

Alberta Pensions Administration Corporation  
**Annual Report 2003**



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# **Messages**

## **Message from the Chair of the Corporate Board**

On behalf of the Board of Directors, I am pleased to present the eighth annual report of Alberta Pensions Administration (APA) Corporation for the year ended December 31, 2003.

Cognizant of the growing concerns over corporate governance practices throughout the world and the resulting changes that many boards are making, the Board of Directors undertook a thorough review of our governance structure and processes. The Board concluded that our policies and practices had to be re-evaluated. As a result, the Board looked at several governance models and determined that the principles of governance advocated by John Carver, an international authority on organizational governance, would be most suitable for APA Corporation. This model, known as Policy Governance, has gained widespread acceptance in both the public and private sectors.

A structured framework, Policy Governance focuses boards on their contribution to the organization's results. It recognizes that boards create and monitor policies designed for the purpose of governing. The board's thoughts, activities, structures and relationships are set out in a single policy manual.

Using the Policy Governance framework, The Board spent several months with a governance consultant to develop a comprehensive policy manual. It consists of four main sections:

- **Ends Policies** – specify what the Corporation is to produce, for whom and at what cost;
- **Management Limitations** – set the limits that the Board imposes on the Chief Executive Officer (CEO) in achieving the ends;
- **Governance Process** – sets the Board's definition of and rules for its own job; and
- **Board/Management Relationships** – describes what and to whom the Board will delegate and how performance will be monitored.

This model clearly establishes responsibilities and methods of monitoring performance. It places responsibilities where they belong and leaves no doubt as to who is accountable. The Board is accountable to the shareholder, and the CEO is accountable to the Board.

The newly developed mission and ends policies provide clear and simple guidance to the Corporation and are reproduced below. The business plan for achieving the ends policies through operational and strategic priorities is set out in the Outlook 2004 section of this Annual Report.

*2004 Corporate Mission: On behalf of the Government of Alberta, APA Corporation exists so that members, plan governors and employers in government-designated plans realize the benefits of sound pension administration.*

- |                       |  |
|-----------------------|--|
| <b>Ends Policy 1:</b> | Plan beneficiaries receive excellent pension services at a reasonable cost.  |
| <b>Ends Policy 2:</b> | Plan governors receive services, which support their fiduciary obligations to plan beneficiaries at a reasonable cost.               |
| <b>Ends Policy 3:</b> | Employers are supported in utilizing pension administration as part of their relationship with their employees at a reasonable cost. |

The Board is enthusiastic about the new governance model, and we trust that all of the Corporation's stakeholders — the shareholder, plan members, plan boards and employers — will soon see the benefits of this new model. Appendix 6 – Governance Framework Glossary

The Board is proud of the Corporation's achievements in 2003. All pension plans are now up and running on the new pension administration system. This system was the culmination of several years of challenging work by the entire organization. The transition to the new system was difficult, and while the total benefits are yet to be realized, we are confident they will be with the continued diligent efforts of the Corporation's management and employees. Many other initiatives are under way which the Board believes will improve the Corporation's performance and ability to serve its stakeholders.

On behalf of the Board I wish to thank Richard West, the past Chair of the Local Authorities Pension Plan Board of Trustees who recently retired from the Board of Directors, for his contributions to the Corporation over the last two years. He was a valued member of our Board. I also want to welcome two new members to the APA Corporate Board: Rod McDermand, a member of the Management Employees Pension Plan Board, and Les Young, Chair of the Local Authorities Pension Plan Board of Trustees. Both will commence their terms in 2004.

Thank you to all the plan boards for their continued cooperation and support during 2003, and to all the management and staff for their dedicated effort.

Jack H. McMahon

Chair

## **Message from the Chief Executive Officer**

2003 was a year of consolidation for APA Corporation, a year when we adapted to a radically different technology platform and began to align our management processes with new directions set by our governing board. Our entire body of staff demonstrated its resilience in the face of potentially overwhelming demands. We emerged from the year with a continuing belief in our ability to be the administrator of choice.

### **Meeting Service Expectations**

As we had anticipated, we could not maintain our historically high service standards while sustaining the commitment necessary to successfully implement our new technology. Our service performance measurements ranked well compared to the performance of peer organizations and were generally close to the targets contained in our business plan. However, this performance did not translate into satisfied clients; surveys of both members and employers illustrated that nothing less than sustained, high-quality service would meet their expectations.

### **Pursuing Strategic Priorities**

In 2003 we achieved our primary objective, to migrate all client business to the new technology platform. Unexpected but essential work to enhance our employer online services did, however, cause us to delay the building of member online services as well as other non-technology initiatives designed to advance our performance measurement and customer relations priorities.

We have implemented a comprehensive risk management framework that includes monitoring processes, a business resumption plan, and key organizational units to oversee security and project delivery. The commissioning of a new data centre has brought physical data security in line with best practices.

The Corporation continued to emphasize skill development, creating a permanent internal training unit and introducing a formal certification process for competency in benefit administration. Project management is now an established core competency of the Corporation, with a project office created to foster project management best practices and to maintain a critical mass of skilled people.

In 2003 we finalized the insourcing of technology and process development services. Our technology management team is now fully operational. A business process unit is in place and developing its own practices and priorities.

### **Into 2004**

We enter 2004 committed to constant improvement, to supporting staff, and to putting customers first.

Constant improvement means refining processes, optimizing technology and measuring everything we do against those standards that exemplify excellence in our industry. As the new pension administration system continues to stabilize, we will adapt with priority changes and smarter processes. The Corporation will continue to consolidate and refine the risk management structure established in 2003. Along with business resumption planning, enhanced documentation, and data security, we recognize that managing financial risk is critical to the integrity of our operations.

Supporting staff means providing our employees with a safe and healthy workplace, the tools to do their jobs well, and recognition for outstanding effort. Staff accommodation plans for 2007 were expedited and expanded for implementation in 2004. When staff are permanently relocated mid-year, they will enjoy a workspace that is not only healthier but also more productive than ever before. The Corporation will continue to invest in employee's success through training, team-building, and defining clear standards. As always, we will acknowledge staff whose leadership and hard work exceeded our expectations.

Putting customers first means creating a customer-centred culture throughout the entire organization. We will spend the next three years improving the quality of our products and the speed with which we deliver them to our customers, researching customers' needs and aligning our services with best practices. The

Corporation will launch a pilot project for member online services in the summer of 2004 with full implementation expected in 2005. Technology updates and architecture changes will continue to enhance online services for employers throughout 2004. As the Board has directed the Corporation to accommodate an expanded role for employers in plan administration, it will become more critical than ever that we treat employers as clients. We must address their concerns and equip them with the information and resources they need to take on a challenging new role.

## **2004 – A Year of Service Excellence**

We begin 2004 with a corporate imperative to bring operational performance at least back to historical levels. Attaining these levels will be challenging, as we expect a significant increase in demand for services to members due to growth in client staffing turnover and aging plan membership. With improved processes, better communication with clients, and stable technology, the Corporation is poised to optimize its performance and to meet clients' expectations in 2004.

The Corporation's service agreement with the Minister of Finance is set to expire in 2004. Renegotiating this agreement is of monumental importance to the Corporation. It marks an opportunity to clarify the obligations and expectations of everyone involved in governing Alberta's public sector pension plans.

I am confident that the Corporation will continue to serve the Minister of Finance as the governor and administrator of the plans. Thanks to the skill and dedication of our staff, we will continue to provide high-quality, cost-effective pension services to all of our customers.

David Smith,  
Chief Executive Officer  
APA Corporation

# **Corporate Information**

## **Corporate Governance**

The Government of Alberta is the sole shareholder of APA Corporation. The Corporation's Board of Directors is composed of eight members: one director nominated by each of the Local Authorities Pension Plan (LAPP), Public Service Pension Plan (PSPP), Management Employees Pension Plan (MEPP) and Special Forces Pension Plan (SFPP) boards; a representative of the shareholder; and three independent directors who are not employed by the Government of Alberta.

### **Governance Initiative**

APA Corporation's Board of Directors embarked on the development of a new governance framework based on principles conceived by John Carver. This new framework enables the Board, and therefore the Corporation, to focus on what we exist *for* rather than what we *do*.

The new framework defines the accountability relationship that exists between the Corporate Board and the management of the Corporation. In using this model, the Corporate Board delegates authority to the Corporation through the Chief Executive Officer (CEO) to achieve greater efficiency across the Corporation. The Corporate Board specifies clear expectations ('ends'), corresponding responsibilities, and actions to be avoided ('limitations') in achieving these ends. These ends and the associated limitations were communicated by way of a written Policy Registry. This registry specified:

- a new mission and over-arching ends for the Corporation; and
- a comprehensive set of limitations that the Corporation must operate within.

## **Focusing on People**

In order to attract and keep good people, the Corporation must create an environment that supports employees and their efforts. Below are several important ways the Corporation strives to be an employer of choice.

### **Balancing Work and Life**

The Corporation recognizes that work is only one facet of employees' lives. By maintaining outside interests, employees are more apt to achieve a healthy work and life balance and, in turn, be more productive. The Corporation introduced Wellness Month to encourage all employees to strike an optimum life and work balance.

In addition, the Corporation acknowledged the importance of taking time off by proposing a new policy to allow new employees to take a vacation during their first year of hire.

### **Developing Teams**

Diverse ideas lead to innovative problem-solving and better service for our clients. The Corporation will encourage the development of successful teams by making team-building workshops available throughout 2004.

