



**Alberta Pensions  
Administration (APA) Corporation**

**2004 Annual Report**

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## Message from the Chair of the Corporate Board

On behalf of the Board of Directors, I am pleased to present the ninth annual report of Alberta Pensions Administration (APA) Corporation for the year ended December 31, 2004.

Much of the business of any board is to lay the framework for others to achieve successful results. 2004 was the first full year of operating under our new governance model. Throughout the year, we continued to make refinements to the way we govern and this evolution will continue. We believe the new governance model has had a positive impact on the entire organization by enabling APA Corporation to focus clearly on its objectives of acting on behalf of the Minister of Finance to provide excellent pension administration services to plan beneficiaries, plan boards and employers.

We are pleased with the overall performance of the Corporation. As illustrated throughout this report, the employees and officers of the Corporation have been successful in meeting their objectives. On behalf of the Board of Directors, I congratulate and thank them on their fine work.

### Memorandum of Understanding (MOU) with the Minister of Finance

During the year, the Corporation and the Minister of Finance completed an MOU, the purpose of which is to:

- clarify the government's expectations about roles, responsibilities, duties, functions, standards of care, policy direction, and performance expectations of the Corporation;
- identify all existing agreements between the Corporation and the Minister; and
- enhance communication through the exchange of information and clarification of public policy objectives.

The MOU sets the mandate and Government's expectations for APA Corporation, which are reflected in the Corporation's stated objectives of providing quality services to plan beneficiaries, plan governors and employers at a reasonable cost.

The Board's responsibilities contained in the MOU also reflect our purpose of:

- achieving appropriate results for appropriate persons at an appropriate cost; and
- avoiding unacceptable actions and situations.

### Strategic Direction

The Board now feels comfortable turning its attention more aggressively to the Corporation's strategic direction. Consistent with this focus, the Corporation has appointed a Chief Strategy Officer to deal with this very important initiative.

We will be looking at the various alternatives in considering the strategic direction the Corporation should take. This is necessitated by the fact that increasing frequency and shorter cycle of technology investment means technology-based costs are continually increasing. Current constraints on client base and service scope mean cost containment will become increasingly difficult in coming years without some changes in the scope and type of services offered.

The Board is challenged to find ways of overcoming this without increasing costs to members, creating any undue risks or conducting business outside the mandate of the Corporation. Any new strategic direction will be predicated on better service to the existing client base, containing costs and improving service. The Board will ensure it sets strategic directions to comply with

Government policies and will seek approval from Minister of Finance before committing the Corporation to any new directions.

The Corporation will consult with the plan boards, employers and members in developing a strategic direction for APA Corporation. We will be receiving recommendations from management and the Board's independent advisor on the Corporation's strategic direction before the end of 2005.

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In conclusion, I wish to acknowledge the people who have worked so hard to make APA Corporation an organization to be proud of by meeting the many challenges it has faced and providing a quality level of service to all of those it serves.

Thanks to all employees for their dedication to the organization and in meeting the needs of pension plan beneficiaries and for their support of the Board.

Thanks to the members of the Board for their support in achieving our mission and for their valuable insights and contributions.

Thanks to the Plan Boards for their support and cooperation.

Finally, I wish to thank Ulysses Currie and Peter Kruselnicki, who, because of career changes, have left the Board. They provided many years of valued service to APA Corporation and will be missed.

Respectfully submitted,

Original signed

Jack H. McMahon FCA  
Board Chair

## Message from the Chief Executive Officer

The whole concept of service and time has changed substantially over the past twenty years. Expectations around all aspects of service have increased and Alberta Pensions Administration (APA) Corporation has virtually recreated our way of doing business so all expectations can be met. For example, twenty years ago, members would wait up to three months after their last day of work before they would receive their retirement options package. Today, we deliver the retirement options within seven days from the date the retirement application is received from the member or employer.

Bank transaction records update only seconds after a transaction is processed. Many of the employers and members who participate in the plans administered by APA Corporation have the same expectation for processing their pension transactions. However, it's the job of a good steward to be able to distinguish how limited resources are to be used so our clients have the service they need at the time they want it.

At APA Corporation, we practice good stewardship, in part by balancing service needs to expectations. We continually look ahead to ensure we are prepared to meet the future service needs of our current and future clients. We had some notable successes in 2004 to this end.

### High Expectations for Service

In 2004, APA Corporation met the objectives of its business plan for the year. One of our primary goals for 2004 was the stabilization of operations following the introduction of the new pension administration system. At the start of 2004, our plan was to return to historic operational performance levels by September. For most activities, we achieved this by June 30 in spite of an increase in demand, which included a 50 per cent increase in requests for pension estimates. Our goal for September was reached for the remaining activities. This success was achieved through the collaborative efforts of all staff and every business unit.

“Thanks go to our staff who continued to work diligently towards achieving our goals.”

Ours is a client-centred culture and we have high expectations on our ability to deliver products and services to our clients. Each year, we establish goals and measurement standards for our performance. We review our capacity to deliver services and the level of satisfaction our clients have with those services. We also review our performance to ensure services and client satisfaction compare favourably to other pension administrators internationally.

An online service for members (*mypensionplan*) was introduced to a limited number of members through a pilot project. Information gathered through the pilot improved the service and aided in the main launch of the service in early 2005. New or re-vamped products for employers such as *Pension e-news*, *Pension News* and employer workshops were given high approval ratings from employers. Comments offered by employers were used to refine and enhance the online services for employers as this has become employers' preferred method of delivering transaction data to APA Corporation.

