



# **Alberta Pensions Administration (APA) Corporation**

**2006 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 annual report of Alberta Pensions Administration (APA) Corporation for the year ending December 31, 2006.

The past year marked some significant accomplishments for the organization, which in turn laid important groundwork for how we will enhance our service to both our Shareholder, the Government of Alberta, and our clients — the plans' governors, employers and our many plan members.

In May 2006, the Board welcomed a new President and Chief Executive Officer (CEO), Ms. Monica Norminton, to the Corporation. Ms. Norminton is a highly qualified individual who has exhibited a great deal of enthusiasm for her new role and has made significant contributions to the organization since assuming office.

Working with Ms. Norminton and her team over the past year, the Board endorsed a strategic evaluation process which identified three priorities for the Board:

- To assess management's analysis and options and provide direction as required
- To validate options with stakeholders and the Shareholder
- To review the Corporation's Mission, Ends and CEO Limitations policies

As part of this evaluation process, the Board regularly assessed key internal and external environmental indicators and considered an evaluation framework. The framework outlines the Corporation's evolving role and client philosophy. It focuses on the development of strategic initiatives for clients, allowing us to balance cost management with delivering "value-added services". In addition, the Board is working with the Shareholder and management to address risks from the Shareholder's perspective and how they fit within a comprehensive risk management program. In 2007, the Board will consider an action plan for risk management and long-term strategies proposed by management on information management, information technology, human capital and client services.

In 2006, the Board also reviewed the Corporation's organizational structure relative to its ability to meet changing client and stakeholder demands and its strategic priorities. To proactively meet the challenges of its changing environment, the Corporation began moving to a new organizational model effective January 1, 2007.

Throughout 2006, the Board supported Alberta Finance's ongoing review of governance arrangements of Alberta public sector pension plans. The first phase, development of an operating framework, clarification of roles and responsibilities and how the Corporation, plan boards and Alberta Finance conduct business, is planned for completion in 2007.

Work on new service level agreements with the plan boards will continue into 2007 coincidental with changes in the governance framework.

These initiatives, among others, have brought — and will continue to bring — many changes to the Corporation. I want to acknowledge the people who have worked with the Corporation throughout the past year. As such, I would like to acknowledge and thank all employees for your support of the Board and hard work and dedication to meeting the needs of our clients and to the plan boards for their support of our efforts to continually improve APA Corporation.

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I also would like to take this opportunity to thank all members of the Board for their support in achieving our mission and for their valuable insight and contributions. I would like to offer a special thank you to Les Young, Len Pederson and Don Cummings for their service to the Corporation, and to welcome the new members who joined our Board in 2006: John Vanderkaay, the nominee from the Local Authorities Pension Plan Board of Trustees; Sandra Kraatz, the nominee from the Public Service Pension Board; and Doug Hollands, an external nominee.

I look forward to working with the Board, our CEO and all of the staff of the Corporation as we move ahead with our new initiatives in the coming months and years.

The work we do is important and valuable, and I am proud to be part of the Corporation and to share in the commitment in serving our Shareholder and clients in an effective, accountable and responsive manner.

Respectfully submitted,

[original signed]

Jack H. McMahon FCA  
Board Chair

## Board Governance

### Board Mandate

The purpose of the APA Corporate Board, on behalf of the sole Shareholder, the Government of Alberta, is to ensure the Corporation:

1. Achieves appropriate results for appropriate persons at an appropriate cost as described in the Board's Ends policies
2. Avoids unacceptable actions and situations as described in the Board's CEO Limitations policies

Under the 2004 Memorandum of Understanding between the Minister of Finance and APA Corporation, the Board is required to:

- Provide strategic direction to the Corporation
- Evaluate and approve strategic plans, annual reports, business plans and budgets proposed by management
- Monitor and evaluate corporate performance
- Provide guidance on the resolution of issues of strategic significance
- Appoint officers of the Corporation responsible for its management

### Board Membership

The Board has eight members, each appointed by resolution of the Minister of Finance.

<b>Name</b>	<b>Nominee</b>	<b>Appointment Date</b>	<b>Board Position</b>
Jack McMahon	External (independent of plan boards)	October 1995	Board Chair Audit Committee member
Rick Milner	External (independent of plan boards)	October 1995	Board Vice Chair Audit Committee Chair
Rod McDermid	Management Employees Pension Board	January 2004	Board member Audit Committee member
Dennis Gartner	Government of Alberta	June 2005	Board member Audit Committee member
Colin Catonio	Special Forces Pension Board	September 2005	Board member Audit Committee member
John Vanderkaay	Local Authorities Pension Plan Board of Trustees	April 2006	Board member Audit Committee member
Sandra Kraatz	Public Service Pension Board	April 2006	Board member Audit Committee member
Doug Hollands	External (independent of plan boards)	November 2006	Board member Audit Committee member

### Board Independence

The Minister of Finance appoints the President and CEO, after consultation with the Board. The Board annually evaluates the performance of the CEO. Day-to-day management of APA Corporation is delegated to the CEO. The CEO is not a member of the Board.

## Board Committees

The Board has one committee, the Audit Committee, which meets as a Committee of the Whole on a quarterly basis in conjunction with Board meetings.

The Audit Committee exists to obtain reasonable assurances for the Board that the CEO maintains adequate systems of internal control and financial reporting as set out in the Audit Committee Charter.

The Committee may:

- Engage resources and initiate investigations
- Meet with staff or independent auditors to obtain information or assurances relevant to the Committee's mandate
- Adopt its own operating rules and procedures

## Board Attendance

In 2006, the Board and the Audit Committee each met quarterly. Board attendance for the year was over 96 per cent.

## Governance Practices

The Board has adopted a governance framework that defines accountability between the Board and management.

To achieve greater efficiency across the Corporation, the Board delegates authority through the Chief Executive Officer specifying clear expectations (Ends), corresponding responsibilities, and actions to be avoided (Limitations) in achieving these Ends.

The Board has policies to support its commitment to governance practices including:

- Broad written governance guidelines and Board-management delegation policies
- A Board self-assessment process
- Continual Board development, including an orientation program for new Board members on Board and corporate operations
- Rules of Order
- Accountability to the Shareholder, the Government of Alberta
- Board job descriptions
- Guidelines for agendas and annual planning
- A Board Members' Code of Conduct covering conflict of interest and fiduciary responsibilities, including an annual affirmation by Board members on compliance with the policy
- Board committee principles and structure

Working within its governance model, the Board continued to refine its Ends and CEO Limitation policies in 2006. The Ends were adapted to reflect:

- The Corporation's fiduciary and legal obligations for sound pension administration to our clients (members, plan governors and employers) and the plans' Trustee
- The specific corporate objective that contributors to the pension plans realize the benefits of efficient and effective value-added pension administration within a risk managed environment

## Message from the Chief Executive Officer

In May 2006, I was honoured to be appointed by the Minister of Finance to serve as the President and Chief Executive Officer of APA Corporation.