### **Defining Expectations**

Employees deserve a clear description of their job duties, well-defined standards, and a sense of how their work contributes to the success of the Corporation. APA Corporation defines its expectations with its employees through a process called Targeting Achievement. Progress evaluations occur at the mid-point and end of each year, ensuring employee support and understanding as well as continuous alignment with business unit and corporate ends.

### **Supporting Training and Development**

Continuous learning and personal development contribute to a rich and collaborative work environment. Through personal development plans, all Corporation employees defined meaningful learning opportunities, benefiting both the employees' growth and the Corporation's succession plans.

### **Keeping Employees Informed**

An open flow of information helps employees feel empowered and connected to the Corporation. Human Resources surveyed staff to determine whether their information needs were being met. The survey identified two areas for improvement. The staff orientation manual and seminar were revamped, and plans began for enhancing the information employees regularly receive regarding their employment benefits. Delivery will commence in 2004.

### **Recognizing Achievement**

APA Corporation is dedicated to employee satisfaction and morale and to recognizing employees who exemplify leadership and hard work.

In our fifth year of recognition, 60 individuals were nominated in six categories. Recognition awards were presented in each of the categories. Twenty-three individuals were recognized for dedicated service varying from 5 to 35 years.

2003's award recipients were:

**New Employee of the year:** Dale Ford (Benefits Clerk, Benefits Administration)

**Mentor of the Year:** Diane Campbell (Supervisor, Benefits Administration)

**Leader of the Year:** Theresa Frauenfeld (Team Lead, Information and Records Management Services)

**Internal Customer Service of the Year:** Kirsten Hayes (HR Specialist, Human Resources)

**External Customer of the Year:** Maria Coscarella (Benefit Specialist, Benefits Administration)

**Team Service Excellence of the Year:** User Acceptance Testing Team

Trevor Trantor

Susan Smith

Cathy Leddy

Julie Kemper

Sharon Bolton

Jeannine Bailey

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# Management's Discussion and Analysis



## **Overview**

The financial condition and results of the operations of APA Corporation are reported in a Management's Discussion and Analysis (MD&A) format for the year ending December 31, 2003. The six guiding principles of the MD&A structure that apply to private sector corporations have been followed, although some areas were modified to reflect the fact that APA Corporation is a crown corporation.

The MD&A is:

- 1) an analysis through the eyes of management;
- 2) a complement and supplement to the financial statements;
- 3) a transparent discussion of corporate activities;
- 4) forward looking;
- 5) focused on management's strategy for enhancing the value of the Corporation to its clients and shareholder; and
- 6) written in plain language without exaggeration.

## **Section One: Core Business, Goals and Priorities**

Our core business is to provide comprehensive, reliable, timely and cost-effective pension benefit administration to our customers and to support the sponsors and plan governors with a variety of services.

At year end, APA Corporation:

- provided administrative services to 478 participating employers across the province of Alberta;
- provided pension-related services to 174,000 active and deferred members and 54,000 pensioners; and
- reported combined assets of our contributory defined benefit pension plans of \$16.5 billion, ranking APA Corporation as one of the ten largest pension administrators in the country based on fund size.

In 2003, our goals for each core business were:

### **Pension Benefit Administration**

#### **Goal 1**

##### **Best practices for pension benefit administration service**

We define administrative service quality in terms of relevance, clarity, accessibility, reliability and speed. Services presently include contribution and data collection, employer training, member education and information, handling inquiries and distributing information, benefit estimation and calculation, pension payments and tax compliance. Plan boards require that quality of services to their members and pensioners be job one at the Corporation.

- Continuously improve speed of service, reliability, and accessibility using business process development techniques and technology.
- Understand the potential to improve the scope, relevance and clarity of service delivery and products through client surveys, industry benchmarking and active participation in the pension administration community.
- Maximize clarity and reliability using communications best practices combined with oversight by legal services and administration program managers.
- Maximize service quality generally through just-in-time training and continuous education.

#### **Goal 2**

##### **Keeping the cost of administrative services competitive**

Competitive cost requires that plan service charges compare favourably with the costs of similar services provided by other public or private sector organizations. Our customers generally see economy as the second major requirement of the Corporation.

- Streamline administration using business process design best practices.
- Eliminate unproductive use of people by using technology wherever human judgment is not needed and is cost-beneficial.
- Outsource administrative and support functions where it is cost-beneficial to do so and where undue risk would not be created for the Corporation, its customers or its owner.

- Maximize productivity through skills development, user-friendly applications and performance incentives.
- Minimize waste through effective internal controls, budgetary control and activity-based costing.

### **Goal 3**

#### **Provide products that meet customer demands**

Because our customers are obliged to use the Corporation as their service provider, the ability of employer sponsors and plan boards to offer competitive benefits to their employees and members is wholly dependent on the Corporation's readiness to offer new services. Accordingly, our service scope can enhance or impair the effectiveness of the human resource strategies of plan sponsors.

- Understand customer demands through ongoing consultation with boards, employers and government.
- Develop and maintain expertise in the design of pension and ancillary benefits and in the scope of administrative services available.
- Develop rigorous business cases to support decisions on benefit changes and related administrative options.

### **Goal 4**

#### **Provide fast, economical solutions to new service requests**

The lead-time for implementing new plan rules or even establishing new plans can be very short following a decision by the plan governors or sponsors. Implementation costs can be a deciding factor in providing new benefits or establishing a plan under the administration of the Corporation.

- Develop and maintain flexibility and scalability in administrative applications and databases.
- Develop and maintain resident expertise and control in system and business process design and administration.
- Anticipate service scope changes through consultation with boards, sponsors and government and active participation in the pension administration community.
- Minimize fiscal obstacles through early recognition of possible service scope changes in financial and business plans.

## **Support Services to Sponsors and Plan Governors**

### **Goal 5**

#### **Provide a menu of professional services that cater to plan governors and sponsor organizations with varied capacities and constitutions**

Sponsors and governors of the public sector plans currently administered by the Corporation are represented jointly through plan boards or committees, or by the Department of Finance. The ability of any one of these organizations to directly manage any of these functions depends on how it is constituted — especially its span of authority, and the size of the plan it governs. Services presently provided by the Corporation to these organizations include policy research, legal, financial management, secretariat and plan communications.

- Maintain in-house or contracted capacity to provide comprehensive services to groups who lack the capacity to directly manage such resources, or choose to purchase such services from us.
- Facilitate direct management by groups that have the capacity and so choose.
- Assess service scope and standards requirements through benchmarking and consultation.

## **Goal 6**

### **Provide expert professional service delivery to fiduciary standards**

Professional services provided in support of fiduciaries must meet expert standards. Persons providing such services acquire fiduciary responsibility, and must behave and advise their clients accordingly even when such advice is unsolicited.

- Hire employees and contractors that meet exacting professional and experiential qualifications.
- Maintain a rigorous continuing professional education program.
- Maintain fiduciary standards through codes of conduct and peer quality reviews of the work of employees and contractors.

## **Strategic Priorities for 2003**

The following is a detailed explanation of the strategic priorities that the organization focused on in 2003.

### **APEX Implementation**

The Corporation commenced a three-year initiative, the Alberta Pensions Excellence (APEX) Project, with the objective of substantially improving the quality and efficiency of existing pension administration services. For 2003:

- customizations to the base system were to be implemented to enhance functionality;
- employer Web-based services were to be in full production for all pension plans administered;
- Web service delivery for members was planned; and
- a re-design of the pensioner payroll system for early 2004 was included.

Call centre technology was to be in place by the end of 2003, and document management, imaging and workflow technology projects were planned for early 2004.

### **New Products**

Enhanced flexibility provided through the APEX initiative allowed the Corporation to meet new product demands from the Plan Boards. On confirmation of demand, and with the approval of the Trustee, the Corporation would develop policies, processes and systems for new products and services including the potential for:

- flexible pension plan benefits in 2004; and
- support for defined contribution plans and phased-in retirements in 2005.

### **Performance Measurement**

The Corporation uses performance measurements to account to its shareholder, corporate board and customers. Performance measurement, using the balanced scorecard technique, is also a key management tool. Measurements currently in use are similar to those commonly applied by peer organizations but they do not fully satisfy the following business requirements:

- the needs of the corporate board in assessing the success of corporate strategies;
- the needs of customers measuring service quality; and
- the needs of management respecting employee incentives.

In 2003 and early 2004, concurrent with its imaging and workflow project, the Corporation planned to research best performance measurement practices and implement new approaches to remedy these deficiencies.

### **Customer Relations**

The Corporation does not have a precise strategy for establishing and maintaining relationships with each plan's board and employers. Memoranda of Understanding with plan boards that describe service expectations and satisfaction surveys that seek to measure plan board and employer satisfaction fall short of meeting each party's needs for proactive consultation. In 2003, the Corporation planned to develop and implement structures and processes to meet this need.

### **Risk Management**

Although an enterprise-wide risk review was not scheduled for completion until 2004, work on data centre renovations, activity-based costing, business resumption planning and financial control over collection of contributions and benefit assessments and payments were identified as priorities. Also in 2003, assessment and improvement, where necessary, of the technology infrastructure security, data and applications were planned.

### **Skills Development**

Our employees share a deep understanding of the pensions business, which by nature is complex. However, as we move further into a knowledge-based workplace, the Corporation needs more structured approaches to education. Development, staffing and the implementation of a comprehensive education plan occurred.

In addition, given the activities and urgent needs of the Corporation, in-depth strategic management and project management competencies were to be developed.

### **Resident Corporate Support Services**

Information and technology management of the highest caliber is critical to the success of the Corporation. Standards for minimal response times and economical solutions cannot be compromised. A decision to in-source Information Technology (IT) resources was made, as it would mean enhanced control of economies and improved risk management. Strategic management of IT resources was to continue over 2003.