The services agreement with the Minister of Finance was extended until the end of 2005. Alberta Finance has begun work on clarifying the governance of entities within the public sector pension plan structure and this initiative could have an impact on how future service agreements could be structured. As the governance review will not be complete until the first quarter of 2006, the current agreement will be extended. Work in 2006 on a new Administrative Services Agreement will focus on bringing clarity to roles and responsibilities and refined standards to the new agreement.

### **Staff Recognition**

In 2004, we entered into an agreement with the members of the Alberta Union of Provincial Employees so the Corporation can provide monetary incentives for above average performance for all employees. Above average performance will be measured based on how well corporate, business unit and personal objectives are met or exceeded. We also revised our staff Recognition Program to focus on leadership, hard work and demonstrating corporate values.

### **Support to the Corporate Board**

APA Corporation has responded to Corporate Board governance changes. We have implemented a system for reporting to the Corporate Board which provides data based on their ends and limitations policies. With these reports in place, the Board is afforded more time to develop the Corporation's strategic direction.

**"We are actively supporting our Board to meet its responsibility to set strategic direction."**

In 2004, we created the position of Chief Strategist to assist the Board in developing and achieving their long-term strategic direction.

We support the Corporate Board in meeting their end results. It is with their support that we have been able to meet ours.

### **Strategy of Constant Improvement**

We are developing a strategy for working with employers to clarify their service needs and expectations and to improve overall efficiency in the delivery of services to plan beneficiaries. Part of that strategy involves inviting employers to participate in focus groups. Their comments and ideas have already been used to complete the development of an online guide for delivering pension information, processing instructions and forms.

Project management methodology guides us in setting priorities, and in managing costs and financial risks. By ensuring each initiative has appropriate resources and business support, we ensure we have addressed our priorities before initiatives move from one stage to another. This higher level of planning will lead to greater project success.

We continue to work to automate those tasks where a personal judgment is not required. In 2003 and 2004, the Government of Alberta introduced revised regulations related to the division of property on marital breakdown. We have an initiative in place to automate the calculation of benefits for members who have Matrimonial Property Orders.

## Priorities and Goals for 2005

Given the thousands of documents we either receive for action or generate in response to a service request, it is no surprise that one of our major initiatives relates to information management and workflow. Work to convert millions of microfiche into digital images will begin in mid-2005. In the end, our ability to store and retrieve documents or information will be corporate-wide and fully integrated with work processes and operations.

“We’re building capacity that will be relevant to all possible futures.”

Being able to provide members with “anytime, anywhere” access to pension information through mypensionplan is a major step in service delivery to members. 2005 will be the year of its official launch. Over the next three years, we will research the needs of our clients, both employers and members, and align our services with those needs. We expect service delivery to improve in both speed and quality as we optimize our pension system investment. An evaluation strategy is being implemented to ensure high levels of client satisfaction and to build on our reputation within the industry.

Finally, the Corporation commits itself to creating a culture that ensures we attract and retain the best staff possible. We want the employers and members who use our services to feel confident they are being served by knowledgeable people who have genuine interest in their situation. The plan governors, who play such an important role in setting the tone for each pension plan, can be assured members are getting the best service possible at reasonable cost.

Respectfully,

Original signed

David Smith, CA  
Chief Executive Officer

## **Working Environment**

To attract and keep good people, the Corporation continues to work towards creating an environment that supports employees and their efforts. The following shows some of the practices and processes the Corporation is using to become an employer of choice.

### **Balancing Work and Life**

Work is only one part of life. By maintaining outside interests, people are more likely to achieve a healthy work and life balance. This balance helps people to be more productive. The Wellness Program is one of the ways the Corporation assists employees to attain a work-life balance.

In 2004, the Wellness Program was expanded to a year-long program. Monthly lunch and learn sessions related to healthy non-work pursuits were offered. Attendance at these sessions was consistently high.

In 2004, the Corporation acknowledged the importance of having time away from work and changed vacation policies to ensure new employees have vacation time in their first year of service.

### **Developing Teams**

When business units work as teams, they benefit from the combined knowledge and experience of each of their members. The Corporation encouraged the development of successful teams by implementing a team development training program. Work in team-building will continue in 2005.

### **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, Corporation employees define 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 conducted an employee survey in 2004. The survey is an important communication tool which gives the employees an opportunity to convey their thoughts in a variety of areas. It also provides the Corporation with an opportunity to address leadership, training and other issues that come to light as a result of the survey. The survey will be conducted twice annually.

## Recognizing Achievement

Employee satisfaction and morale are important components that affect overall performance and work-life balance. It is also important to recognize those employees who exemplify leadership and hard work. The Corporation's Recognition Program was completely revised for 2004.

The Recognition Program recognizes behaviours that promote the Corporation's values and form the criteria for nominations.

For 2004, the sixth annual recognition event, there were over 40 individuals nominated in the revamped program.

A new category called "Community Service Volunteer Awards" was added to recognize the efforts of our employees within our larger community. This is part of the Corporation's commitment to the environment that extends beyond the work we do here.

Nineteen employees reached service milestones in 2004 and were recognized at the awards ceremony.

Finally, a new program called "Bright Ideas" will begin in 2005 to encourage innovative and continuous improvement.