When I joined the Corporation, I challenged the staff to help fulfill a fairly simple but important vision for APA Corporation – that is, to be the best, most cost-effective, pension administration services organization possible.

Over the past months, we have worked towards this vision through teamwork, with knowledgeable employees and a recognition of our need to continuously improve our corporate systems. As a result, APA Corporation is evolving well as a performance-based organization.

Specifically, some of the highlights and key accomplishments of 2006 include:

- Meeting 94 per cent of our pension administration service standards despite significantly higher than expected demand
- Achieving a reduction in gross expenditures while attaining our key operational priorities
- Focusing on projects including our internal control assessment program; implementation of a new basis for reciprocal transfers and resolving a significant number of outstanding administrative policy issues
- Developing a strategic process framework and a new business model that will enable APA Corporation to adapt and proactively meet and address the changes and challenges presented by our environment; this will include a focus on member services, technology solutions, information management, staff learning and development, and a new emphasis on collaboration with plan boards
- Working with the Corporate Board on developing a corporate risk management program
- Demonstrating, through benchmarking results, that APA Corporation's administration costs are competitive with our Canadian and international peers

Based on the work completed and strategies developed in 2006, the Corporation will work to meet the increase in demand through three strategic priorities in 2007. These include:

1. Improve services to plan members, pensioners, employers and governors by understanding their expectations and delivering valued pension services
2. Continue to build a knowledge-based organization that empowers employees to deliver valued pension services to our clients
3. Create strategic partnerships to align with the plans' governor and our Shareholder's obligations

With our focus on these areas, we will determine and implement solutions to the increasing service demands placed on us by our clients. I am confident that APA Corporation is positioned to meet the challenges we will face in 2007 based on the commitment and knowledge of our employees.

In closing, I would like to take this opportunity to thank everyone for the warm welcome I have received since joining APA Corporation.

I greatly appreciate the contributions of our Corporate Board and our employees to a successful 2006, and I look forward to continuing to learn and evolve together as APA Corporation further develops its knowledge and expertise in pension administration.

Respectfully,

[original signed]

Monica Norminton  
BA, LLB, MBA, CA-IT  
Chief Executive Officer

# Corporate Profile

APA Corporation was incorporated in 1995 under Alberta's *Business Corporations Act* with the Government of Alberta as the sole Shareholder.

## Mission

On behalf of our sole Shareholder – the Government of Alberta – APA Corporation exists so that plan beneficiaries, plan governors and employers in plans administered by the Corporation realize the benefits of sound pensions administration.

## Values

The shared values of the individuals and teams associated with APA Corporation are:

- **Stewardship** – we efficiently deliver services to our clients
- **Client service** – we continually improve on the products and services we deliver to clients
- **Engagement** – we are highly motivated to achieve business goals
- **Respect** – we show consideration and appreciation for diversity in others
- **Collaboration** – we work together to achieve our goals

## Services

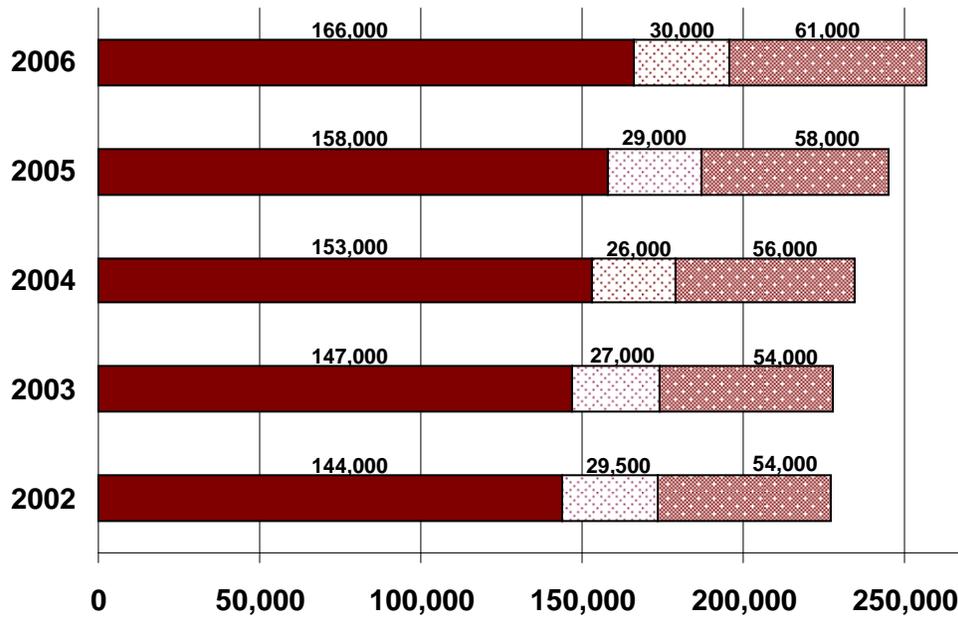
The services provided by APA Corporation include:

- Contributions and records maintenance
- Member, pensioner and employer communications
- Benefit calculations
- Benefit disbursements
- Plan board support, including legal services
- Policy analysis
- Communications design and delivery
- Compliance, regulatory and plan financial reporting

At the end of 2006, APA Corporation:

- Administered seven public sector pension plans and two supplementary retirement plans
- Provided administrative services to 477 participating employers across Alberta
- Provided pension-related services to approximately 196,000 active and deferred members and 61,000 pensioners
- Served as one of the 10 largest pension administrators in Canada based on fund size (\$24.3 billion in combined assets)

## Number of Members



- Active members (a member who is making contributions)
- ▨ Deferred members (a member who has left contributions in their pension plan and has yet to choose a pension)
- ▩ Pensioners (a member, surviving pension partner, or beneficiary who is receiving a pension from their pension plan)



# **Management's Discussion and Analysis**

## Overview

This section contains management's discussion and analysis of APA Corporation's operational and financial results and should be read in conjunction with the audited financial statements for the year ending December 31, 2006.

## Vision and Core Business

### Vision

APA Corporation is highly valued and trusted by clients and stakeholders, who confidently look to the Corporation to:

- Provide clear information and support
- Deliver service with skill and care
- Meet obligations and keep promises
- Demonstrate the value of pension plans
- Make the pension experience easier

Guided by shared values, employees make it possible.

### Core Business

APA Corporation's core business is to provide comprehensive, reliable, timely and cost-effective pension benefit administration services to plan members.

The Corporation delivers its core business through the following Ends policies defined by the Corporate Board.