It was also concluded that business process engineering is a core competency of the Corporation. In 2003, plans were to be in place to build the organizational units necessary to meet this need.

## **Section Two: Results 2003**

Results for each core business, its goals and the strategic priorities for the Corporation in 2003 are described below.

### **Pension Benefit Administration**

Pension benefit administration services cover all of the services that the Corporation provides to pension plan members, pensioners and employers.

#### **Services to Members**

In 2003, the Corporation:

- reflected new legislative changes by providing and distributing updated member handbooks for all plans;
- began the development of member online services in late 2003 in response to changing Internet usage by members. In 2004, member online services will be tested on a focus group of members and a pilot will be developed for approximately 500 members. Full implementation is projected for 2005;
- delivered 907 one-on-one information sessions and 88 group information sessions to members. These sessions focused on comprehensive information about the benefits of the plan and how they might apply to them;
- commissioned an independent third party to conduct satisfaction surveys of members to assess client satisfaction with the products and services provided by the Corporation;
- collected beneficiary and pension partner information from nearly 42,000 members; and
- automated the amortization of members' purchase of periods of leave of absence.
- for the first time sent Member Annual Statements for MEPP and PSPP directly to members. The new pension administration system allows APA Corporation to collect members' home addresses. Having member addresses in our database will improve our ability to contact members who leave funds with their pension plan upon termination of their employment.

**Mailing of Member Annual Statements – Performance Statistics<sup>1</sup>**

		Target <sup>2</sup>	Actual Results
<b>Annual Member Statement For</b> <b>Active Members</b>	Mailed by March 31	75%	52% <sup>3</sup>
	Mailed by June 30	100%	95%

See Appendix 4 for additional reporting on member annual statements.

<sup>1</sup>Included in the specified auditing procedures report of the Office of the Auditor General (Appendix 5).

<sup>2</sup>Targets are determined by the memorandum of understanding between the pension plan governors and boards, and APA Corporation.

<sup>3</sup>Mailing of Member Annual Statements did not meet targets in 2003 because the program used to generate the statements for the new pension administration system was not fully operational until the end of the 2<sup>nd</sup> quarter.

- Members' pension partner and designation of beneficiary forms were sent with Member Annual Statements.

During 2003, services delivered to members did not achieve all performance targets. See Appendix 2 for performance results.

A number of factors contributed to this:

- implementing the new pension administration system led to uncertainty in business processes and highlighted the need to improve both processes and the associated documentation standards;
- staff training focused on the pension software package but fell short of an integrated training program that would have improved the ability of trainees to learn and retain the information;
- data issues pertaining to converted and newly stored data created calculation problems that increased the time needed to complete service requests;
- resource shortages across the organization occurred as staff supported implementation, continuing system developments and strategic initiatives;
- delayed delivery of critical functionality contributed to backlogs in optional service purchase functions;
- unfamiliarity with new data formats and requirements doubled employer transaction errors, requiring significant support to resolve; and
- new regulations for pension division on marital breakdown caused instability in the administrative environment.

As a result, services to members fell short of our standards over the course of 2003 and a number of initiatives are planned in 2004 to return to historic service levels. Please refer to the Outlook 2004 section of this Annual Report for further information.

### **Services to Participating Employers**

The employer's statutorily-defined responsibility is to enroll members and to deduct and remit contributions, but historically they have also had administrative responsibilities related to the delivery and dissemination of pension benefit information. To support employers, during 2003, the Corporation:

- delivered a series of specialized publications (APEX Bulletins) dealing with changes resulting from the implementation of the new pension administration system;
- updated the Employer Instruction Manual to reflect changes in the pension administration system;
- delivered Employer Information Workshops;
- established a business unit that acts as an employer liaison and is responsible for employer training, issue tracking, and resolution;
- consulted with employers and implemented system enhancements to employer online services based on feedback. At December 31, 2003, the employer participation rate was 60 per cent;
- conducted employer satisfaction surveys; and
- provided workshops to 36 employers, focusing on comprehensive information about plan rules, legislative changes and effective administration. See Appendix 3 for further information.

Late in 2003, some participating employers began voicing concern on their role in pension benefits administration. Some of the concerns related to the Corporation's new ability to mail directly to members.

Some employers favoured a more visible role with their employees in the delivery of pension benefits and expressed dissatisfaction with being excluded from this contact. However, other employers voiced

concern about the liability they were assuming by providing pension benefit information and, in particular, their lack of statutory responsibility to assume these duties.

As a result, an initiative is scheduled for 2004 and 2005 to make recommendations for alternative frameworks for employer responsibilities. This initiative is discussed more fully in the Outlook 2004 section of this Annual Report.

### **Services to Pensioners**

Pensioners rely on the Corporation to provide accurate and timely pension payments, income tax reporting and support for inquiries. With nearly 55,000 pensions paid monthly, delivery of this service is an important element of the Corporation's business. In 2003, all pension payments were made on schedule and all income tax reporting was completed by January 31, 2004.

### **Support Services to Sponsors and Plan Governors**

The Corporation provides administrative and legislative support services to pension plan boards and ensures the Plan Governor is kept apprised of progress, issues and satisfaction of client groups. Satisfaction ratings with these services can be found in Section 3 of this Annual Report.

In 2003, the Corporation began discussions with the pension plan boards concerning their responsibilities and the processes by which they should be carried out. The Corporation plans to continue this work in 2004 with a renewed focus on the process by which the boards' responsibility to develop administrative policies is fulfilled. This process will ensure that any implications for the Corporation are addressed in the new Administrative Services Agreement with the Minister of Finance, due for renewal by January 1, 2005.

Compliance certificates were provided to client pension plan boards. These certificates provide assurance that:

- the plans are being administered in accordance with the plan rules and income tax regulations;
- there are appropriate processes in place to control cash receipts and disbursements;
- standards and practices exist to manage the security of records; and
- the business is protected from catastrophes such as accidents and disasters.

## **Strategic Priorities**

### **APEX Implementation**

The APEX Project commenced in April 2001 with a three-year timeframe and a \$19.2 million budget. The project goal was to enhance the Corporation's capacity to deliver pension administration services through the development of:

- an integrated and comprehensive database;
- extended automation;
- additional functionality to manage large transaction volumes; and
- an easily maintainable rules-based architecture to facilitate change and update capabilities.

In late 2002, PSPP and MEPP were implemented on the system. The Corporation focused on stabilization, process development and enhancement work in the first two quarters of 2003. These efforts culminated in the implementation of the Corporation's largest client pension plan (LAPP) in July 2003 and the final plan (SFPP) in September 2003. Backlogs of service requests that had developed while staff attended training were resolved by the end of the year, but data conversion and new process issues continued to impact a return to historical performance levels.

The project was successful and a valuable learning experience for the Corporation. The project was concluded, including all warranty requirements, in December 2003, nearly four months ahead of the original schedule. Total cost of \$19.1 million was slightly under the approved final budget. A full project implementation review report will be commissioned in 2004 for delivery in 2005 to determine where improvements might be made in future large projects.

The project included the delivery of online services for employers, delivered in late 2002. Based on post-implementation feedback concerning content, navigation and access/search functionality, enhancements were completed and implemented in September 2003.

Efforts to enhance online services delayed the development of online services for members, which began in the third quarter 2003. This will be tested with member focus groups and a pilot project for 500 members in 2004. Full implementation of member online services is scheduled for early 2005.

### **Call Centre Technology**

The implementation of call centre technology was deferred pending a review of imaging and workflow capabilities, and the development of a comprehensive customer relationship management strategy.

It is expected that the analysis of opportunities to enhance services using workflow technology will create new opportunities to improve inquiry services, and rather than retro-fitting telephone technology it was decided that the delivery of call centre technology could be added once imaging and workflow objectives and capabilities have been fully defined.

### **Document Management, Imaging and Workflow**

During 2003, progress on the Document Management, Imaging and Workflow initiative progressed on a number of fronts:

- a complete vision for information management practices within the Corporation was defined in the first quarter;
- a standard classification for hardcopy records was developed in the second quarter, and a management resource was hired to deal with the implementation of the classification system across the entire organization;
- the preferred future state, project objectives and requirements were defined at a high level in the third quarter;

- in the fourth quarter, the standard classification system was rolled out to the organization and the Request for Proposal for document management and imaging functionality was developed for release in early 2004;
- a comprehensive business case was developed and approved; and
- a microfiche conversion plan was completed.

### **New Products**

One of the objectives in the implementation of the new pension administration system was to create flexibility to add new product or service offerings. Two options considered were flexible pension benefits and defined contribution functionality. However, there is no current need to develop these products, and they have been eliminated from the business plan at this time.

In 2003, the Member Enrolment Package to welcome members to their pension plan and provide a high level description of the benefits and the member's responsibilities was created.

The following pension plan legislative changes were implemented for the client pension plans:

- Unlocking of pensions that do not exceed the small pension threshold;
- Immediate vesting at age 65;
- Coordination payments will be determined based on the life of the member and will be available, at the request of the member, in any amount up to the sum of CPP and OAS payments;
- Provision of automatic payout for non-vested members who do not elect to leave their funds on deposit within a specified time limit; and
- Removal of the one-year application time limit for reciprocal transfers (SFPP only).

### **Performance Measurement**

The level of effort and lengthy APEX implementation schedule precluded any significant work on a comprehensive review of performance measures to satisfy the needs of:

- Corporate Board to measure success;
- customers in measuring service quality; and
- management in assessing employee performance.