## 2004 Recognition Program Award Recipients

Diane Seeger	Benefit Administration
Jason Gallant, Murray Gordon, and Walter Richards	Information Management and Technology Server Group
Julie Jackson	Policy, Board and Legal Services
Maria Coscarella	Benefit Administration, Client Services Centre
Kathie Anderson, Margarete Rose, Marilyn Carter, Eileen Crandall, Magda Albin, Peggy Konkle, Michelle Downey	Benefit Administration, LAPP Team 2
Colette Clement	Benefit Administration
Jenny Go, Diane Seeger, Diane Campbell, Sheila Beissel, Julie Wong, Kathie Anderson, Lori Lane	Benefit Administration

## 2004 Community Service Volunteer Award Recipients

Alondra Alvarado	Edmonton Women's Shelter
Ben Dusyk	Volunteer Firefighter, Devon
Shari McNeil	Westboro School Council Chair; Salisbury High School and Sherwood Heights Junior High School Council Secretary; Chair, Sherwood Park Dive Club
Stacey Beby	APA Corporation organizer for Camp Easter Seal 24 Hour Relay
Carole Aippersbach	Holyrood Boulevard Community Project and Consultation Committee



# **Management's Discussion and Analysis**

## Overview

This section contains management's discussion and analysis of the Corporation's operational and financial results and should be read in conjunction with the audited financial statements for the year ending December 31, 2004.

## Section One: Mission, Core Business and Priorities

### Corporate Mission

On behalf of the Government of Alberta, Alberta Pensions Administration (APA) Corporation exists so that members, governors and employers in government-designated plans realize the benefits of sound pension administration.

### Core Business

Our core business is to provide comprehensive, reliable, timely and cost-effective pension benefit administration to clients and to support sponsors and trustees with a variety of services to meet the following ends policies defined by the Corporate Board:

1. Plan beneficiaries receive excellent pension services at a reasonable cost.
2. Plan governors receive services supporting their fiduciary obligations to plan beneficiaries at a reasonable cost.
3. Employers are supported in the delivery of pension administration services as part of their relationship with employees at a reasonable cost.

At year end, APA Corporation:

- administered seven public sector pension plans and two supplementary retirement plans;
- provided administrative services to 470 participating employers across Alberta; and
- provided pension-related services to approximately 179,000 active and deferred members and 56,000 pensioners.

## Section Two: Key Performance Drivers

Key performance drivers are those activities and competencies where outstanding performance and favourable results are essential for the Corporation to achieve success. The two key drivers for APA Corporation are:

- client satisfaction and
- cost management.

The report by the Office of the Auditor General on the results of the specified auditing procedures on the key performance drivers is included in the Appendix 1.

### Client Satisfaction

The Corporation uses surveys to assess client satisfaction with its products and services. Results are reviewed and used to assist in the development of client service strategies.

The Corporation asked members, pensioners, employers and plan boards to rate their overall satisfaction with services and information provided by the Corporation.

Overall results*	2004 Target	2004 Actual
Members	85%	85%
Pensioners	98%	95%
Employers	85%	83%
Plan boards	85%**	75%

\* see Appendix 2 for additional information on the methodology for survey results

\*\* the 2004 target does not reflect the change in the sample size for actual survey results (see Appendix 2)

### Cost Management

Cost management is a major focus driving the Corporation's strategy to deliver cost effective administration services. A key measure at the corporate level is "cost per member". The average APA Corporation "cost per member" is based on total operating costs divided by the average total plan membership.

Overall results*	2004 Budget	2004 Actual
Average total membership	239,295	230,992
Total cost (\$000s)	\$25,734	\$24,433
Average cost per member	\$108	\$106

\* see Appendix 1 for additional information on the methodology for per member costs

## Section Three: Capability to Achieve Results

The capability of APA Corporation to execute its business plan and achieve its stated ends policies rests with its people, processes, technology and financial resources.

### People

The Corporation's goal is to attract and retain knowledgeable people. We have compensation and benefits reflective of the market and a commitment to work-life balance through flexible work hours and ongoing wellness programs. The Corporation maintained a low staff turnover rate for the year. In 2004, the Corporation entered into an agreement with the Alberta Union of Provincial Employees to provide monetary incentives for above average performance.

Every staff member is encouraged to complete a Personal Development Action Plan. In 2004, the Corporation provided over 11,000 hours of training and development to its 195 staff, primarily in the areas of project management, benefit administration, office applications and resource management. To enhance collaboration, team building workshops were delivered to each business unit.

During the year, a Health and Safety Committee was formed to monitor and report on the working environment of all employees. In November, an employee survey was conducted to solicit feedback from staff on their view of corporate leadership, communication and alignment to corporate objectives. The results will be used as a baseline to assess progress on improving communications and increasing employee engagement.

### Process

The Business Architecture group identified and documented over 140 business processes. This documentation provides the Corporation with a blueprint of the critical processes in the organization. The blueprint will be used to re-engineer processes to improve the efficiency of our operations and enhance training and communication through the transition process.

In 2004, the Corporation focused on coordinating the successful implementation of corporate initiatives through the establishment of standards and frameworks based on best practices and project management disciplines. In 2005, the Corporation will be implementing project management software to improve management of resources, tracking, analysis and status reporting of corporate and operational initiatives.

Under the Corporate Board's new governance model, the CEO is required to evaluate and report the Corporation's compliance with the Board's ends and limitations policies. This is communicated to the Board through *CEO Monitoring Reports*. These reports provide objective evidence of compliance or non-compliance with the policies and assurance to the Board that the Corporation is soundly conducting business. The ends and limitations policies constitute a tool for the Board and management to assess risks or deficiencies in the performance of the Corporation.

In 2004, the Corporation enhanced and tested a model of the business resumption plan, ensuring that lessons learned from business interruptions and business changes are reflected in the plan. The Corporation continues to participate in government-wide business continuity exercises.