#### ***The fiduciary and legal obligations for sound pension administration are met.***

- Plan Members:
  - Are enrolled in the plans if and when eligibility criteria are met
  - Receive benefit entitlements when they are due
  - Have timely, reliable and accessible information about their pensions
  - Receive support for making decisions that affect their respective pensions
- Plan Governors of plan members' funds have:
  - Timely, reliable, accessible information about the administration of their plan
  - Support and advice for making decisions that affect pension policy and administration of their plans
- Employers:
  - Are supported in fulfilling their statutory obligations for pension administration
  - Submit contributions paid into plan funds when due
- The Trustee for government-designated plans has the benefit of the Corporation's expertise for making decisions affecting those plans

#### ***Contributors to pension plans realize the benefits of efficient and effective, risk-managed and value-added pension administration.***

- Pensions are administered in the context of business plans and the Memorandum of Understanding with, and reporting requirements of, the Shareholder.

## Key Performance Measures

Key performance measures are those activities and competencies where outstanding performance and favourable results are essential for APA Corporation to achieve success.

The key measures for us are:

- Client satisfaction
- Cost management

The Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Key Performance Measures is included in the Appendices.

### Client Satisfaction

We use surveys to assess client satisfaction with our products and services. Plan beneficiaries (members and pensioners) and employers are requested to rate their overall satisfaction with services and information provided by APA Corporation. Results assist in the development of client service strategies.

In 2006, APA Corporation moved from percentage scoring to index scoring. Index scoring assigns a weight to each satisfaction category (very dissatisfied, dissatisfied, satisfied and very satisfied). By using an index score, we will have improved data to understand important changes in client satisfaction and focus on continuously improving the value of services provided.

Client satisfaction survey results (index score*)	2006 Actual	2005 Actual
Plan beneficiaries (members and pensioners)	81	80
Employers	76	72

\* 2006 results for members and pensioners were combined and weighted to attain the final score; 2006 targets were percentages and were not included as they were not comparable with index results; 2005 results were restated to reflect index scoring; see Appendix 2 for additional information on the targets and methodology for survey results.

Due to evolving roles, survey results for plan governors are not reported for 2006. APA Corporation and the plan boards agree that surveys are no longer appropriate to measure the value of services delivered to the plan boards by APA Corporation. In 2007, we will be negotiating service level agreements with the plan boards to manage performance expectations.

## Cost Management

A major driver for APA Corporation is to deliver effective pension administration services at a reasonable cost. A key measure at the corporate level is “cost per member”.

We participate in the Quantitative Service Measurement (QSM) survey to evaluate service delivery costs relative to a Canadian peer group.

Reasonable cost	2006	2006 target	2005
QSM cost per member (industry peer cost)	\$116	n/a	\$113*
QSM-APA Corporation annual cost per member	\$109	\$108	\$ 99*

\* Restated from amounts originally reported, based on the 2005 budget; see Appendix 2 for additional information on the methodology for per member costs.

## Risk Management

Through 2006, APA Corporation also focused on mitigation of the risks below as identified in the 2006 – 2008 Business Plan.

Risks	Mitigation strategy
<p><b>External decision-makers</b></p> <ul style="list-style-type: none"> <li>Balancing obligations and timing of decisions to the Shareholder, plan trustee, stakeholder and beneficiary service expectations</li> <li>Timing of many changes to pension plan legislation dependent on external decision-makers</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing liaison with Alberta Finance</li> <li>Active management of business plan and budget process</li> </ul>
<p><b>Technology and service costs</b></p> <ul style="list-style-type: none"> <li>Increasing frequency and cost of technological change</li> <li>Stabilizing costs to plan beneficiaries while maintaining services</li> <li>Increasing service demands</li> <li>Ongoing operational effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Enhance efficiencies in operations</li> <li>Continue the Internal Control Assessment Program</li> <li>Annual information technology vulnerability assessment</li> <li>A capacity plan for the Corporation's computing infrastructure</li> </ul>
<p><b>Key vendor</b></p> <ul style="list-style-type: none"> <li>Dependency on key vendor relationship</li> </ul>	<ul style="list-style-type: none"> <li>A business resumption plan and processes that address reliance on key vendors</li> <li>Review opportunities for strategic vendor management</li> </ul>
<p><b>Retention of a knowledgeable workforce</b></p> <ul style="list-style-type: none"> <li>Maintaining service delivery levels within a changing technological environment</li> <li>Dependency on a highly skilled and competent workforce; challenges include:             <ul style="list-style-type: none"> <li>Staff retention</li> <li>Succession planning</li> <li>Training and skill set development</li> <li>Recruitment and compensation challenges</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A competency model that identifies skill sets supporting Corporate goals</li> <li>Training and development programs directed at Corporate goals</li> <li>Workplace policies that support the Corporation's work-life balance values</li> <li>Ongoing market assessment of wage and benefit package</li> </ul>

In the coming year, APA Corporation will implement a risk management program with the goal of defining and managing the acceptable risk for the Corporation and the Shareholder. This will improve our fulfillment of fiduciary obligations, such as legislative compliance and cost management, and balance them with service expectations.

## Capability to Achieve Results

The identified risks impact APA Corporation's capabilities and results. In acknowledging the risks facing us and implementing strategies to manage these risks, the Corporation is able to capably execute its business plan and achieve its stated Ends.

### External Decision-Makers

APA Corporation is dependent on Alberta Finance to notify the Corporation in a timely manner of changes to pension plan legislation and other events affecting the Corporation.

In balancing the risks and managing our corporate obligations in 2006, APA Corporation:

- Continued liaison activities with Alberta Finance staff
- Developed a process for setting and evaluating the strategic direction of the Corporation
- Streamlined and actively managed the business planning and budgeting process
- Worked with the Board to redefine the Ends and CEO Limitations policies as part of the ongoing process to achieve a better balance and alignment of corporate processes
- Developed a report of key environmental indicators that provides a strong, objective basis for recommendations on strategic direction and baseline data in the annual business planning process

### Service

We are facing increased service demands due to aging plan memberships, an increasingly mobile workforce and a competitive employee marketplace.

Over the last year, APA Corporation has positioned itself to continue to meet targeted service levels with the establishment of a Client Service Centre. With employees dedicated to pension inquiries and member interviews, the Client Service Centre has focused on enhanced pension training and process improvements. The Corporation's staffing model identifies the impact of changing volumes on operations to ensure staffing is at the appropriate level to meet client demands.

### Operations

APA Corporation has several strategies to maintain operational effectiveness.

The Internal Control Assessment Program provides reasonable assurance that proper controls are established and maintained to protect plan funds and the Corporation's assets. During the year, activities under the Program included developing processes for quarterly business compliance reporting and an ongoing retesting schedule as well as testing controls in two priority areas: project management and business processes.

The Corporation has a business resumption plan that enables resumption of services in the event of a service disruption or disaster. As a Crown Corporation, we also participate in ongoing cross-governmental disaster readiness planning. The Corporation regularly monitors and identifies any security and vulnerability risks to the network, including assessing information security safeguards and security awareness activities.

We have a five-year capacity plan for our computing infrastructure that focuses on continuing enhancements to the network and maintaining a stable, secure and reliable infrastructure. Future plans include the development of processes to address and manage the relationships with our key vendors.