### **Customer Relations**

A comprehensive customer relations strategy for pension boards and employers was not completed in 2003, but early research showed opportunities for improvement. Actions were taken to address known issues, including:

- the amalgamation of data administration resources into the Benefit Administration unit to establish a 'one-stop' support system for employers; and
- the orientation of teams in Benefit Administration along industry/employer lines to facilitate communications and awareness of employer issues and constraints.

For 2004, the Corporation will have new focus, as the Corporation's Board of Directors has established a requirement for treating employers as clients. Additional information can be found in the Outlook 2004 section of this Annual Report.

## **Risk Management**

The risk management framework is aimed at ensuring that appropriate processes and controls are in place to identify, manage and monitor the business risks that arise from business priorities and goals. Recent initiatives in risk management have started to involve the entire organization. Through Enterprise Risk Management every part of the organization is responsible for managing risk in its own area, using processes established and coordinated centrally.

During 2003 the Corporation created a process and reporting structure to provide assurances across the organization that business opportunities and risks are identified by management. This includes:

- how the strategic environment is changing;
- how this is being managed; and
- what modifications in strategic direction should be adopted?

This information was delivered to the Board of Directors in a quarterly Strategic Risk Management Report in support of their responsibility for monitoring business risk and ensuring that risk mitigation or elimination is taken.

Beyond the development of a structure for monitoring and reporting on risk, the Corporation also completed:

- the development of a complete security framework to maintain the integrity of the Corporation's information resources and infrastructure. A Security Office was created and related policies are being implemented;
- the identification of processes and applications to manage financial risk, including improvements to financial analysis capability and internal control review;
- a Business Resumption Plan. High level process documentation for all critical business functions was on track for completion by March 31, 2004;
- the renovation of the corporate data centre for increased technological capabilities and information security; and
- a Project Management Office to enhance the Corporation's ability to deliver on strategic and operating initiatives.

For 2004, the focus of risk management will evolve to address the needs of the Corporation's new governance framework. In line with these standards, monitoring reports have been developed to provide information to the Corporation's Board of Directors on compliance with Board policies. Additional information on this subject can be found in the Outlook 2004 section of this Annual Report.

## **Skills Development**

The development and maintenance of a highly trained workforce is a critical factor for the Corporation.

- Progression exams were developed and implemented for Benefit Administration staff. This formal certification process ensures that information delivered to our clients is correct, consistent and current. This provides visible recognition of the accomplishments of individual members of the staff.
- Competency in project management is a key skill, critical to successful implementation of strategic and operating initiatives. In the fall of 2003, 30 staff attended a project management training session delivered by external professional trainers. For future years, the Project Management Office will ensure that knowledge and skills remain current through regular refresher sessions.
- In 2003, the Corporation created and staffed a separate business unit responsible for internal training. This unit ensures that:
  - training is always initiated as a result of process changes;

- process issues identified for remedial training are first analyzed from the perspective of the overall process and the efficiency of that process, and
- feedback obtained in external training sessions is directly connected to the business unit responsible for process analysis and improvement.

Overall, employees averaged over 53 hours of training and development each in various business areas in 2003.

### **Resident Corporate Services**

In late 2003, APA Corporation created a permanent business architecture unit that provides the standards and infrastructure for disciplined process development. The impetus for this permanent unit came from the recognition that rigorous process models will lead to:

- more efficient application development;
- earlier recognition of process inefficiencies;
- compliance reviews of internal control reporting;
- focus on maintenance of process documents;
- more reliable business case analysis; and
- superior training programs.

In addition, a permanent business architecture unit avoids the need to continuously contract external resources when the Corporation wishes to evaluate the efficiency of business processes only to lose that knowledge when the project is finished and the resources move on to new contracts.

Given the complexity of the business and the importance placed on the privacy of plan member information, high caliber information technology management is critical to the success of the Corporation.

In 2002, the Corporation determined that strategically-blended internal Information Management Technology (IMT) unit services, combined with specialized external contract support, were the ideal structure. In 2003, the Corporation continued to implement this model through the identification of required core IT competencies, and the creation of appropriate organizational structures to resolve gaps in in-house competencies. The Chief Information Officer implemented the plan, which included:

- development of Information and Record Management Services (IRMS) which is in the process of developing standards, methods and processes for collecting, indexing, safeguarding and archiving data; and
- creation of the Project Management Office that develops project management expertise, standards and protocols for all projects and managers. The full office will provide:
  - development of project plans;
  - assessment of project viability;
  - enhancement of project management protocol with managers and staff;
  - ensure proper practices are followed when overseeing and implementing projects within the organization;
  - lead the Corporation in coordinating strategic and large operating initiatives;
  - produce standardized business cases for all projects over \$500,000;
  - assess the manpower and capacity to deliver results; and
  - provide centralized project reporting to the Corporate Executive
- development of a Corporate Security program and business resumption plan.

## **Financial Results**

The Corporation's budget is approved by the Corporation's Board of Directors and, as the Minister of Finance is the sole shareholder of the Corporation, is consolidated in the budget of the department of Finance. The Corporation's actual spending is recovered from the pension plan funds according to a cost formula.

For 2003, Operating Costs were as follows (\$ million):

<u>Source</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operations	15.8	16.3	(0.5)
Major Initiatives	6.8	7.8	(1.0)
Plan Specific	2.2	2.5	(0.3)
Total	24.8	26.6	(1.8)

The variance in operating costs results primarily from position vacancies and a reduction in the Corporation's staff development spending while efforts focused on internal training on the new pension administration system. Major initiatives also showed under-spending compared to budget as a result of the delay in the Information Management and Pension Payroll initiatives.

For 2003, Capital Spending results are as shown in the following table (\$ million):

<u>Source</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Non-Major Initiatives	0.7	1.0	(0.3)
APEX Implementation Phase and Process Improvements	2.5	3.4	(0.9)
Total	3.2	4.4	(1.2)

The variance in capital spending results primarily from the delay in the Information Management and Pension Payroll initiatives.

## **Section Three: Key Performance Drivers**

There are certain highly visible customer needs that drive the development of organizational priorities and the selection of strategic initiatives that enhance the Corporation's capacity to meet our goals.

A variety of quantitative data is collected, including:

- level of service compared to performance standards;
- volumes of transactions;
- progress to schedules; and
- error or defect rates.

Ultimately, however, information of this nature does not convey the customer's perspective and whether or not they value the service delivered by the Corporation. As a result, the Corporation has chosen to focus on two measures:

1. satisfaction surveys
2. cost information and comparisons

### **Satisfaction Surveys**

#### **Client Satisfaction**

The Corporation uses surveys to assess client satisfaction with the products and services provided by the Corporation. Results from these surveys are used to develop strategies tied directly to our ends.

Customer satisfaction determines, in part, whether we are:

- meeting industry best practices;
- developing products that meet the needs of our customers; and
- delivering fast, economical solutions to new service requests.

Each year the Corporation commissions an independent third party to conduct satisfaction surveys of members, pensioners, employers and plan boards. The surveys are typically structured for reporting current satisfaction and changes from previous years. The surveys assess overall satisfaction, and include questions on specific services.

#### **Satisfaction Surveys**

Members and pensioners were asked to rate their overall satisfaction of service provided by the Corporation. Pension Plan Board members were asked to rate their satisfaction with various services the Corporation provides as well as the courtesy, knowledge and timeliness of their interaction with 5 main areas of the Corporation. Employers were asked to rate their satisfaction with the customer service they received from the organization.

Overall results	2003	Targets for Satisfaction in 2003 Business Plan
Member <sup>1</sup>	84%	96%
Pensioner	98%	96%
Employer <sup>1</sup>	74%	95%
Plan Boards <sup>1</sup>	89%	80%

\* See Appendix 4 for additional information on survey results

<sup>1</sup> Included in the specified auditing procedures report of the Office of the Auditor General (Appendix 5).

Generally speaking, the decrease in reported satisfaction with the Corporation's services can be traced back to delays and backlogs associated with the implementation of the new pension administration system. An initiative planned in 2004 to return to historic service levels is outlined in the Outlook 2004 section of this Annual Report.

### **Cost Information and Comparisons**

The 2003 per-member cost at \$77, excluding major system implementation costs, are below the Canadian peer group average of \$88. Compared internationally, using a different survey methodology, 2002 cost-per-member was \$72 compared to the peer group median of \$86, while service and complexity ratings are similar.

# **Section Four: Capabilities to Deliver Results**

## **People**

The pension administration environment is complex, and there are a significant number of initiatives being undertaken that make attraction and retention of knowledgeable resources critical to the success of the organization. We have in place:

- a very competitive salary and benefits program that is maintained by regular market assessments;
- regular assessments of corporate, business unit, individual, and financial achievement;
- financial support for training and development;
- a commitment to balance work and life with wellness programs, up-front vacation policies and flexible work hours;
- a stable workforce resulting from the negotiation of a two year contract with the unionized staff; and
- a comprehensive succession plan and a framework for achieving this plan.

Considerable strides have been made to attract highly trained individuals in the infrastructure applications, project management, security, communications, and business processes. Our turnover rate is low, at 6 per cent. To keep skills current, staff have individual training plans, and many are working towards various industry certifications.

In the future we plan to:

- establish a competency framework and standards for all officers, directors and managers to support succession planning and aid in development and recruitment efforts; and
- commence a number of training initiatives to support the objective of maintaining a skilled and well trained workforce, including:
  - supervisory training with an emphasis on coaching and mentoring;
  - the continuation of training in project management principles and process; and
  - team development workshops.