## Technology

Five elements of the Corporation's security framework were implemented during the past year. These included an electronic information vulnerability assessment, crime prevention through environmental design, standards and procedures for visitors, risk assessments for microfiche and the accommodation plan initiative. Future plans include evaluation and follow-up on vulnerability assessment issues and review of access control systems.

Through the information management initiative, the Corporation is developing an electronic records management system that will provide a structured method for organizing, tracking, searching, securing, storing, and disposing of electronic information. The initiative will also eliminate out-dated micrographic technology by converting existing records into a digital image format.

The Corporation's five-year *Capacity Plan* for computing infrastructure is to continue enhancements to the network, maintaining a stable, secure, and reliable infrastructure. The plan will ensure future capacity is available while continuing to ensure a secure and efficient computing environment.

The Corporation continued to invest in upgrading and testing the pension administration system. Plans in 2005 include an initiative to assess improvements in functionality with the latest version of the software.

## Financial

During the year, key processes in the Financial Services business unit were re-engineered or developed including:

- the establishment of finance coaches to liaise with business units in a "business advisor" role to improve the financial acumen within the Corporation;
- improvements in budget and resource capacity analysis;
- increased financial analysis on business case reviews; and
- initiation of an Internal Control Assessment Program.

The Internal Control Assessment Program is a comprehensive review of internal control processes to ensure they are operating as intended to reasonably safeguard corporate and pension plan assets against losses due to errors or fraud.

## Section Four: Results

The results for the Corporation and its core business cover financial results, service indicators, general pension plan statistics and corporate initiatives.

### Financial Results

Actual expenditures are recovered from plan funds according to a cost allocation formula decided by the Minister of Finance.

The Corporation's preliminary budget for 2004, as presented in the accompanying financial statements, was prepared by management and received approval (pending revisions) from the Corporate Board in November 2003. Subsequent revisions were approved by the Board in 2004.

#### 2004 Results (\$ million):

	Operating Expenses	Capital Expenditures
<b>2004 Preliminary Budget <sup>(1)</sup></b>	25.7	2.1
<b>2004 Budget Revisions</b>		
Core operations	1.0	(0.6)
Accommodation Plan Initiative	0.1	1.3
Information Management Initiative	(0.5)	1.0
<b>2004 Final Budget <sup>(2)</sup></b>	<b>26.3</b>	<b>3.8</b>
<b>Variances</b>		
Position vacancies, reduced contract services and staff-related cost reductions	(1.2)	-
Mainframe storage and other operational reductions	(0.3)	-
Deferral of corporate initiatives	(0.2)	(0.5)
Reduction in scope of corporate initiatives	(0.2)	(0.1)
<b>2004 Actual Expenditures</b>	<b>24.4</b>	<b>3.2</b>

(1) Approved by the Corporate Board in November 2003

(2) Approved by the Corporate Board during 2004

## General Pension Plan Statistics

As part of the annual budgeting process, the Corporation conducts trend analysis to determine future service demands. Based on the latest analysis, the Corporation is prepared to respond to the continued annual growth in active membership. Service demands were also analyzed and the Corporation anticipates growth year over year for the majority of service offerings. Staffing levels for core operational staff have been established based on these projections.

Category	2004	2003	% Change
Active Members	153,238	147,224	4.08%
Deferred Members	25,868	26,678	(3.04%)
Pensioners	55,829	53,840	3.69%
Benefit-related Phone Inquiries	74,225	66,066	12.35%
Pension Estimates	31,348	20,192	55.25%
Termination Payouts (refund to member or transfer to locked-in retirement account)	5,909	3,433	72.12%
Service Purchase Requests (for past employment or leave periods)	3,207	3,239	(0.01%)
Retirement Options	3,470	3,014	15.13%
Personal Member Interviews	3,230	2,400	34.58%
Correspondence	3,102	2,847	8.96%
Member Seminars	204	145	40.69%

The large variances between 2003 and 2004 for various categories can be attributed to several factors:

- maturing plan populations;
- an increased interest and awareness in retirement planning; and
- plan information and data that is easily accessible and available at no charge to members.

## Service Indicators

In 2002, service levels were adjusted to accommodate the lower productivity during the implementation of the new pension administration system. In 2004, targets were set in place to move service levels back to historic levels by September 2004; the majority of these standards were achieved by the end of June 2004; all were achieved by the end of September 2004. Expectations are that these targets will be met for all quarters in 2005. The following chart shows the performance achieved for the year compared to the standard.

Service Measure	Service Level	Target	Actual (2004 overall)
Pension Estimates	7 days from receipt of completed application	90%	95%
Pension Option Packages*	7 days from receipt of completed application	90%	89%
Pension Payment Finalized	30 days from receipt of required documents	90%	89%
Termination Payouts (refund to member or transfer to locked-in retirement account)	21 days from receipt of completed application	90%	98%
Cost to Purchase (past employment service or leave periods)	21 days from receipt of completed application	90%	91%
Transfers (with public sector plans in Alberta)	90 days from receipt of completed application	90%	86%
Transfers (with public sector plans outside Alberta)	180 days from receipt of completed application	90%	100%
Written Response	resolved within 14 days of receipt	75%	88%
email Response	respond within 14 days of receipt	75%	98%

\* includes Disability Pension Adjudication and Death Benefits

Mailing of 2003 Member Annual Statements Performance Statistics		Target	Actual results
Member Annual Statements for Active Members	mailed by March 31	75%	36.6% <sup>(1)</sup>
	mailed by June 30	100%	90.2% <sup>(1)</sup>

(1) Targets in 2004 were not met due to production issues.