## **Workforce**

APA Corporation currently has strategies in place to mitigate risks associated with staff retention, succession planning, training, skill set development, compensation and recruitment, including:

- A corporate competency model
- A commitment to work-life balance through flexible work hours and ongoing wellness programs
- An incentive program for all employees
- Employee personal development action plans resulting in over 9,700 hours of training and development to over 200 employees in 2006
- An employee engagement survey
- A program to recognize innovation by challenging employees to submit ideas to improve business operations

To better meet the challenges of recruiting and retaining a knowledgeable workforce, we are developing a human capital strategy that will set the foundation for alignment of human resource strategies, policies, programs and workforce practices with the Corporate vision and strategic priorities and, thereby, facilitate organizational success.

## 2006 Accomplishments

APA Corporation's accomplishments from the *2006 – 2008 Business Plan* include:

- An assessment of client services that resulted in the identification of a need for a formal client service strategy
- Redesign of member annual statements
- Launching a competency model to assist our employees with training and development
- Development of a human capital strategy to support, retain and attract people to the Corporation
- Implementation of document imaging and electronic records management for member records
- Activation of a project management tool
- Implementation plan of a new form of reciprocal transfers between the Local Authorities Pension Plan and the Public Service Pension Plan and development of supporting processes
- Support to Alberta Finance in its governance review, with operating protocols in place between APA Corporation, Alberta Finance and the plan boards
- Review and implementation of a revised cost allocation formula for member pension plans
- Development of a quarterly key indicators report that provides baseline data in the annual business planning process and advice to plan governors about changes in the pension environment
- Development of a plan for clarifying the respective roles of the Corporation and employers in delivering pension administration services
- Completion of the online administrative information source for employers, *Pension e-guide*, to include forms, membership information and details on the processing of retirement, termination, optional service, death and disability transactions

Initiatives identified in our *2006 – 2008 Business Plan* that have not been completed are:

- A corporate image plan that focuses on external communications processes is still to be developed. This will be consolidated with a more encompassing communications strategy to be developed in 2007. This decision follows a review of business needs of the Corporation's internal and external communications.
- A business case for delivering a corporate information system integrating human resource, financial and project information was developed, but not implemented. Due to limited staff availability, this has been deferred to 2007.

Initial draft strategies for technology, information management and client services were completed; the strategies continue to be refined to produce an integrated corporate operating model for APA Corporation.

## Results

The results for APA Corporation and its core business are measured by:

- Financial results
- Pension plan statistics
- Service indicators
- Reporting requirements

### Financial Results

APA Corporation's budget is approved by the Corporate Board and is consolidated into the budget for the Ministry of Finance. Actual expenditures are recovered from plan funds according to a cost allocation formula decided by the Minister of Finance.

Operating costs (\$ million)*	Actual	Budget	Variance
Business operations	\$ 17.5	\$ 19.4	\$ (1.9)
Strategic and operating initiatives	3.0	2.8	0.2
Amortization	2.9	3.0	(0.1)
Plan board and plan-specific expenditures**	1.0	1.5	(0.5)
<b>Total</b>	<b>\$ 24.3</b>	<b>\$ 26.7</b>	<b>\$ (2.4)</b>

The variance between budgeted and actual costs results primarily from hiring delays, increased focus on project business requirements and timing of consultancy fees and contracts for plan boards.

Capital spending (\$ millions)*	Actual	Budget	Variance
Strategic initiatives	\$ 0	\$ 0.5	\$ (0.5)
Operating initiatives	0.4	0.6	(0.2)
Annual capacity plan	0.1	0.2	(0.1)
<b>Total</b>	<b>\$ 0.5</b>	<b>\$ 1.3</b>	<b>\$ (0.8)</b>

The variance in capital spending is attributed to active management of "cost per member" including increased focus on project business requirements.

Cost per member	Actual	Budget	Variance
Average total membership	250,993	248,359	2,634
Total cost (\$ thousands)	\$ 21,981	\$ 25,026	\$ (3,045)
Average cost per member	\$ 88	\$ 100	\$ (12)

The average cost per member is based on total operating costs minus amortization plus capital expenditures divided by the average total plan membership.

\* Amounts may not add due to rounding.

\*\* The 2006 budget reflects a reduction of plan board specific costs on behalf of the Local Authorities Pension Plan; the costs were removed from the budget as, effective January 1, 2006, these costs are charged directly to and managed by the Alberta Local Authorities Pension Plan Corporation.

## Pension Plan Statistics

Changes in pension plan statistics are primarily driven by an increased demand for pension information in general as plan members become more knowledgeable about their pension plans and retirement income. This is illustrated by the significant increases in inquiries and correspondence.

APA Corporation has taken these trends into account when setting its staffing targets. We have also embarked on a course of continuous improvement to increase productivity.

Category	2006	2005	% Change
Benefit-related phone inquiries	80,095	70,640	13.4%
Pension estimates*	39,539	32,105	23.2%
Termination payouts (refunds to members or transfers to locked-in retirement accounts)	7,728	6,265	23.4%
Service purchase requests (for past employment)	3,675	3,041	20.8%
Retirement finalizations	3,661	3,274	11.8%
Personal member interviews	2,513	2,331	3.4%
Correspondence	9,127	6,301	44.9%
Member seminars	201	207	(2.9%)
Employer seminars	46	51	(9.8%)

\* includes: pension estimates, benefit estimates, benefit option packages, retirement options and optional service cost estimates

## Service Indicators

The focus of 2006 has been to continue to meet established service targets while reviewing ways of improving process efficiencies.

Demand for benefit administration services continued to rise through 2006. We anticipate this demand to continue. As illustrated in the following chart, APA Corporation exceeded all targeted standards in 2006 with the exception of reciprocal transfers. The targets for transfers were not met due to the delay associated with collecting additional information to finalize the transactions.

In 2007, we plan to continue to work to improve service levels through initiatives, including staff mentoring and training programs, and process reviews.

