1, 1995, as amended. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically approved by individual pension boards.

A new agreement has been signed between the Minister of Finance and APA for the continuation of pension administrative services for the period January 1, 2002 to December 31, 2004.

#### (b) Non-statutory Pension Plan

Effective January 1, 2001 the Universities Academic Pension Plan (UAPP) established itself as a non-statutory plan under the Employment Pension Plans Act. The UAPP Board of Trustees requested, and APA agreed, in an Administrative Service Agreement dated December 20, 2000, to provide certain pension administrative services to the Board of Trustees for the period of January 1, 2001 to December 31, 2002.

On November 9, 2001, the Trustees of the Universities Academic Pension Plan provided twelve months written notice to terminate this Administrative Services Agreement.

### Note 3 Significant Accounting Policies

#### (a) Capital Assets

Capital assets are recorded at cost. Capital assets are amortized on a straight line basis over the estimated useful life of the asset as follows:

Computer equipment	2 to 3 years
Computer software	2 to 3 years
Furniture and equipment	5 years
Telephone system	3 years
Leasehold improvements	Lease period
APEX project	5 years

The costs of the Alberta Pensions Excellence (APEX) project, a business process re-engineering initiative, directly attributable to the development, betterment or acquisition of computer software are capitalized. These activities include:

- costs associated with defining plan rules and developing specifications for programming new pension software.
- purchase and installation of new pension software.
- program modifications to new pension software.

Capital assets under construction, including software development projects, are not amortized until completion and implementation.

#### (b) Revenue Recognition

Contributions to acquire capital assets are recorded as unearned capital contributions. These amounts are recognized as revenue on the same basis as the acquired capital assets are amortized to operating costs.

#### (c) Pensions

The Corporation participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

### Note 4 Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book value.

### Note 5 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given or guaranteed by chartered banks, or short-term investment grade quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates. Interest earned on deposits is included in miscellaneous revenue.

# Financial Statements

## Note 6 Capital Assets

	(\$ thousands)			
	Cost	2001 Accumulated Amortization	Net Book Value	2000 Net Book Value
Computer equipment	\$ 819	\$ 537	\$ 282	\$ 228
Software development projects	113	113	-	7
Computer software	442	287	155	242
Furniture and equipment	511	191	320	317
Telephone system	43	43	-	-
Leasehold improvements	18	12	6	8
APEX project (Note 15)	3,333	68	3,265	693
	<u>\$5,279</u>	<u>\$1,251</u>	<u>\$4,028</u>	<u>\$1,495</u>

## Note 7 Share Capital

	2001	2000
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash (Note 1)	<u>\$ 1</u>	<u>\$ 1</u>

## Note 8 Service Revenue

The Corporation charged each pension plan with its respective share of the Corporation's operating costs less miscellaneous revenue.

	(\$ thousands)	
	2001	2000
Public Sector Pension Plans		
The Local Authorities Pension Plan	\$ 8,887	\$ 7,111
The Public Service Pension Plan	4,045	3,273
The Management Employees Pension Plan	686	486
The Special Forces Pension Plan	627	480
The Public Service Management (Closed Membership) Pension Plan	178	136
The Provincial Judges and Masters in Chambers Pension Plan	61	66
The Members of the Legislative Assembly Pension Plan	61	52
	<u>14,545</u>	<u>11,604</u>
Non-statutory Pension Plan		
The Universities Academic Pension Plan	557	924
Total Service Revenue	<u>\$15,102</u>	<u>\$ 12,528</u>

## Note 9 Miscellaneous Revenue

	(\$ thousands)	
	2001	2000
Cost recovery related to the withdrawal of Enmax Corporation	\$ 16	\$ 12
Cost recovery from pension plans	358	293
Cost recovery from Alberta Justice	9	37
Interest	26	25
Other	11	2
	<u>\$ 420</u>	<u>\$ 369</u>

## Note 10 Related Party Transactions

The Corporation received the following services at amounts which approximate market from:

	(\$ thousands)	
	2001	2000
Alberta Finance		
Accounting and administrative	\$ 31	\$ 29
Alberta Infrastructure		
Postage and parking rental	104	89
Alberta Corporate Service Centre		
Data processing	708	738

The Corporation also provided services to the Public Sector Pension Plans as disclosed in Note 8 and Note 9.

## Note 11 Plan Specific Costs

The Corporation makes certain payments on behalf of the pension plans. These costs, which are incurred directly by the pension plans, and which the Corporation does not control, are as follows:

Remuneration for Pension Plan Boards	\$ 120	\$ 152
Salaries and benefits	253	404
Contract services	1,039	1,375
Materials and supplies	347	398
	<u>\$ 1,759</u>	<u>\$ 2,329</u>

## Note 12 Salaries and Benefits Disclosure

		(\$ thousands)			
		2001	2000	2000	
	Salary (a)	Benefits and Allowances (b)	Total	Total	
Chairman of APA Board	(c)	\$ 20	\$ -	\$ 20	\$ 6
Board Members of APA	(c)	32	-	32	6
Executives:					
Chief Operating Officer	(d) (e)	141	17	158	149
Executive Director Operations & Corporate Secretary	(d)	106	20	126	117
Executive Director Information Systems	(d)	103	20	123	112
Executive Director Finance and Administration	(e)	99	16	115	108
Executive Director Pension Policy		97	15	112	98

(a) Salary includes regular base pay, honoraria, bonuses and other lump sum payments.