A 10% staffing increase is planned for 2004 to deal with the stabilization of the pension administration services. The primary goal is to return to performance levels that existed prior to the implementation of the pension administration system. Service levels had been adjusted to accommodate the implementation of the system.

## **Process**

The creation of a permanent business architecture unit in 2003 has already led to more efficient application development, the earlier recognition of possible process inefficiencies, more reliable business case analyses, and superior training programs. During 2004, this business unit will document all critical management processes. This effort has three benefits: it will provide current data for the assessment of internal controls; identify weaknesses in existing processes; and improve management's understanding of how the processes integrate into a comprehensive framework for corporate achievement.

Performance measurement for external reporting has been an important tool in the fulfillment the Corporation's principle of transparency. A plan is in place to evaluate the appropriateness of our systems to determine whether or not they are appropriate for assessing corporate success. In this process, performance measures that will be used to determine success relative to the end results will be validated.

In 2004, the organization is embarking on improving the strategic planning capabilities of managers and

directors. This will enhance the organization's ability to plan for operational and strategic initiatives, and position the Corporation for future growth in services and demands. This improvement will incorporate end results and limitations for each manager and director in the organization.

The Project Management Office will maintain a strict project management protocol for all corporate initiatives. In accordance with the new project management practices in the organization, a cross-functional team of managers and directors has been established. This team, known as the Planning and Priorities Committee, will monitor and facilitate the success of corporate initiatives and assist in ensuring the integrity of the information in the financial and business plans.

## **Technology**

The Corporation's technical infrastructure is current and secure. The new data centre houses all IT equipment in a secure location with air conditioning, power supply, and fire suppression. A storage area network was implemented to provide storage for the Corporation's data, allowing for current projects such as Information Management, and providing a future growth path. To provide for backup of the corporate data, a tape subsystem was installed to provide an on site copy and an off site copy of all data. This subsystem, again, has large future growth potential to be able to back up all the data.

From a security standpoint, policies were put in place to protect people, data, and equipment. A security policy and a security framework were written. Security patches from all vendors are applied conscientiously. Future directions will include safeguards against malicious activities (i.e. spam protection, upgraded firewalls, new virus protection software, and intrusion protection).

A documented corporate business resumption plan exists. In 2004 this plan will be maintained, enhanced, and exercised as required. Various specific contingency plans have been created and ongoing additions will be made as appropriate. We have established a working relationship with Emergency Management Alberta to participate in government wide business continuity activities and leverage the resources of the Government of Alberta.

A five-year capacity plan for infrastructure has been completed and is linked to the corporate business plan. This will define the standards for the upkeep and renewal of corporate IT hardware and software.

Our relationship with the vendor that supplied the core pension administration software is strong, and they continue to invest in upgrades and enhancements to the base system. We continue to work closely with the company on the application architecture and development methodology.

## **Financial Resources**

In 2004, the Corporation will undertake a zero-based budgeting exercise to identify the organization's ongoing operations with the resources and its ability to deal with operating and strategic initiatives.

The Financial Services business unit has been in the process of implementing activity based costing software that provides detailed information concerning the Corporation's cost drivers. This information will be used to advise our clients on the actual cost of the services they receive; determine the feasibility of alternative pricing strategies; and improve forecasting capabilities. Improved forecasting capabilities will improve the overall integrity of the business planning process through the quick analysis of the impact of strategic projects on financial plans, and determination of budget sensitivities to changes in transaction volumes and service scenarios.

All new corporate initiatives are subject to strict project management controls, including a complete and thorough cost-benefit analysis for any project over \$500,000. The standards for controls are continually being developed, refined and filtered throughout the Corporation to encourage project management consistency. The controls will allow the Corporation to better align and measure corporate initiatives directly to the ends and limitations.

An external assessment of internal controls completed in 2002 did not uncover any weakness in the overall framework nor did it identify any defects in the controls applicable to business processes. Nonetheless, good governance practices require that internal controls be constantly evaluated and

regularly updated to address changes in the environment. During the 2004 – 2006 period, the Financial Services business unit will sponsor a comprehensive review of control processes to ensure they are adequately protecting the assets of the Corporation and pension plans against losses due to errors or fraud.

## **Section Five: Risk Management**

The development of an enterprise-wide focus on risk has added significantly to the Corporation's capacity to analyze and manage that risk. Many of the priorities identified in the 2004-2006 Business Plan exist solely for the purpose of improving the risk position of the Corporation. Nevertheless, the Corporation must remain diligent in its monitoring and the following issues warrant additional discussion.

### **Communications**

In past years, lack of experience and staffing shortages in the Communications business unit have created quality issues and contributed greatly to client dissatisfaction ratings. To deal with this risk, in 2003 the Corporation put considerable effort into the development and delivery of strategic communication plans and advance requirements planning. The limited pension experience of new resources is being addressed with support from knowledgeable personnel in other business units and a process has been put in place to ensure that the resources responsible for quality assurance have signed off prior to final print approval.

### **Access to Subject Matter Experts**

One of the most critical risk factors facing the Corporation over the past years has been the availability of knowledgeable resources to support operating and strategic initiatives. For the 2004 to 2006 business plan, the Corporation's Board of Directors has tackled this issue and supported management's proposal to increase the staff complement. A staffing increase of 12 positions in 2004 and a further six positions in 2005 has been approved, bringing the total staff resource count to 191 and 197, respectively. However, there are still limitations on the number of available subject matter experts, and this has lessened the capacity of the organization to deal with initiatives concurrently. As a result, some important projects have had to be scheduled consecutively and, while this means a delay in the benefits that will be derived, the probability of successful implementation has been significantly improved.

### **Unpredictable Service Demands**

Current volume estimates for the number of service requests that the Benefit Administration unit will receive are unpredictable. A concerted effort has been made to predict the volumes for 2004 and beyond. However, we may face situations where demand will outstrip the capability of our resources.

The volume of requests for pension administration products and services was forecast based on actual trends over the last five years. These forecasts will be used to develop a zero-based financial plan for the business units. This level of analysis adds credibility to the estimates and creates the baseline from which any significant variance can be tracked.

However, the actual trends are significantly lower than expected. For example, the expected increase in the retirement rate was previously estimated to be about 8 per cent per annum based on analysis of the number of members who are eligible to retire. In reality, the retirement rate has only been increasing between 2 and 3 per cent of members per year. As a result, the basis for forecasting demand is conservative and, while this may be the preferred financial basis, it does create a level of risk of a significant variation in the volume of service requests the Corporation may receive. This risk is being managed by the continuous monitoring of service requests received by the Corporation and the capacity exists to increase staffing levels through alternative means where the volume of transactions exceeds our expectations.

### **Information Management Initiative**

The Corporation will be implementing document imaging and electronic records management commencing in 2004, and a number of steps have been taken to manage the cost and delivery risk of this project:

- all requirements have been fully identified and documented;
- the Corporation will acquire these technologies and services through a formal Request for Proposal and any significant cost variation from the original plan will be re-validated through a revised business case;

- all microfiche will be converted to digital images to safeguard information and to support efficient and timely access;
- a central electronic records management repository will provide a primary source of information and eliminate duplication; and
- requirements are in place to ensure connectivity in future to a workflow solution.

## **Application Software**

The application software developed over the course of the past several years forms the basis for future improvements in both services and service delivery. To do this, the applications must be maintained. The following major steps are being taken to ensure that the Corporation's mission-critical software is kept current:

- application architecture and standards are being established to ensure that secure, efficient systems are available to support the pensions business;
- a Proof of Concept will be conducted to establish the feasibility of the migration of the Pension Payroll application software from a mainframe to client server environment. If successful this will provide an alternative to redevelopment while minimizing risk and reducing both project and ongoing operational costs; and
- the Corporation will protect the investment in the pension administration system by evaluating core system upgrades to leverage business opportunities using new functionality.

The computing infrastructure implemented in 2003 has given the Corporation a robust technical foundation. Security, capacity and growth are continually evaluated to protect the computing environment and to avoid technical limitations that would otherwise prevent the Corporation from addressing business opportunities.

Annual Report 2003  
**Outlook 2004**



# **Outlook 2004**

This section addresses the outlook of the Corporation for 2004, its strategic and operating priorities, as well as its ends.

## **New Mission**

As part of the work done by the Corporate Board to improve the Corporation's governance structure and establish sound governance processes, a new mission and over-arching ends for the Corporation were developed.

These ends policies underlie the Corporation's capacity to deliver results and the risks that the Corporation faces in delivering service to its clients: the members, the pension plan boards, and the employers.

### **New Mission**

On behalf of the sole shareholder, the Government of Alberta, APA Corporation exists so that members, plan governors and employers in government-designated plans realize the benefits of sound pension administration.

### **Ends Policies Set by the Corporate Board**

1. Plan beneficiaries receive excellent pension services at a reasonable cost.
2. Plan governors receive services which support their fiduciary obligations to plan beneficiaries at a reasonable cost.
3. Employers are supported in utilizing a pension's administration as part of their relationship with their employees at a reasonable cost.

### **End Results Set by the Chief Executive Officer**

#### ***Members***

1. Administrator's statutory and fiduciary obligations to plan beneficiaries are met.
2. Service delivery costs are competitive with those charged by similar service providers and are acceptable to the Minister of Finance.

#### ***Plan Governors***

1. Plan governors have timely, reliable and accessible information about the administration of their plans.
2. Plan governors have support and advice for making decisions which affect pension policy and the administration of their plans.

#### ***Employers***

1. Employers have as many choices as are legal as to the roles they may have in communicating with and assisting their member employees.
2. Participating employers are trained and have the resource materials to properly carry out their responsibilities to their member employees.