Service indicator	Service level	Target	Actual
Pension estimates	7 days from receipt of completed application	90%	98%
Pension option packages*	7 days from receipt of completed application	90%	97%
Pension payments finalized	30 days from receipt of required documents	90%	94%
Termination payments (refunds to members or transfers to locked-in retirement account)	21 days from receipt of completed application	90%	96%
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%	87%
Transfers with public sector plans outside Alberta	180 days from receipt of completed application	90%	86%
Written correspondence	respond within 14 days of receipt	90%	96%
email correspondence	respond within 14 days of receipt	90%	99%

\* includes disability pension adjudication and death benefits

## Reporting Requirements

APA Corporation met all the reporting requirements for 2006 as outlined under the Memorandum of Understanding (Section 7, Accountability Documents) between APA Corporation and the Minister of Finance, including:

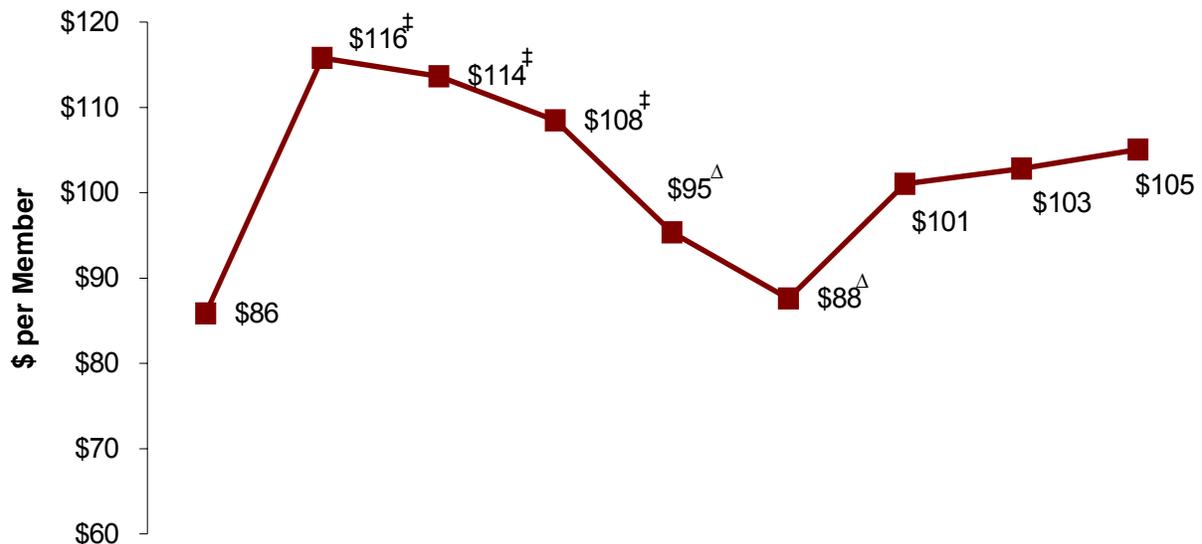
- Business Plan
- Annual Report
- Quarterly Reports
- Financial results and variance analysis
- Corporate governance reviews including a commentary on APA Corporation's performance relative to the *TSX Corporate Governance Disclosure Guidelines*

## Looking Ahead

Since 2004, APA Corporation's cost per member, as highlighted below, has declined significantly as the Corporation continues to improve alignment of core operations with corporate initiatives.

Our projections for the future indicate our costs will rise as membership projections increase and we implement integrated strategies that deliver our Corporate Board's strategies (Ends policies). We anticipate our cost per member to increase in 2007 by 15 per cent over 2006 actual results, and one per cent over the 2006 budget, which will ensure the Corporation has adequate staff to execute the Business Plan. In 2008 and 2009, increases of approximately two per cent are projected, reflecting increased costs for salaries and material and contract services offset by the past investment made in our pension administration system and ongoing process improvements.

**APA Cost per Member\***



	2001	2002	2003	2004	2005	2006	2007 Projected	2008 Projected	2009 Projected
Average Membership	210,357	222,358	228,030	230,992	240,047	250,993	259,990	270,704	281,861

\* The cost per member is based on total operating costs minus amortization plus capital expenditures divided by the average total plan membership.

‡ Note1: In 2002, 2003 and 2004, APA Corporation's cost per member was significantly higher due to system development costs incurred for implementation of a new pension administration system.

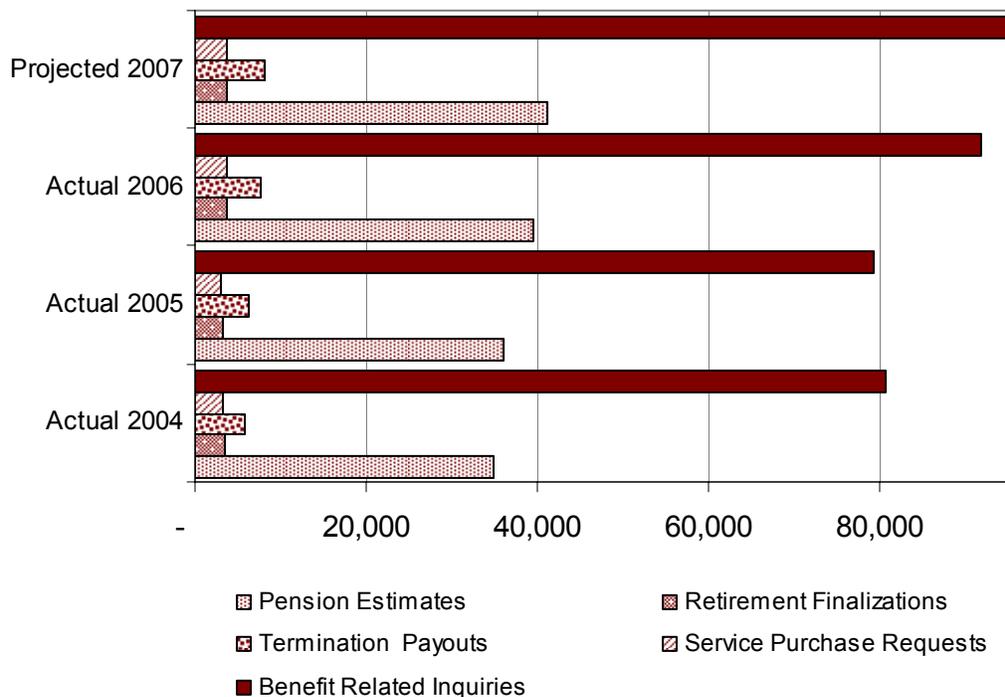
Δ Note 2: Primary contributors to lower expenditures in 2005 and 2006 were limited resources available for future oriented projects aimed at enhancing the Corporation's service delivery.

## Meeting the Demands of the Future

Over the next three years, due to changing member demographics and increasing demand for pension information, we continue to plan for growth in the majority of our service offerings.

As part of the annual budgeting process, we conduct trend analysis to estimate future service demands. Our projections for 2007 are based on a four per cent volume increase in transactions.

### Service Projections



To meet these needs, APA Corporation continues to develop integrated strategies (client services, human capital, information services and information management) to deliver the Board's strategic direction (Ends policies).

We will also continue to support Alberta Finance during its review of public sector pension governance to clarify roles and responsibilities of APA Corporation, Alberta Finance and the plan boards. At the same time, we will be extending our efforts to work with participating employers, focusing on statutory obligations in the near term.

# Management's Responsibility for Financial Reporting

The financial statements and information in the 2006 Annual Report are the responsibility of Alberta Pensions Administration (APA) Corporation and have been approved by management and the APA Corporate 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.