In 2005, revisions to the processing of Member Annual Statements are planned. The timeline for mailing 75% of Member Annual Statements will be adjusted from March 31 to April 30 to coordinate with the launch of member online services (mypensionplan).

## Employer Workshops

In 2004, the Corporation conducted 40 employer workshops with 940 employer representatives. Participants were requested to rate the workshops on presentation and content. Overall satisfaction met the performance target of 96 per cent.

## Strategic and Operating Initiatives

A number of strategic and operating initiatives were successful in 2004:

- development of a comprehensive business resumption plan to mitigate risks to business operations in the event of a business interruption;
- implementation of reporting processes to monitor corporate performance;
- augmentation of the Corporation's security framework to maintain the integrity of the information resources and infrastructure;
- enhancements to operational performance to improve quality and speed of service;
- start-up of the benefit administration Client Services Centre;
- renovations to office facilities;
- documentation of core operational processes;
- increased participation in online services for employers\*; and
- a pilot project for the new online pension information service (mypensionplan)\*\*.

\* participation increased to 87% of active membership for 47% of employers

\*\* over 250 members from 26 employers participated in the pilot

## Outlook to the future

### Strategic Priorities:

To improve client services, Web-based services will be expanded through the delivery of online services to members (mypensionplan). The Corporation will assess the business case for replacement of the existing pension payroll system as well as call centre technology.

To clarify the role employers should play in the administration of the plans, the Corporation is consulting with employers and plan boards. Next steps include the review and development of a future service delivery model and establishment of the necessary training and communications to deliver administrative services.

The Corporation will continue to build efficient information management applications and systems including document imaging, electronic records management and workflow management.

To improve the Corporation's financial management, an investment will be made in processes to manage and mitigate financial risk, including improvements to financial analysis capability. Work will continue on the Internal Control Assessment Program.

A priority for the Corporation will be to put processes and related accountabilities in place to ensure the sustainability of a competent workforce. The process for project funding will continue to allow the Corporation to effectively manage capacity, project scope, timelines and costs.

### ***Operating Priorities:***

The Corporation will be reviewing and assessing initiatives to better anticipate client needs, improve service and operational efficiency. The Corporation will also work with Alberta Finance and plan boards to review the cost allocation formula and establish a new service agreement.

The Corporation will continue to review and assess enhancements to business processes, communications and systems to accommodate the integration of pension plan rule changes such as pension division upon matrimonial breakdown and reciprocal transfers.

The Corporation plans to continue enhancements to employer online services, focusing on security, internal systems and processes to support employers. Plans are also in place to assess the latest version of the new pension software product.

## Section Five: Risk Management

Together with the operating and strategic initiatives identified in the *APA Corporation 2005 – 2007 Business Plan*, the Corporation remains focused on risk mitigation around the following issues.

### Changing Role and Responsibility of Employers

The Corporation has recognized the need to develop a framework for employer relationship management to clarify roles and responsibilities that meet both the employers' and the Corporation's ability to deliver effective pension administrative services (statutory requirements and agreements) to plan beneficiaries.

### Increasing Cost of Technology and Services

The Corporation is experiencing increased technology and operating costs as a result of moving from a main frame to a Web enabled system with ongoing security impacts. This results in increased costs on a per member basis. The challenge for the Corporation is to seek ways to stabilize costs while maintaining a secure infrastructure and application environment. The Corporation is conscious of the continued demand by clients for new and faster services.

### Knowledgeable Workforce

Excellent service in a changing technological environment will be dependent on a highly skilled and competent workforce. Recruitment, training and development, retention and succession planning will all be significant challenges. A key focus in 2005 is to implement a competency based framework for recruitment and development of employees.

### Dependency on External Decision-Makers

The Corporation is dependent on the Government of Alberta to make changes to pension plan legislation in a timely manner. In some cases, decisions could impact the Corporation's ability to effectively prepare itself and plan beneficiaries for changes. The Corporation's ability to deliver planned initiatives can also be impacted.

### Dependency on Key Vendor

The Corporation has a partnership with the vendor of our pension administration software. The vendor's ownership, development of functionality and schedule for software upgrades may have implications for the Corporation, including availability of specialized technical assistance. The Corporation has made arrangements to mitigate the risk by entering into an escrow agreement with the vendor.

## Management's Responsibility for Financial Reporting

The financial statements and information in the 2004 Annual Report are the responsibility of Alberta Pensions Administration (APA) Corporation and have been approved by management and APA Corporation's Board of Directors (the 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, APA Corporation maintains a system of internal accounting controls comprised of written policies, standards and procedures, and a formal authorization structure. These systems are designed to provide management with reasonable assurance that transactions are properly authorized, that reliable financial records are maintained and that assets are adequately accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee (the Committee). As part of this responsibility, the Committee reviews the financial statements and annual report and, once satisfied, recommends them to the Board for approval. The Committee also meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