## **Priorities**

### **Enhancing operational performance**

In 2004, the Corporation will continue to adapt to the new technology and associated change in culture through:

- staff training and certification;
- procedure refinement and documentation;
- improved performance measurement and tracking; and
- priority changes to the pension administration system.

By September of 2004, the Corporation expects that service levels, in terms of both quality and speed, will be up to standard and will continue to improve.

To further enhance operational performance, the Corporation will also place significant emphasis on developing employer and internal training manuals.

### **Ensuring a healthy and productive workplace**

Management decided to relocate staff occupying the 3<sup>rd</sup> floor of Park Plaza to another floor due to the presence of mould. In light of the renovations necessary for mould remediation, the Corporation has chosen to pursue further renovations in 2004 to create an environment that will optimize productivity and ensure physical stress and strain are minimized.

### **Enhancing business processes**

In 2003, the Government of Alberta introduced complex rules for pension division upon matrimonial breakdown. In order to meet these legislated requirements, the Corporation will integrate the new rules into the Corporation's processes, communications and pension administration systems in 2004 and 2005.

In 2004, the Corporation will also work towards improving the speed of service, reliability, accessibility and maintainability of products and services by completing the documentation of its core priority processes.

### **Evaluating and maintaining technology**

In 2004 and 2005, the Corporation will perform technical updates and architecture enhancements to online services for employers to improve the application's maintainability.

In accordance with best practices and Project Management Institute methodology, the Corporation will conduct a post-implementation review of its new pension administration system in 2005.

Over the next three years, the Corporation will also continue to protect the plans' investment in the new pension software product. Plans are currently in place to assess and test the latest versions of the software in 2004, 2005 and 2006, with implementation to occur in 2007.

### **Improving communications**

The Corporation restructured its Communications business unit in 2003 to provide strategic communications services to all plan governors and business units. In 2004, we will create sound, strategic communication plans and will focus in the coming years on implementing and improving those plans through proactive consultation with plan governors.

### **Anticipating customer and client needs**

The Corporation has identified the need to enhance member annual statements with personalized information for members' use in their retirement and financial planning. Work will commence on this in 2006, with delivery to occur in 2007.

Over the next three years, the Corporation will continue to place emphasis on understanding the potential to improve the scope, relevance and clarity of service delivery. This will be achieved through direct

consultation, client surveys, industry benchmarking, research and active participation in the pension administration community.

The present administrative services agreement with the Trustee expires in 2004. The Corporation will work with Alberta Finance and the pension plan boards to establish a new agreement to be effective January 1, 2005.

### **Improving risk management**

The shareholder, board and management have identified critical requirements for improvements to corporate risk management practices. The Corporation will continue to build on work done in 2003 and will make significant investment over the next three years in:

- a comprehensive plan to ensure business continuity in the event of business interruption;
- a corporate-wide system to ensure that all issues and initiatives within the Corporation are documented, prioritized, assigned and monitored;
- processes and applications to both monitor general business risks and meet the specific reporting requirements of the Corporation's new governance model; and
- processes to manage financial risk, including improvements to financial analysis capability and internal control review.

The Corporation also intends to build upon and implement its previously-established security framework to maintain the integrity of the Corporation's information resources and infrastructure.

### **Treating employers as clients**

Over the next three years, the Corporation will adjust the way it does business to reflect the Corporate Board's new policy to treat employers as clients.

The Corporation needs to understand and address the concerns and preferences of employers, plan boards and the administrator with respect to the role(s) employers can or should play in the administration of the plans. Further, the Corporation must understand the capabilities of employers and assess their awareness of the training required to perform expanded roles. Once there is agreement on the roles employers may legally perform in the administration of the plans, the Corporation will focus on establishing the training, communications and mechanisms necessary for the performance of those roles.

### **Improving client service applications**

The Corporation will expand its web-based services in 2005 through the delivery of member online services. This initiative will improve the Corporation's ability to send and receive information electronically as well as respond to the movement of business and government towards client self-service. To ensure smooth implementation, the Corporation will perform a pilot of this application in 2004.

### **Building efficient information management systems**

With the new pension administration system now in place, the Corporation will leverage this strategic resource to realize further business efficiencies through:

- document imaging;
- electronic records management;
- microfiche conversion; and
- workflow management.

Updated business cases predict costs materially higher than first anticipated. However, these predictions do not negate the value to be gained by the expected improvements in productivity levels from the automation of functions not requiring personal judgment. These initiatives will also ensure that plan and corporate information remains secure and accessible well into the future.

The Corporation will commence work on document imaging, electronic records management and microfiche conversion in 2004, with completion scheduled for 2007. The workflow initiative will commence in 2006, with completion scheduled for 2008.

In 2006, the Corporation will also invest in the in-house capability to host Web sites that are key in

providing consistent, streamlined navigation and detailed usage measurement. This work is scheduled to be complete in 2007.

#### **Improving core management processes and competencies**

The Corporation has made significant progress in establishing a framework for employee development and succession. However, we have not yet put in place those processes and related accountabilities that ensure the sustainability of an extremely competent workforce. This is now a priority for the Corporation. In relation to specific competencies, we will continue the work begun in 2003 to develop in-depth strategic management capacity.

## **Management's Responsibility for Financial Reporting**

The financial statements and information in the 2003 Annual Report are the responsibility of Alberta Pensions Administration (APA) Corporation and have been approved by management and the Corporate Board.

The financial statements have been prepared in conformity with Canadian generally accepted 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 Corporate 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. 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 Canadian 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, CA  
Chief Executive Officer

Terry Eliuk, CMA  
Chief Administrative Officer

May 13, 2004

Annual Report 2003

# Financial Statements



## **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, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA  
Auditor General

Edmonton, Alberta  
March 15, 2004

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

**Alberta Pensions Administration Corporation  
Balance Sheet**

December 31, 2003

	(\$ thousands)	
	<u>2003</u>	<u>2002</u>
<b>Assets</b>		
Cash.....	\$ 98	\$ 46
Accounts receivable.....	12	5
Prepaid expenses.....	120	2
Due from pension plans.....	3,224	3,925
Property and equipment (Note 5).....	<u>8,040</u>	<u>6,918</u>
	<u>11,494</u>	<u>10,896</u>
<b>Liabilities and Shareholder's Equity</b>		
Liabilities		
Accounts payable and accrued liabilities.....	1,376	3,039
Accrued salaries and benefits.....	502	342
Accrued vacation pay.....	719	597
Deferred lease inducement.....	70	-
Capital lease obligation (Note 13).....	787	-
Deferred capital contributions (Note 3(b)).....	<u>8,040</u>	<u>6,918</u>
	<u>11,494</u>	<u>10,896</u>
Shareholder's equity		
Share capital (Note 6).....	-	-
	<u>\$ 11,494</u>	<u>\$ 10,896</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

**Alberta Pensions Administration Corporation**  
**Statement of Income**

Year Ended December 31, 2003

	(\$ thousands)		
	<b>Budget 2003</b>	<b>Actual 2003</b>	<b>Actual 2002</b>
	(Note 17)		
Revenue			
Service Revenue (Note 7).....	\$ 26,541	\$ 24,713	\$ 21,881
Miscellaneous Revenue.....	62	75	79
Total revenue.....	26,603	24,788	21,960
Operating costs before APEX business system and plan specific costs			
Salaries and benefits.....	11,142	10,812	8,112
Data processing.....	630	753	2,953
Materials and supplies.....	1,368	1,361	1,493
Contract services.....	1,976	1,717	644
Rent.....	527	538	502
Amortization.....	681	629	465
Operating costs before APEX business system and plan specific costs.....	16,324	15,810	14,169
APEX implementation phase (Note 15a).....	5,669	5,996	5,743
APEX process improvements (Note 15b).....	2,133	825	-
Operating costs before plan specific costs.....	24,126	22,631	19,912
Plan specific costs (Note 10).....	2,477	2,157	2,048
Total operating costs.....	26,603	24,788	21,960
Net income.....	\$ -	\$ -	\$ -

**Alberta Pensions Administration Corporation  
Statement of Cash Flows**

Year Ended December 31, 2003

	(\$ thousands)	
	2003	2002
<b>Operating activities</b>		
Net income.....	\$ -	\$ -
Items not requiring cash		
Amortization.....	2,113	601
Capital contributions recognized.....	(2,113)	(601)
	-	-
Changes in non-cash working capital (Note 8).....	(805)	(362)
	<u>(805)</u>	<u>(362)</u>
<b>Investing Activities</b>		
Acquisition of property and equipment		
APEX implementation phase.....	(1,573)	(2,477)
APEX process improvements.....	(994)	-
Non-APEX.....	(668)	(1,014)
	<u>(3,235)</u>	<u>(3,491)</u>
<b>Financing activities</b>		
Increase in deferred lease inducement.....	70	-
Increase/(decrease) in capital lease obligation.....	787	(15)
Capital contributions received.....	<u>3,235</u>	<u>3,491</u>
	<u>4,092</u>	<u>3,476</u>
Increase (decrease) in cash for the year.....	52	(377)
Cash at beginning of year.....	<u>46</u>	<u>423</u>
Cash at end of year.....	<u>\$ 98</u>	<u>\$ 46</u>

**Alberta Pensions Administration Corporation  
Notes to the Financial Statements**

December 31, 2003

**1. Authority**

The Alberta Pensions Administration Corporation (the Corporation) was incorporated under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000. The issued share of the Corporation is owned by the Government of Alberta, and accordingly the Corporation is exempt from income taxes.