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Monica Norminton  
BA, LLB, MBA, CA•IT  
Chief Executive Officer

March 29, 2007



# 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, 2006 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, 2006 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]

Fred Dunn, FCA  
Auditor General

Edmonton, Alberta  
March 19, 2007

**Alberta Pensions Administration Corporation**  
**Balance Sheet**  
December 31, 2006

	(\$ thousands)	
	2006	2005
<b>ASSETS</b>		
Cash	\$ 68	\$ 70
Accounts receivable	6	8
Prepaid expenses	138	169
Due from pension plans	2,276	2,680
Property and equipment (Note 4)	4,612	6,956
	<u>\$ 7,100</u>	<u>\$ 9,883</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 1,176	\$ 1,031
Accrued salaries and benefits	941	1,015
Accrued vacation pay	354	406
Deferred lease inducement	17	35
Capital lease obligation (Note 5)	-	440
Deferred capital contributions (Note 3(b))	4,612	6,956
	<u>7,100</u>	<u>9,883</u>
<u>Shareholder's equity</u>		
Share capital (Note 6)	<u>-</u>	<u>-</u>
	<u>\$ 7,100</u>	<u>\$ 9,883</u>

The accompanying notes are part of these financial statements.

Approved by the Board:

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Jack H. McMahon  
Board Chair

[original signed]

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R. C. (Rick) Milner  
Audit Committee Chair

**Alberta Pensions Administration Corporation**  
**Statement of Income**  
Year ended December 31, 2006

	(\$ thousands)		
	Budget 2006 <u>(Note 16)</u>	Actual 2006	Actual 2005
Revenue (Note 7)	\$ 26,727	\$ 24,326	\$ 24,598
Operating costs			
Salaries and benefits	17,245	15,649	14,969
Amortization	3,043	2,865	3,175
Other operating expenses (Note 8)	2,675	2,682	2,167
Materials and supplies	<u>2,262</u>	<u>2,113</u>	<u>1,809</u>
Operating costs before Plan Specific costs	25,225	23,309	22,120
Plan Specific costs (Note 9)	<u>1,502</u>	<u>1,017</u>	<u>2,478</u>
Total operating costs	<u>26,727</u>	<u>24,326</u>	<u>24,598</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are part of these financial statements.

**Alberta Pensions Administration Corporation**  
**Statement of Cash Flows**  
Year ended December 31, 2006

	(\$ thousands)	
	2006	2005
Operating activities		
Net income	\$ -	\$ -
Items not affecting cash		
Amortization	2,865	3,175
Capital contributions recognized (Note 3(b))	<u>(2,865)</u>	<u>(3,175)</u>
	-	-
Changes in non-cash working capital (Note 10)	<u>456</u>	<u>926</u>
	<u>456</u>	<u>926</u>
Investing activities		
Acquisition of property and equipment	<u>(521)</u>	<u>(1,467)</u>
Financing activities		
Decrease in deferred lease inducement	(18)	(17)
Decrease in capital lease obligation	(440)	(893)
Capital contributions received	<u>521</u>	<u>1,467</u>
	<u>63</u>	<u>557</u>
Increase (decrease) in cash for the year	(2)	16
Cash at beginning of year	<u>70</u>	<u>54</u>
Cash at end of year	<u><u>\$ 68</u></u>	<u><u>\$ 70</u></u>

The accompanying notes are part of these financial statements.

**Alberta Pensions Administration Corporation**  
**Notes to the Financial Statements**  
December 31, 2006

1. Authority

Alberta Pensions Administration Corporation (the Corporation) is 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 and other 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 (LAPP)
- Public Service Pension Plan (PSPP)
- Management Employees Pension Plan (MEPP)
- Special Forces Pension Plan (SFPP)
- Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP)
- Members of the Legislative Assembly Pension Plan (MLAPP)
- Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMC(R)PP)
- Supplementary Retirement Plan for Public Service Managers (MSRP)
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (PJMC(U)PP)

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, 2007. 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 are recorded at cost. The threshold for capitalizing new system development is \$100,000; and \$5,000 for all other items, where these items have a useful life in excess of one year. Amortization is calculated as follows:

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

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

Prior to January 1, 2006, the threshold for capitalization was \$5,000 per item, or \$30,000 for like items, where the individual items have a useful life in excess of two years.

Note 3 — Summary of significant accounting policies (continued)

(b) 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. Property and equipment

	(\$ thousands)			2005 Net Book Value
	2006 Cost	2006 Accumulated Amortization	2006 Net Book Value	
APEX business system	\$ 7,383	\$ 5,740	\$ 1,643	\$ 2,946
Computer equipment	2,435	2,099	336	1,106
Computer software	4,370	2,964	1,406	1,220
Leasehold improvements	1,596	758	838	1,157
Furniture and equipment	1,095	706	389	527
Telephone system	43	43	-	-
	<u>\$ 16,922</u>	<u>\$ 12,310</u>	<u>\$ 4,612</u>	<u>\$ 6,956</u>

5. Capital lease obligation

Capital lease obligation was fully paid in the year.

6. Share capital

	2006	2005
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share (Note 1)	<u>\$ 1</u>	<u>\$ 1</u>

7. Revenue

The Corporation charged each plan with its respective share of the Corporation's operating and Plan Specific costs based on the allocation formula decided by the Minister of Finance. This formula was amended on a prospective basis effective January 1, 2006 and will be reviewed on at least a triennial basis. Comparative figures have not been affected as 2005 was allocated based on the previously approved allocation formula.

	(\$ thousands)	
	2006	2005
LAPP, excluding Plan Specific costs (a)	\$ 14,470	\$ 13,322
PSPP	6,875	6,350
MEPP	1,207	1,416
SFPP	1,009	1,136
PSM(CM)PP	260	339
MLAPP	63	58
PJMC(R)PP	96	57
MSRP	241	442
PJMC(U)PP	75	63
	<u>24,296</u>	<u>23,183</u>
Interest and other miscellaneous cost recoveries	30	51
	<u>24,326</u>	<u>23,234</u>
<b>Revenue from ongoing operations</b>	<b>24,326</b>	<b>23,234</b>
LAPP Plan Specific costs (a)	-	1,364
	<u>\$ 24,326</u>	<u>\$ 24,598</u>

- (a) Effected January 1, 2006, Plan Specific costs (Note 9) formerly paid by the Corporation on behalf of LAPP are being charged directly to, and managed by, Alberta Local Authorities Pension Plan Corp. This change was made on a prospective basis and comparative figures have not been affected. Total revenue from LAPP for 2005 was \$14,686,000.

A full description of pension plan names is in Note 2.