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

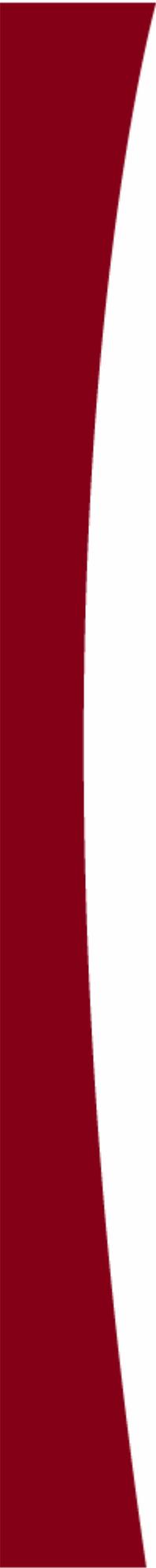
Original signed

David Smith, CA  
Chief Executive Officer

May 10, 2005

Original signed

Norm Ferguson  
Chief Administrative Officer



# 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, 2004 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, 2004 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

FCA  
Auditor General

Edmonton, Alberta  
April 12, 2005

**Alberta Pensions Administration Corporation**  
**Balance Sheet**  
December 31, 2004

	(\$ thousands)	
	2004	2003
<b>Assets</b>		
Cash	\$ 54	\$ 98
Accounts receivable	106	12
Prepaid expenses	103	120
Due from pension plans	4,509	3,224
Property and equipment (Note 5)	8,664	8,040
	<u>\$ 13,436</u>	<u>\$ 11,494</u>
<b>Liabilities And Shareholder's Equity</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,984	\$ 1,376
Accrued salaries and benefits	797	502
Accrued vacation pay	606	719
Deferred lease inducement	52	70
Capital lease obligation (Note 13)	1,333	787
Deferred capital contributions (Note 3(b))	8,664	8,040
	<u>\$ 13,436</u>	<u>\$ 11,494</u>
Shareholder's equity		
Share capital (Note 6)	<u>—</u>	<u>—</u>
	<u>\$ 13,436</u>	<u>\$ 11,494</u>

The accompanying notes are part of these financial statements.

On behalf of the Board:

Original signed

Original signed

\_\_\_\_\_  
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, 2004

	(\$ thousands)		
	Budget	Actual	Actual
	2004	2004	2003
Revenue			
Service revenue (Note 7)	\$ 25,669	\$ 24,381	\$ 24,713
Miscellaneous revenue	65	52	75
Total revenue	<u>25,734</u>	<u>24,433</u>	<u>24,788</u>
Operating costs			
Salaries and benefits	13,161	13,481	11,765
Amortization	2,692	2,612	2,113
Contract services	2,654	2,255	1,717
Materials and supplies	3,210	2,242	5,745
Rent	620	706	538
Data processing	506	414	753
Operating costs before plan specific costs	<u>22,843</u>	<u>21,710</u>	<u>22,631</u>
Plan specific costs (Note 10)	<u>2,891</u>	<u>2,723</u>	<u>2,157</u>
Total operating costs	<u>25,734</u>	<u>24,433</u>	<u>24,788</u>
Net income	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**Alberta Pensions Administration Corporation**  
**Statement of Cash Flows**  
Year Ended December 31, 2004

	(\$ thousands)	
	2004	2003
Operating activities		
Net income	\$ —	\$ —
Items not requiring cash		
Amortization	2,612	2,113
Capital contributions recognized	(2,612)	(2,113)
	<u>—</u>	<u>—</u>
Changes in non-cash working capital (Note 8)	(572)	(805)
	<u>(572)</u>	<u>(805)</u>
Investing activities		
Acquisition of property and equipment	(3,237)	(3,235)
Financing activities		
(Decrease)/increase in deferred lease inducement	(18)	70
Increase in capital lease obligation	546	787
Capital contributions received	3,237	3,235
	<u>3,765</u>	<u>4,092</u>
(Decrease)/increase in cash for the year	(44)	52
Cash at beginning of year	<u>98</u>	<u>46</u>
Cash at end of year	<u>\$ 54</u>	<u>\$ 98</u>

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 the Administrative Services Agreement with the Minister through to December 31, 2005. 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.

### 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)			
	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
APEX business system	\$ 9,620	\$ 3,590	\$ 6,030	\$ 6,689
Computer equipment	2,211	1,578	633	734
Leasehold improvements	1,414	130	1,284	247
Furniture and equipment	1,000	482	518	145
Computer software	921	722	199	225
Telephone system	43	43	—	—
	<u>\$ 15,209</u>	<u>\$ 6,545</u>	<u>\$ 8,664</u>	<u>\$ 8,040</u>

6. Share Capital

	2004	2003
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash (Note 1)	<u>\$ 1</u>	<u>\$ 1</u>

## 7. Service Revenue

The Corporation charged each plan with its respective share of the Corporation's operating and plan specific costs based on the allocation formula approved by the Minister of Finance.

	(\$ thousands)	
	2004	2003
Public Sector Pension Plans		
Local Authorities Pension Plan	\$ 14,655	\$ 14,827
Public Service Pension Plan	6,283	6,568
Management Employees Pension Plan	1,427	1,364
Special Forces Pension Plan	1,106	976
Public Service Management (Closed Membership) Pension Plan	344	392
Provincial Judges and Masters in Chambers (Registered) Pension Plan	63	76
Members of the Legislative Assembly Pension Plan	57	74
Supplementary Retirement Pension Plans		
Supplementary Retirement Plan for Public Service Managers	378	368
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	68	68
	<u>\$ 24,381</u>	<u>\$ 24,713</u>

## 8. Changes in Non-Cash Working Capital

	(\$ thousands)	
	2004	2003
	<hr/>	<hr/>
Changes in non-cash working capital consist of the following:		
Increase in accounts receivable	\$ (94)	\$ (7)
Decrease/(increase) in prepaid expenses	17	(118)
(Increase)/decrease in due from pension plans	(1,285)	701
Increase/(decrease) in accounts payable and accrued liabilities	608	(1,663)
Increase in accrued salaries and benefits	295	160
(Decrease)/increase in accrued vacation pay	(113)	122
	<hr/>	<hr/>
	\$ (572)	\$ (805)
	<hr/>	<hr/>