**2. Nature of Operations**

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 and the Financial Administration Act, Chapter F-12, RSA 2000, is responsible for administering the following pension plans:

- Local Authorities Pension Plan
- Public Service Pension Plan
- Management Employees Pension Plan
- Special Forces Pension Plan
- Public Service Management (Closed Membership) Pension Plan
- Members of the Legislative Assembly Pension Plan
- Provincial Judges and Masters In Chambers (Registered) Pension Plan
- Supplementary Retirement Plan for Public Service Managers
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan

All administrative services required by the pension plans are provided by the Corporation pursuant to an agreement with the Minister through to December 31, 2004. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically requested by individual pension boards.

### **3. Summary of Significant Accounting Policies**

#### **(a) Property and Equipment**

Property and equipment is recorded at cost and is 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 business system.....	3 to 5 years

Property and equipment under construction, including software development projects, is not amortized until completion and implementation.

#### **(b) Recognition of Deferred Capital Contributions**

Financing obtained from the public sector pension plan funds to acquire property and equipment is recorded as deferred capital contributions. These amounts are recognized as revenue on the same basis as the acquired property and equipment is amortized to operating costs.

#### 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 carrying values.

#### 5. Property and Equipment

	(\$ thousands)			
	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment.....	\$ 1,905	\$ 1,171	\$ 734	\$ 835
Software development projects.....	113	113	-	-
Computer software.....	724	499	225	112
Furniture and equipment.....	528	383	145	241
Telephone system.....	43	43	-	-
Leasehold improvements.....	315	68	247	124
APEX business system (Note 15).....	8,377	1,688	6,689	5,606
	<hr/> <u>\$ 12,005</u>	<hr/> <u>\$ 3,965</u>	<hr/> <u>\$ 8,040</u>	<hr/> <u>\$ 6,918</u>

#### 6. Share Capital

	2003	2002
Authorized		
Unlimited number of common shares.....		
Unlimited number of preferred shares.....		
Unlimited number of preferred shares		
1 common share, for cash (Note 1).....	<u>\$ 1</u>	<u>\$ 1</u>

## 7. Service Revenue

The Corporation charged each plan with its respective share of the Corporation's operating costs and plan specific costs as follows:

	(\$ thousands)	
	2003	2002
<b>Public Sector Pension Plans</b>		
Local Authorities Pension Plan.....	\$ 14,827	\$ 12,780
Public Service Pension Plan.....	6,568	5,676
Management Employees Pension Plan.....	1,364	1,104
Special Forces Pension Plan.....	976	827
Public Service Management (Closed Membership) Pension Plan.....	392	286
Members of the Legislative Assembly Pension Plan.....	74	68
Provincial Judges and Masters in Chambers (Registered) Pension Plan.....	76	65
<b>Supplementary Retirement Pension Plans</b>		
Supplementary Retirement Plan for Public Service Managers.....	368	330
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan.....	68	61
<b>Other Pension Plan</b>		
Universities Academic Pension Plan.....	-----	684
	<u>\$ 24,713</u>	<u>\$ 21,881</u>

## 8. Changes in Non-Cash Working Capital

	(\$ thousands)	
	2003	2002
Changes in non-cash working capital consist of the following:		
Decrease/(increase) in accounts receivable.....	\$ (7)	\$ 23
Decrease/(increase) in prepaid expenses.....	(118)	4
Decrease/(increase) in due from pension plans.....	701	(1,703)
Increase/(decrease) in accounts payable and accrued liabilities.....	(1,663)	1,041
Increase in accrued salaries and benefits.....	160	186
Increase in accrued vacation pay.....	122	87
	<hr/> <u>\$ (805)</u>	<hr/> <u>\$ (362)</u>

## 9. Related Party Transactions

	(\$ thousands)	
	2003	2002
The Corporation received the following services at amounts which approximate market from:		
Alberta Finance   Accounting and administrative.....	\$ 25	\$ 23
Alberta Infrastructure   Postage and parking rental.....	16	59
Alberta Corporate Service Centre   Data processing and postage.....	794	758

The Corporation also provided services to the Public Sector Pension Plans as disclosed in Notes 7 and 10.

## 10. Plan Specific Costs

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

	(\$ thousands)	
	2003	2002
Remuneration for Pension Plan Boards.....	\$ 136	\$ 162
Salaries and benefits.....	360	314
Contract services.....	1,376	1,205
Materials and supplies.....	285	367
	<hr/> <u>\$ 2,157</u>	<hr/> <u>\$ 2,048</u>

## 11. Salaries and Benefits Disclosure

		(\$ thousands)			
		2003		2002	
		Benefits and		Total	Total
		Salary (a)	Allowances (b)		
Chairman of APA Board.....	(c)	\$ 31	\$ -	\$ 31	\$ 24
Board Members of APA.....	(c)	72	5	77	50
President and Chief Executive Officer.....	(d)(e)	179	64	243	169
Corporate Officers:					
Chief Operating Officer and Corporate Secretary.....	(f)	151	40	191	155
Chief Administrative Officer.....	(f)	140	34	174	145
Chief Information Officer.....	(g)	108	28	136	52
Executive:					
Executive Director Operations.....		123	30	153	129

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

(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, vacation payouts and a cash payment equivalent to the contributions that would have been paid into a supplementary retirement plan.

(c) Remuneration paid to the Chairman and four board members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.

(d) Automobile provided, no dollar amount included in benefits and allowances figures.

(e) 2003 benefits and allowances include a \$15,000 payment equivalent to the employers share of contributions that would have been paid into a supplementary retirement plan for 2002.

(f) Benefits and allowances include vacation payouts to the Chief Operating Officer and Corporate Secretary \$nil (2002: \$5,000) and the Chief Administrative Officer \$nil (2002: \$9,000).

(g) Position was occupied for five months in 2002.

## **12. Pensions**

The Corporation participates in the Management Employees Pension Plan and Public Service Pension Plan which are multiemployer pension plans. The expense for these pension plans is equivalent to the annual contributions of \$610,000 for the year ended December 31, 2003 (2002: \$430,000).

## **13. Obligation Under Capital Lease**

The Corporation is committed under a capital lease for computer equipment for the periods extending to 2006. Future minimum lease payments are as follows:

	(\$ thousands)
2004.....	\$ 294
2005.....	294
2006.....	<u>294</u>
Total minimum lease payments.....	882
Less amount representing maintenance costs.....	<u>95</u>
Capital lease obligation.....	787
Current portion.....	<u>246</u>
Long term portion.....	<u>\$ 541</u>

## **14. Commitments**

The Corporation has entered into agreements with minimum annual commitments for office space and automobile as follows:

	(\$ thousands)
2004.....	\$ 549
2005.....	541
2006.....	540
2007.....	540

## **15. APEX Business System**

The APEX business system will provide a fully integrated system of enhanced pension administration services to employers, members, pensioners and pension plan boards. These enhancements will be accomplished through the implementation of new pension software, web based functionality and process improvements.

### **(a) New Pension Software and Web Based Functionality (Implementation Phase)**

Costs incurred, expensed, capitalized and amortized during the year were as follows:

	(\$ thousands)	
	2003	2002
Costs incurred.....	\$ 7,569	\$ 8,220
Costs expensed		
Implementation phase.....	4,785	5,607
Amortization.....	1,211	136
	5,996	5,743
Costs capitalized.....	1,573	2,477
Costs amortized.....	(1,211)	(136)
Unamortized costs at beginning of year.....	5,606	3,265
Unamortized costs at end of year.....	\$ 5,968	\$ 5,606

The implementation phase of the project was completed by December 31, 2003 at a total cost of \$19,153,000 compared to the approved budget of \$19,240,000.

**15. APEX Business System (continued)****(b) APEX Process Improvements**

Process improvements began in 2003 and costs incurred, expensed and capitalized were as follows:

	(\$ thousands)		
	Information Management	Pensioner Payroll	Total
Costs incurred.....	\$ 1,754	\$ 65	\$ 1,819
Costs expensed			
Process improvements.....	487	65	552
Amortization.....	273	-	273
	<hr/> 760	<hr/> 65	<hr/> 825
Costs capitalized.....	994	-	994
Costs amortized.....	(273)	-	(273)
Unamortized costs at end of year.....	<hr/> \$ 721	<hr/> \$ -	<hr/> \$ 721

The 2004 - 2006 financial plan operating and capital budgets for Information Management and Pensioner Payroll are \$5,789,000 and \$2,128,000 respectively.

**16. Subsequent Event**

In late 2003, a potential workplace health concern was identified on one of the floors occupied by the Corporation. Out of an abundance of concern for its employees' health, management chose to relocate all staff from this floor prior to commencing any remediation work in 2004. This potential workplace health concern will be fully remediated by mid-2004.

It is estimated that the uninsured cost associated with the temporary relocation of employees may be as much as \$100,000.

**17. Budget**

The 2003 budget was approved by the Board of Directors on November 21, 2002.

**18. Comparative Figures**

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Annual Report 2003

## Appendix



## **Appendix One** (un-audited)

### **General Pension Plan Statistics**

<b>Category</b>	<b>2003</b>	<b>2002</b>
<b>Active Members</b>	147,224	144,000
<b>Deferred Members</b>	26,678	29,500
<b>Benefit-related Inquiries</b>	66,066	44,631
<b>Pension Estimates</b>	20,192	19,100
<b>Termination Payouts</b>	3,433	3,900
<b>Service Purchase Requests</b>	3,239	3,500
<b>Retirement Options</b>	3,014	2,900
<b>Personal Member Interviews</b>	2,400	2,400
<b>Correspondence</b>	2,847	1,400
<b>Member Seminars</b>	145	190

## Appendix Two (un-audited)

### Service Measures

Performance measurement for purposes of external reporting has for many years been an important component in the fulfillment of the Corporation's commitment to open communication and transparency. It has been our past practice to incorporate a reporting of performance achieved compared to the specified standard in the annual report. In 2003 we considered including the first three service statistics below in the set of measures to which the Office of the Auditor General applied specific auditing procedures in early 2004. Upon further review of the data, because of issues with the data archives for this data, we decided not to include them in that set of measures. As a result, the performance measures and results have not been directly incorporated in the Management Discussion and Analysis section of the annual report but are provided in this appendix to continue our standard of full disclosure.