# Financial Statements

- (b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships, tuition fees and vacation payouts.
- (c) Remuneration paid to the Chairman and three Board Members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.
- (d) Benefits and allowances include vacation payments to the Chief Operating Officer \$0 (2000 \$5,000), the Executive Director Operations & Corporate Secretary \$4,000 (2000 \$4,000) and the Executive Director Information Systems \$4,000 (2000 \$3,000)
- (e) The position was occupied by two individuals through the year.

## Note 13 Pensions

The Corporation participates in the Management Employees Pension Plan and Public Service Pension Plan which are multi-employer pension plans. The expense for these pension plans is equivalent to the annual contributions of \$348,000 for the year ended December 31, 2001 (2000 \$292,000).

## Note 14 Commitments

The Corporation has entered into agreements with minimum annual commitments as follows:

- (a) As assignee in the lease agreement between the Landlord and Alberta Infrastructure for office space.

	(\$ thousands)
2002	\$ 497

- (b) Termination notice has been given, in February 2002, to the information technology service provider which has provided services since September 1, 1998. Commitments to April 12, 2002 are \$463,000, excluding early contract termination penalties of \$100,000 and wind down costs of up to \$100,000.
- (c) An agreement with a service provider for the development of the APEX project.

	(\$ thousands)		
	Operating	Capital	Total
2002	\$ 2,069	\$ 1,645	\$ 3,714
2003	615	1,459	2,074
2004	104	9	113

- (d) Details of the approved operating and capital budget for the APEX Project are shown in Note 15.

## Note 15 APEX Project

The APEX Project – Implementation Phase was commenced during the year and is the culmination of commitments received from the Public Service Pension Plan, the Local Authorities Pension Plan, the Management Employees Pension Plan and the Special Forces Pension Plan in support of the Implementation Phase. As a result, contracts have been signed with a service provider and a software vendor to complete the Implementation Phase of the project.

APEX project costs incurred, expensed, capitalized and amortized during the year were as follows:

	(\$ thousands)	
	2001	2000
Costs incurred during the year	\$ 5,088	\$ 648
Costs expensed during the year		
Wind-up initial project	-	183
Alternatives phase	309	328
Implementation phase	2,071	-
Amortization	68	-
	2,448	511
Costs capitalized during the year	2,640	137
Costs amortized during the year	(68)	-
Capital asset balance at beginning of year	693	556
Capital asset balance at end of year	\$ 3,265	\$ 693

The recently approved operating and capital budget for the APEX project - Implementation Phase, Document Management Business Case and Document Imaging Business Case excluding amortization, is \$20,233,000.

	(\$ thousands)
Implementation Phase - 2001 - 2004	\$ 17,545
Change in Scope Requests - 2002	468
	18,013
Total Implementation Phase	18,013
Document Management Business Case - 2002	520
Document Imaging Business Case - 2002 - 2003	1,700
	\$ 20,233

## Note 16 Budget

The 2001 budget was approved by the Board of Directors on November 16, 2000.

## Note 17 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

# 2002 Directory

## Board Members

Jack H. McMahon, Board Chair  
Business Consultant

Donald Cummings  
Business Consultant

Ulysses Currie  
Chair, Special Forces Pension Board

Peter Kruselnicki  
Deputy Minister of Finance

R.C. (Rick) Milner  
Business Consultant

Leonard C. Pederson  
Chair, Public Service Pension Board

Richard West  
Chair, Local Authorities Pension Plan Board of Trustees

## Board Committees

### Audit Committee

R.C. (Rick) Milner, Chair  
Ulysses Currie  
Richard West

### Compensation Committee

Jack H. McMahon, Chair  
R.C. (Rick) Milner  
Peter Kruselnicki

### APEX Strategy Committee

Jack H. McMahon, Chair  
Donald Cummings, Vice Chair  
R.C. (Rick) Milner  
Ron Liteplo (Local Authorities Pension Plan Corporation)  
Theresa Ostrum (Chair, Management Employees Pension Board)  
Leonard C. Pederson (Chair, Public Services Pension Board)  
Janina Vanderpost (Special Forces Pension Board)  
Stan Petrica, APEX Project Director  
David Smith, CEO, APA Corporation

## Corporate Executive

### Officers of the Corporation

David Smith  
President and Chief Executive Officer

Jill Wlosek  
Executive Director, Operations and Corporate Secretary

Terry E. Eliuk  
Executive Director, Finance & Administration

### Other Members of the Executive

Kevin Olinek  
Executive Director, Pension Policy

Ian Pregitzer  
Executive Director, Corporate Development

Stan Petrica  
APEX Project Director and Chief Information Officer

Sam McBride  
Director, Communications

## Corporation Office

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