8. Other operating expenses

Other operating expenses consist of:

	(\$ thousands)	
	2006	2005
Contract services	\$ 1,453	\$ 965
Data processing and maintenance	981	933
Miscellaneous	248	269
	<u>\$ 2,682</u>	<u>\$ 2,167</u>

9. 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)					2005
	2006					
	Contract Services	Salaries and Benefits	Materials and Supplies	Board Remuneration	Total	Total
PSPP	\$ 196	\$ 258	\$ 61	\$ -	\$ 515	\$ 557
MEPP	129	-	42	35	206	250
SFPP	146	-	54	19	219	278
PSM(CM)PP	24	-	-	-	24	16
MLAPP	10	-	-	-	10	2
PJMC(R)PP	18	-	-	-	18	2
MSRP	25	-	-	-	25	8
PJMC(U)PP	-	-	-	-	-	1
Subtotal	548	258	157	54	1,017	1,114
LAPP [Note 7(a)]	-	-	-	-	-	1,364
	<u>\$ 548</u>	<u>\$ 258</u>	<u>\$ 157</u>	<u>\$ 54</u>	<u>\$ 1,017</u>	<u>\$ 2,478</u>

A full description of pension plan names is in Note 2.

10. Changes in non-cash working capital

Changes in non-cash working capital consist of the following:

	(\$ thousands)	
	2006	2005
Decrease in accounts receivable	\$ 2	\$ 98
Decrease (increase) in prepaid expenses	31	(66)
Decrease in due from pension plans	404	1,829
Increase (decrease) in accounts payable and accrued liabilities	145	(953)
Increase (decrease) in accrued salaries and benefits	(74)	218
Decrease in accrued vacation pay	(52)	(200)
	<u>\$ 456</u>	<u>\$ 926</u>

11. Financial instruments

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

12. Related party transactions

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

		(\$ thousands)	
		2006	2005
Service Alberta	Data processing and postage	\$ 656	\$ 637
Alberta Finance	Accounting and administrative	20	22
Alberta Infrastructure and Transportation	Parking rental	10	10
		<u>\$ 686</u>	<u>\$ 669</u>

The Corporation also provided services to the Public Sector Pension Plans and Supplementary Retirement Pension Plans as disclosed in Notes 7 and 9.

### 13. Salaries and benefits disclosure

	(\$ thousands)				
	2006			2005	
	Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	Total	Total
Corporation Board Chair (d)	\$ -	\$ 29	\$ 4	\$ 33	\$ 20
Corporation Board Members (d)	-	60	6	66	74
President and Chief Executive Officer (e)	144	39	37	220	222
Corporate Officers:					
Chief Strategist and Corporate Secretary	151	40	37	228	192
Chief Operating Officer	142	17	33	192	166
Chief Information Officer (f)	123	17	32	172	174
Chief Administrative Officer	131	34	33	198	169
Vice President, Human Resources (g)	10	-	3	13	-

- (a) Base salary includes regular base pay and any retroactive adjustments to base pay
- (b) Other cash benefits include incentive pay, automobile allowance, lump sum payments, vacation payouts and honoraria.
- (c) Other non-cash benefits include the Corporation's share of all employee and Board member benefits and contributions or payments made on their behalf including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships and tuition fees.
- (d) Remuneration paid for the services of the Chair and five board members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.
- (e) The position was occupied during 2006 by three individuals, as follows:
- the current President and Chief Executive Officer (CEO) has occupied the position since May 1, 2006
  - the Chief Information Officer was acting CEO from February through April 2006 and the associated acting pay is included
  - the predecessor occupied the position for January and February 2006. This individual was provided an automobile, no dollar amount included in other non-cash benefits
- (f) The Chief Information Officer (CIO) was acting President and Chief Executive Officer (CEO) for three months during the year. Acting pay for that period has been included as CEO salary and benefits. Base salary and benefits for this period are included in CIO. The position was occupied for eleven months during 2005.
- (g) The position was created on December 1, 2006.

14. Defined benefit plans  
(\$ thousands)

The Corporation participates in two multi-employer public sector pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,175 for the year ended December 31, 2006 (2005: \$1,076).

At December 31, 2005, the Management Employees Pension Plan reported a deficiency of \$165,895 (2004: \$268,101) and the Public Service Pension Plan reported a deficiency of \$187,704 (2004: \$450,068). At December 31, 2005 the Supplementary Retirement Plan for Public Service Managers had a surplus of \$10,018 (2004: \$9,404).

15. Commitments

The Corporation has entered into agreements with minimum annual commitments for office space and multi-year contracts as follows:

	(\$ thousands)		
	Facility Lease	Multi-Year Contracts	Total Commitments
2007	\$ 679	\$ 139	\$ 818
2008	776	36	812
2009	517	-	517
	<u>\$ 1,972</u>	<u>\$ 175</u>	<u>\$ 2,147</u>

16. 2006 Budget

The Corporation’s 2006 budget was approved by the Board of Directors on November 16, 2005. This original budget was revised following the incorporation of Alberta Local Authorities Pension Plan Corp. and related transfer of costs (see Note 7a). The revised budget was approved on March 30, 2006.

17. Comparative figures

Certain 2005 figures have been reclassified to conform with the 2006 presentation.

18. 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

To the Shareholder of Alberta Pensions Administration Corporation

Management is responsible for the integrity and objectivity of the performance results included in the *Alberta Pensions Administration Corporation's 2006 Annual Report*. My responsibility is to carry out the following specified auditing procedures on key performance measures in the annual report. I verified:

### Completeness

1. Key performance measures and targets matched those included in the *Alberta Pensions Administration Corporation Business Plan 2006-2008*. Actual results are presented for all key performance measures (see exception below).

### Reliability

2. Information in reports that originated in the Corporation matched information that the Corporation used to calculate the actual results. In addition, I tested the processes the Corporation used to compile the results.

### Comparability and Understandability

3. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found an exception for the measure, *Plan Governors satisfaction survey*. There was no data reported for this key performance measure; therefore, I was not able to complete procedures one to three above. Management explains in the Key Performance Measures section why data was not reported.

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Corporation in achieving its goals.

[original signed]

FCA  
Auditor General  
Edmonton, Alberta

March 11, 2007

## Appendix 2

### Beneficiaries satisfaction survey

Target	86% (satisfied and very satisfied)
Methodology	<p>In 2006, the Corporation moved from percentage scoring to index scoring. Index scoring assigns a weight to each satisfaction category (very dissatisfied = 0, dissatisfied = 25, satisfied = 75 and very satisfied = 100). By using an index score, the Corporation will have improved data for planning purposes and will gain a clearer understanding of important changes in customer satisfaction.</p> <p>The index score for a particular item is obtained by multiplying each percentage response on the four-point scale by the corresponding index value, then adding these values together, and dividing the total by 100. The Corporation calculates beneficiary satisfaction based on a weighted average based on membership statistics as at December 31, 2004 (pensioners = 35% of total membership). The weighted average is 35% on pensioner satisfaction and 65% on member satisfaction.</p> <p>The methodology to collect client satisfaction information for members and pensioners is outlined below:</p> <p><b>Members:</b></p> <p>APA Corporation conducted on-event surveys linked to the receipt of the member welcome packages by which pension plan members receive information regarding their pension plan when they join the plan. The Corporation provided 22,308 pension plan members with welcome packages between January 1 and December 31, 2006. APA Corporation received 4,721 completed surveys. This is a return rate of 21%.</p> <p>On the member welcome package survey we asked members to:</p> <p><i>Please indicate your overall satisfaction with the information about your pension plan provided to you by Alberta Pensions Administration Corporation.</i></p> <p><i>Very Satisfied/Satisfied/Dissatisfied/Very Dissatisfied</i></p> <p><b>Pensioners:</b></p> <p>APA Corporation conducted on-event surveys linked to the receipt of the pension options package by which pension plan members make the pension choices. The Corporation provided 4,212 pension plan members with pension option packages; these are members who submitted their application for retirement between January 1, 2006 and December 31, 2006. APA Corporation received 837 completed surveys. This is a response rate of 20%.</p> <p>In the pension options package survey we asked pensioners the following question:</p> <p><i>Overall please rank your satisfaction with the services provided to you in understanding the options for your pension.</i></p> <p><i>Very Satisfied/Satisfied/Dissatisfied/Very Dissatisfied</i></p>