Service Measure	Historical Results (Calendar Days)	Results		
		Target	2003	2002
Pension Estimates*	10 days from completed application.	90%	92%	94%
Retirement Options (including Disability Pension Adjudication and Death Benefits)*	12 days from completed application.	90%	88%	87%
Termination Payments	21 days from completed application.	90%	89%	96%
Optional Service Costing	21 days from completed application.	90%	92%	97%
Reciprocal Transfers – this functionality was not available for 2003	Internal - 90 days from completed application.	90%	n/a	100%
	External - 180 days from completed application.	90%	n/a	100%
Telephone Enquiries	24 hours to respond.	95%	96%	100%
Written Enquiries*	Respond within 17 days of receipt.	75%	79%	81%
	Acknowledge within 17 days of receipt.	25%	9%	10%
Email Enquires	Respond within 14 days of receipt	75%	93%	n/a

\*Performance measures were increased to accommodate the implementation of the pension administration system in 2002 and 2003.

## **Appendix Three** (un-audited)

### **Employer Workshop Results**

In 2003, we conducted 38 employer workshops with 1,238 participants:

- PSPP held nine workshops with 245 employer representatives attending; and
- LAPP held 29 workshops with 993 employer representatives attending.

The following is the satisfaction rating from employers who attended the seminars on the content and presentation of the seminars.

	% Satisfied	% Very Satisfied
LAPP	19%	81%
PSPP	23%	77%
Overall satisfaction	21%	79%

# **Appendix Four** (un-audited)

## **Methodology**

### **Reporting of service and satisfaction measures in the annual report**

#### **Reporting on Member Annual Statements:**

PSPP and MEPP 2002 member annual statements produced between March and June 2003 were produced on the new pension administration system. LAPP and SFPP statements were produced from the legacy environment, before the pension administration system was implemented for LAPP and SFPP. The system generated statements based on information available from employers on March 31 and June 30 respectively.

Statistics only include statements that were available for mailing on March 31, and June 30<sup>th</sup>, 2003 respectively. Active member numbers come from the "Finance Membership Statistics Report" for the month of December 2002. LAPP and SFPP numbers come from the legacy system PENS6180 report dated Mar 25 and Jun 26 respectively. PSPP and MEPP are arrived at by review of each PDF Member Annual Statement files stored on the network drive that was processed prior to the end of June.

#### **Satisfaction Surveys**

##### **Member Surveys**

In 2004, 3,000 members who used APA Corporation services in 2003 were surveyed, 557 of these responded giving us a response rate of 19%. The survey sample required for a confidence rating of +/- .05 was 384. The survey was mailed to respondents by an outside third party to keep results confidential. The addresses were taken randomly for the four major plans – PSPP, SFPP, MEPP, and LAPP from the pension administration system. The only criteria for being eligible to receive a survey were that the member had conducted business with APA Corporation in 2003. Overall satisfaction with experience results are determined on the basis of the combined response categories of "Excellent" and "Satisfactory" in relation to members rating their overall experience with the APA. Any questions that had a response of N/A were not considered in the calculation of satisfaction percentages.

##### **Board Surveys**

In 2004, the four boards that administer the pension plans for SFPP, LAPP, MEPP and PSPP, were asked to complete satisfaction surveys based on activities for 2003. This survey was administered on-line through a secure web based interface. SFPP and MEPP responded as a group with a consensus on their answers, LAPP members chose to respond as individuals, and at the printing of the report APA Corporation had not received a response from the PSPP board. Overall satisfaction of board members was determined as the average of the combined response categories of "Very Satisfied" and "Satisfied" to questions relating to board members rating of their satisfaction with various services provided by the corporation, as well as courtesy, knowledge and timeliness of their interactions with 5 main areas of the corporation. Any questions that had a response of N/A were not considered in the calculation of satisfaction percentages.

### **Employer Surveys**

In 2004, 54 employers responded to the survey. The employers accessed the survey through a link provided on Pension E-news, the Corporation's administrative on-line employer newsletter. The issues of the newsletter that contained this link were sent out to 695 email addresses. This provides us with a response rate of 8%. Overall satisfaction with customer service results are determined on the basis of the combined response categories of "very satisfied" and "satisfied" in relation to employers rating their overall satisfaction with customer service provided by the APA. Any questions that had a response of N/A were not considered in the calculation of satisfaction percentages.

### **Pensioner Surveys**

In 2004, 3000 pensioners were surveyed, 993 of these responded giving us a response rate of 33%. The survey sample required for a confidence rating of +/- .05 was 382. The survey was mailed to the respondents by an outside third party to keep results confidential. The addresses were taken randomly for the four major plans – PSPP, SFPP, PSPP, and LAPP from the pension administration system. The total satisfaction scores are a total of satisfied and very satisfied, and agree & strongly agree.

## **Appendix Five**

### **Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures**

To the Shareholder of Alberta Pensions Administration Corporation

I have performed procedures 1 to 4 noted below in connection with the following performance measures of Alberta Pensions Administration Corporations included in the *2003 Annual Report of the Corporation*:

- Mailing of Member Annual Statements – Performance Statistics
  - Overall Satisfaction by Members with Services provided by the Corporation
  - Overall Satisfaction by Employers with Services provided by the Corporation
  - Overall Satisfaction by Plan Boards with Services provided by the Corporation
1. Agreed information from reports that originated within the Corporation to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
  2. Checked that the presentation of results is consistent with the stated methodology and that results are presented for each of the performance measures.
  3. Checked that the results presented are comparable to stated targets, and information presented in prior years.
  4. Checked that the key measures and targets agree to the measures presented in *Alberta Pensions Administration Corporation Business Plan 2003-2005*.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measure included in the *2003 Annual Report of the Alberta Pensions Administration Corporation*

FCA  
Auditor General

Edmonton, Alberta  
May 12, 2004

# Appendix Six

## Governance Framework Glossary

**Administrator** – The entity (person, board, or employer) that is responsible for ensuring that:

- i. the plan is administered in accordance with the terms of the plan and governing legislation;
- ii. all filing and disclosure requirements under governing legislation are completed;
- iii. investment agreements conform to the requirements of governing legislation; and
- iv. a statement of investment policies is developed and maintained.

**Administrative Services Agreement** – the agreement established with the Minister of Finance in 1995 in which the Minister contracted with APA Corporation to provide administrative services.

**Administrative Services Provider** – the organization or agency that provides administrative services to another organization or entity. Administrative services within a pension plan context typically include data collection and reconciliation, benefit calculation and payment, various forms of member communication, statutory filings but can also include policy support, website maintenance, retirement planning assistance or other such value-added services.

**Fiduciary** – one who occupies a position of confidence or trust and who exercises any power of control, management or dispositions with respect to monies or other property of a pension plan fund or who has authority or responsibility to do so.

**Governance** - refers to the processes used in the management, oversight and administration of an entity – a corporation (corporate governance) or pension plan (pension governance) for example. Simply stated, it is the exercise of duly constituted authority to make decisions, generally of a policy nature, or to regulate the actions or proceeding of individuals or organizations responsible for achieving objectives for others. Governance operates inside the realm of ownership and outside of the realm of management by focusing attention at a higher conceptual level aimed at establishing a framework for accountability, responsibility and control; clearing stating objectives; and receiving assurances through regular monitoring reporting that objectives are met and controls are operating effectively.

**Plan Governor** - any person or entity that has governance responsibilities in relation to the pension plans and, for the pension plan administered by APA Corporation, includes the Minister of Finance who is the legal trustee and administrator, pension plan boards and the Policy Division of Alberta Finance.

**Sponsor** – The party that establishes and funds a pension plan which could arranged in one of the following ways:

- the employer is the sponsor in the case of an employee pension plan maintained by a single employer; or
- the employee organization is the sponsor, in the case of a plan maintained by an employee organization; or

- in the case of a plan maintained by one or more employers and one or more employee organizations, the association, committee, or other similar group of representatives of the parties involved is the sponsor.

**Trustee** - One who acts in a capacity of trust as a fiduciary and to whom property has been conveyed for the benefit of another party.

## **2004 Corporate Directory**

### **Corporate Board Members**

Jack H. McMahon, FCA, Chair  
Business Consultant

Don Cummings, MBA, CMC  
Business Consultant

Ulysses Currie  
M.O.M, MIR., SPHR.,  
Member, SFPP Board

Peter Kruselnicki, P. Eng  
Deputy Minister of Finance

R.C. (Rick) Milner, CA  
Business Consultant

Leonard C. Pederson  
Vice-Chair, PSPP Board

Les Young  
Chair, LAP Board

### **Officers of the Corporation**

David Smith  
President and  
Chief Executive Officer

Jill Wlosek  
Chief Operating Officer  
and Corporate Secretary

Terry E. Eliuk  
Chief Administration Officer  
(to May 31, 2004)

Norm Ferguson  
Chief Administration Officer  
(effective June 1, 2004)

Janet Finlaison  
Chief Information Officer