## 9. Related Party Transactions

	(\$ thousands)	
	2004	2003
	<hr/>	<hr/>
The Corporation received the following services at amounts which approximate market from:		
Alberta Corporate Service Centre		
Data processing and postage	\$ 524	\$ 794
Alberta Finance		
Accounting and administrative	28	25
Alberta Infrastructure		
Parking rental	10	16

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)	
	2004	2003
Contract services	\$ 1,508	\$ 1,376
Salaries and benefits	636	360
Materials and supplies	389	269
Remuneration for pension plan boards	184	136
Data processing	6	16
	<u>\$ 2,723</u>	<u>\$ 2,157</u>

## 11. Salaries and Benefits Disclosure

		(\$ thousands)				
		2004			2003	
		Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	Total	Total
Corporation Board Chair	(d)	\$ —	\$ 31	\$ 2	\$ 33	\$ 31
Corporation Board Members	(d)	—	92	11	103	77
President and Chief Executive Officer	(e)	146	32	28	206	243
<b>Corporate Officers:</b>						
Chief Operating Officer and Corporate Secretary	(f)	132	26	28	186	191
Chief Information Officer		115	20	26	161	136
Chief Administrative Officer	(g)	119	77	37	233	174
<b>Executive:</b>						
Executive Director Operations		115	14	24	153	153

## Note 11 (Continued)

- (a) Base Salary includes pensionable base pay.
- (b) Other Cash Benefits includes incentive pay, lump sum payments, vacation payouts and honoraria.
- (c) 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 and tuition fees.
- (d) Remuneration paid to the Chair and four board members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.
- (e) Automobile provided, no dollar amount included in benefits and allowances figures.
- (f) Benefits and allowances include vacation payouts to the Chief Operating Officer and Corporate Secretary \$4,748 (2003: \$nil).
- (g) The Chief Administrative Officer (CAO) position was held by two individuals during the year, with an overlap of one month for transition purposes. The former CAO was paid all holiday pay owing (\$62,729) upon retiring.

## 12. Pensions

The Corporation participates in the Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers which are multi-employer pension plans. The expense for these pension plans is equivalent to the annual contributions of \$891,923 for the year ended December 31, 2004 (2003: \$609,853).

## 13. Capital Lease Obligation

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

	(\$ thousands)
2005	\$ 941
2006	440
Total minimum lease payments	<u>1,381</u>
Less amount representing maintenance costs	<u>48</u>
Capital lease obligation	1,333
Current portion	893
Long term portion	<u>\$ 440</u>

14. Commitments

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

	(\$ thousands)
2005	718
2006	717
2007	703
2008	675
2009	479

15. Comparative Figures

Certain 2003 figures have been reclassified to conform with the 2004 presentation.

16. Approval of Financial Statements

The financial statements were approved by the Corporation's Board of Directors.

## Appendix 1

### Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Key Performance Measures (Drivers)

To the Shareholder of Alberta Pensions Administration Corporation

I have performed procedures 1 to 4 noted below in connection with the following key performance drivers of Alberta Pensions Administration Corporation included in the 2004 Annual Report of the Corporation:

#### Client Satisfaction

- Member Satisfaction
- Pensioner Satisfaction
- Employer Satisfaction
- Plan Board Satisfaction

#### Cost Management

- Cost Per Member

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 key performance drivers.
3. Checked that the results presented are comparable to stated targets, and information presented in prior years.
4. Checked that the key drivers and targets agree to the drivers presented in *Alberta Pensions Administration Corporation Business Plan 2004-2006*.

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 key performance drivers identified above and included in the *2004 Annual Report of the Alberta Pensions Administration Corporation*.

Edmonton, Alberta  
April 1, 2005

Original signed  
FCA  
Auditor General

## Appendix 2

### Member Satisfaction Survey

<b>Methodology</b>	<p>In October 2004, CIS Research was contacted to provide a proposal for the development of satisfaction surveys. In November, they were contracted to provide these services. Content was developed by reviewing the 2003 results and surveys, correlating questions, and developing a set of objectives for the surveys. The Executive Director, Operations, reviewed the objectives and content overview. Questions were developed in conjunction with CIS and reviewed and approved by the Executive Director, Operations. Surveys went to print in January 2005, and delivery to members began on January 18<sup>th</sup>, 2005.</p> <p>In 2005, 8,609 members who used APA Corporation services in 2004 were surveyed; 845 of these responded giving us a response rate of 9.8%. The survey sample required for a confidence rating of +/- .05 was 577. 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, LAPP, MEPP, and SFPP) 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 2004.</p>
<b>Description of results</b>	<p>Overall satisfaction with experience results are determined based on the combined response categories of "Extremely Satisfied" and "Satisfied" in relation to members rating their overall experience with APA Corporation.</p>
<b>Analysis of results</b>	<p>Extremely Satisfied and Satisfied = 85%</p>
<b>Data source(s)</b>	<p>APA Annual Customer Satisfaction Survey</p>

### Pensioner Satisfaction Survey

<b>Methodology</b>	<p>In October 2004, CIS Research was contacted to provide a proposal for the development of satisfaction surveys. In November, they were contracted to provide these services. Content was developed by reviewing the 2003 results and surveys, correlating questions, and developing a set of objectives for the surveys. The Executive Director, Operations, reviewed the objectives and content overview. Questions were developed in conjunction with CIS and were reviewed and approved by the Executive Director, Operations. Surveys went to print in January 2005, and delivery to pensioners began on January 18<sup>th</sup>, 2005.</p> <p>In 2005, 6,445 pensioners were surveyed; 2,442 of these responded giving us a response rate of 37.9%. The survey sample required for a</p>
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confidence rating of +/- .05 was 564. 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, LAPP, MEPP, and SFPP) from the pension administration system.