Description of results	<p>Members: Overall percentage satisfaction with experience results are determined based on the combined response categories of “Very Satisfied” and “Satisfied” in relation to members rating their overall experience with APA Corporation.</p> <p>Pensioners: Overall percentage satisfaction with experience results are determined based on the combined response categories of “Very Satisfied” and “Satisfied” in relation to new pensioners 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.</p> <p>Combined: The index satisfaction score is based on combined survey results for four categories (very satisfied, satisfied, dissatisfied and very dissatisfied).</p>
Analysis of results	<p>Members: 2006 – Very satisfied and satisfied = 98%; index = 80 2005 – Very satisfied and satisfied = 96%; index = 77</p> <p>Pensioners: 2006 – Very Satisfied and Satisfied = 95%; index = 84 2005 – Very Satisfied and Satisfied = 95%; index = 85</p> <p>Combined: 2006 – combined index = 81 2005 – combined index = 80</p>
Data source(s)	<p>Members: Welcome Package survey Pensioners: Pension Options Package survey</p>

### Employer satisfaction survey

Target	86% (satisfied and very satisfied)
Methodology	<p>In 2006, the Corporation moved from percentage scoring to index scoring. Index scoring assigns a weight to each satisfaction category (very dissatisfied = 0, dissatisfied = 25, satisfied = 75 and very satisfied = 100). By using an index score, the Corporation will have improved data for planning purposes and will gain a clearer understanding of important changes in customer satisfaction.</p> <p>The index score for a particular item is obtained by multiplying each percentage response on the four-point scale by the corresponding index value, then adding these values together, and dividing the total by 100.</p>

	<p>The Corporation uses a survey to collect information on employer satisfaction. Content for the survey was developed by reviewing the 2005 surveys and results, correlating questions and developing a set of objectives for the surveys. The Chief Operating Officer reviewed the objectives and content. The Corporate Communications Specialist, the Manager of Pension Production Services and the Acting Director of Benefit Administration developed, reviewed and approved questions in conjunction with Survey Monkey.com.</p> <p>The Corporation uses SurveyMonkey.com, a Web-based subscription tool, to conduct a Web-based satisfaction survey of the 464 employers that the Corporation serves.</p> <p>In total, the survey link was sent to 1,035 employer representatives of various levels of responsibility on December 8, 2006. There were 117 returned or undeliverable messages; 918 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 and executive, management, technology and finance staff for other components of the administration of the pension plans. In order to achieve comprehensive overall satisfaction ratings, all contact points with all employers were surveyed.</p> <p>The Corporation received 265 responses, which is a response rate of 28.9%. This is a significant response rate and provides us with the ability to leverage the results as a more accurate representation of the complete audience. SurveyMonkey provides analysis and anonymous reporting.</p>
Description of results	<p>The index satisfaction score is based on combined survey results for four categories (very satisfied, satisfied, dissatisfied and very dissatisfied).</p> <p>Employers were asked to rank their percentage satisfaction with services and information provided by APA Corporation. These results are used in the 2006 APA Corporation Annual Report.</p>
Analysis of results	<p>2006 – Very satisfied and satisfied – 92%; index = 76</p> <p>2005 – Very satisfied and satisfied - 88%; index = 72</p> <p>More employers are satisfied with APA services because APA has worked to engage employers in processes and decision making in 2006.</p>
Data source(s)	Employer Satisfaction survey 2006

## Annual cost per member

Target	\$108
Methodology	<p>APA Corporation participates in the Quantitative Service Measurement (QSM) survey each year to evaluate service delivery costs relative to a peer group.</p> <p>The calculation for cost per member is:</p> $\frac{\text{QSM Pension Administration Cost}}{\text{Total membership}}$ <p>In order to be comparable, QSM methodology requires certain adjustments to be made to participants' statements of operations. These include the following:</p> <ul style="list-style-type: none"> <li>• amortization for QSM is straight line over three years for all major development costs (both operating and capital)</li> <li>• QSM pension delivery costs include Plan Specific audit and actuarial fees, banking and plan accounting costs, and exclude all Board support costs</li> <li>• QSM counts active members and pensioners, and excludes deferred members</li> </ul> <p>Using QSM's methodology, the Corporation's pension administration cost budget for 2006 is \$24.451M and the total membership is approximately 225,000.</p>
Description of results	<p>Per member cost for 2006 is \$109 as reported in the QSM survey. This is above target but below QSM (peer group) average of \$116 per member.</p> <p>For 2005, APA Corporation's actual per member cost per QSM methodology was \$99 (restated from \$104 originally reported, based on 2005 budget), and QSM (peer group) average was \$113 per member (restated from \$117 originally reported to reflect the change in QSM participants, as well as changes from budget to actual results).</p>
Analysis of results	<p>As discussed above, QSM reporting is based on annual budgets. Actual expenditures for APA Corporation are below budget due mainly to delays in recruitment and delays in the execution of initiatives.</p>
Frequency of data collection	<p>Data is collected annually – budget data is used for the initial completion of the QSM survey. If actual results are more than +/- 5% of budget, then QSM is provided with updated data subsequent to year end. In addition, QSM amortization methodology has been revised for the 2006 reporting year.</p>
Data source(s)	<p>Agresso accounting software (cost data), mosaic (transaction volume and number of active members), pension payroll (number of pensioners). For QSM reporting, other business units also provide certain statistics on activity volume</p>

# 2007 Corporate Directory

## Officers of the Corporation

Monica Norminton, BA, LLB, MBA, CA•IT

President and Chief Executive Officer

Lesley Bowering

Vice President, External Relations

Kevin Olineck, CEBS

Vice President, Pension Services

Brad Sonnenberg, P.Eng

Vice President, Information Systems

Jeff Uhlich, BA, MSc HRM

Vice President, Human Resources

Jill Wlosek

Vice President, Strategy and Corporate Secretary

Vacant

Vice President, Finance and Compliance