<b>Description of results</b>	Overall satisfaction with experience results are determined on the basis of the combined response categories of "Extremely Satisfied" and "Satisfied" in relation to members rating their overall experience with APA Corporation. Any questions that had a response of N/A were not considered in the calculation of satisfaction percentages.
<b>Analysis of results</b>	Extremely Satisfied and Satisfied = 95%
<b>Data source(s)</b>	APA Annual Customer Satisfaction Survey

## Employer Satisfaction Survey

<b>Methodology</b>	<p>The Corporation uses Survey Monkey, a Web-based subscription tool, to conduct a Web-based satisfaction survey of the 470 employers served by the Corporation. Content was developed by reviewing the 2003 results and surveys, correlating questions, and developing a set of objectives for the surveys. The Executive Director, Operations, reviewed the objectives and content overview. The Executive Director, Operations, the Manager of Training and the Director of Benefit Administration developed, reviewed and approved questions in conjunction with Survey Monkey.</p> <p>The survey was delivered via two methods, a link in <i>Pension e-news</i> and a direct email out to the <i>Pension e-news</i> address list. In total, the survey link was sent to 792 employer representatives from executives to clerks. There were 100 returned or undeliverable messages, so 692 employer representatives were reached.</p> <p>The Corporation has several points of contact with all employers ranging from Human Resources and Administrative staff for day-to-day operations, Executive and Management staff and technology and finance department staff for various other components of the administration of the pension plans. To achieve comprehensive overall satisfaction ratings all contact points with all employers were surveyed.</p> <p>The survey received 162 responses, which is a response rate of 23%. Survey Monkey provides analysis and anonymous reporting.</p>
<b>Description of results</b>	The survey required that employers answer an overall satisfaction question. These results are used in the 2004 APA Corporation Annual report.
<b>Analysis of results</b>	Extremely Satisfied and Satisfied = 83%
<b>Data source(s)</b>	Employer Satisfaction Survey 2004

## Plan Board Satisfaction Survey

### Methodology

The Communications team develops plan board satisfaction surveys with the Chief Operating Officer, the Chief Executive Officer and the Director, Policy, Board and Legal Services. Satisfaction surveys are issued to the plan boards in paper copy. Each of four plan boards provides us with one compiled response, not as individual members of the boards. The Director, Communications compiles all four responses to provide averages. Results are not anonymous, as we require extensive commentary from all boards to provide us with information on specific concerns with services.

In 2004, a change in sample size (individual board member responses to one response from each plan board with four responses to surveys in total), changed the attainable results to those in increments of 25 percentage points. The 2004 targets were not changed to reflect this and changes are being considered for 2005.

### Description of results

Overall satisfaction with information and services from APA Corporation results are determined on the combined results of “Extremely Satisfied” and “Satisfied” in relation to plan governors rating their overall satisfaction with APA Corporation.

### Analysis of results

Extremely Satisfied and Satisfied = 75%

### Data source(s)

2004 Plan Governors Satisfaction Survey

## Per Member Cost

<b>Methodology</b>	<p>Actual: Total cost per the financial statements divided by average total members (active, deferred and retired). A 13 month average is used, which includes January 1 and 31 counts, and month end counts for all other months.</p> <p>Budget: Total cost per published budget divided by budgeted total members (active, deferred and retired), calculated as at September 2003 extrapolated to Dec 2003 and the total was extrapolated to December 2004 (increased by 5%).</p> <p>The three-year average per member historical cost, Quantitative Service Measurement (QSM) survey ranking was included in the <i>APA Corporation 2004 - 2006 Business Plan</i> as a performance measure, but has been excluded from the corporate reporting cycle as it did not prove to be a meaningful measure.</p>
<b>Description of results</b>	<p>Overall, per member cost (total operating cost including initiatives) for the year is \$106. This is below the financial plan per member cost of \$108.</p>
<b>Analysis of results</b>	<p>Actual average membership (230,992) was less than budgeted (239,295). However, cost per member is below budget, due to reduced spending related to delays in hiring and the deferral of certain initiatives.</p>
<b>Data source(s)</b>	<p>Agresso accounting software (cost data), the pension administration system (number of active and deferred members), pension payroll (number of pensioners)</p>

## 2005 Corporate Directory

### Corporate Board Members

Jack H. McMahon, FCA, Chair  
Don Cummings, MBA, CMC  
R.C. (Rick) Milner, CA  
Leonard C. Pederson  
Les Young  
Rod McDermand

Business Consultant  
Business Consultant  
Business Consultant  
PSP Board Nominee  
LAPP Board of Trustees Nominee  
MEP Board Nominee

### Officers of the Corporation

Chief Executive Officer  
Chief Strategist and Corporate Secretary  
Chief Operating Officer  
Chief Administrative/Financial Officer  
Chief Information Officer

David Smith  
Jill Wlosek  
Kevin Olineck  
Norm Ferguson  
Janet Finlaison (to March 31, 2005)  
Brad Sonnenberg (from May 9, 2005)