



Alberta Pensions Administration Corporation

2007 Annual Report

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Message from the Chair

On behalf of the Board of Directors, I am pleased to present the annual report of Alberta Pensions Administration Corporation (APA) for the year ending December 31, 2007.

2007 was a year of change for the Corporation and the Board. Within the Corporation, a new organizational structure was implemented, renewing the Corporation's emphasis on services to plan members, pensioners, employers and plan governors as well as confirming our corporate responsibilities for value-added and risk-managed operations. This major effort mirrored the Board's focus on self-examination with a view to strengthening the Board and the Corporation for the future.

2007 saw the Board spend significant time developing a long-term view of where the Corporation should be positioned. The pension administration environment has changed significantly since 1995 when APA was created. Service expectations of pension plan governors, plan members and pensioners, employers and our Shareholder are in a state of evolution. These influences and other key environmental factors, including demographic changes and dramatic increases in service volumes, and the increasing use of the Web by plan members and pensioners, prompted the Board to set a new direction for the Corporation. This direction emphasizes technology as a means to increase the timeliness and variety of pension administration services provided by the Corporation.

To this end, a significant Board achievement in 2007 was the approval of a Five-Year Strategic Plan, including a new mission, for the Corporation. The mission will guide the evolution of APA from a largely paper-based, in-person service organization to a corporation that provides self-service options to plan members and pensioners that complement existing in-person services. We will continue to deliver timely, accurate and valued pension information to plan members, recognizing that employers are key contributors to this objective.

The Board continued its emphasis on reviewing and adopting governance best practices. A comprehensive review of the Board's governance policies that guide the day-to-day work of the Corporation was completed. A Risk Management Program that identified Shareholder risks and APA's strategy for dealing with those risks was implemented. Also, the Board approved an Ethics Violation and Fraud Reporting Policy that applies to Board directors and APA employees.

The Board also continued its support of Alberta Finance in the review of governance arrangements of Alberta public sector pension plans. As a complement to this review, work on service level agreements with the plan boards will continue into 2008.

I am confident the changes made during 2007 will position APA for success. I want to acknowledge the people who have worked with the Corporation throughout the past year. Special thanks to all employees for your support of the Board, and hard work and dedication to meeting the needs of our clients and also to the plan boards for the support of our efforts to continually improve APA.

I would also like to take this opportunity to thank all members of the Board for their support in achieving our mission and for their continued insight and contributions. I would like to especially thank departing Board directors, Sandra Kraatz and Colin Catonio, for their service to the Corporation and to welcome the new members to our Board: Milo Steele, the nominee from the Public Service Pension Board; and Garth Sherwin, the nominee from the Special Forces Pension Board.

I look forward to working with the Board, our CEO and the rest of the Corporation as we move ahead with our new initiatives in the coming year. We have a strong team that can meet the challenges and be a leader in providing pension services.

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

Respectfully submitted,

[Original signed]

Jack H. McMahon FCA
Chair
APA Board of Directors

Board of Directors

The Board of Directors for APA has adopted a Charter that summarizes its governing policies as well as the Board's operating practices. The Charter sets out:

1. Corporate governance practices and policies
2. Duties and responsibilities of the Board of Directors
3. Position descriptions for the Chair of the Board, the Chair of a Board Committee and Directors

On an annual basis, the Board reviews the Charter and approves changes as necessary. The Charter summary is included in Appendix 1.

Board Mandate

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

- a) Achieves appropriate results for appropriate persons at an appropriate cost as described in the Board's Ends Policies
- b) Avoids unacceptable actions and situations as described in the CEO's Limitation Policies established by the Board

Under the 2004 Memorandum of Understanding between the Minister of Finance and APA, the Corporation's Board of Directors:

- Provides strategic direction to the Corporation
- Evaluates and approves strategic plans, annual reports, business plans and budgets proposed by management
- Monitors and evaluates corporate performance
- Provides guidance on the resolution of issues of strategic significance
- Appoints officers of the Corporation responsible for its management

Board Membership

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

Name	Nominee	Term of Service	Board Position
Jack McMahon	External (independent of plan boards)	October 1995 – present	Chair
Rick Milner	External (independent of plan boards)	October 1995 – present	Vice Chair Audit Committee Chair
Colin Catonio	Special Forces Pension Board	September 2005 – December 2007	
Dennis Gartner	Government of Alberta	June 2005 – present	
Doug Hollands	External (independent of plan boards)	November 2006 – present	
Sandra Kraatz	Public Service Pension Board	April 2006 – May 2007	
Rod McDermid	Management Employees Pension Board	January 2004 – present	
Milo Steele	Public Service Pension Board	June 2007 – present	
John Vanderkaay	Local Authorities Pension Plan Board of Trustees	April 2006 – present	

In January 2008, Garth Sherwin joined the Board as the nominee for the Special Forces Pension Board, replacing Colin Catonio. In April 2008, Grant Howell replaces John Vanderkaay as the nominee for the Local Authorities Pension Plan Board of Trustees.

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 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 the Board meetings.

The Audit Committee's mandate includes the following duties:

1. Oversee the CEO's compliance with Board policies respecting risk management and compliance
2. Monitor the execution of the Business Plan
3. Recommend approval or other Board action for all published financial statements and reports requiring approval of the Board (Annual and Quarterly Reports)
4. Oversee the Corporation's compliance respecting ethics violation and fraud reporting
5. Work with the independent auditor

Board Attendance

In 2007, the Board and the Audit Committee each met quarterly. In addition to the quarterly meetings, the Board also held three strategy meetings. Board attendance for the year was over 92 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 to the CEO, 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:

- Annual and agenda planning
- Rules of meeting conduct
- Board job descriptions
- A Board Members' Code of Conduct covering conflict of interest and fiduciary responsibilities
- Board committee principles and structure
- An Ethics Violation and Fraud Reporting Policy
- Board self-assessment
- Board and director education and development, including an orientation program for new directors on Board and corporate operations

Message from the Chief Executive Officer

2007 has been a year of change for APA. Following the lead of our Board of Directors, we developed a long-term view of our operations to better position ourselves to adapt to changing demographics, evolving technology and rising expectations for service delivery. We also looked internally and restructured our organization. APA's structure now aligns resources to our strategic priorities.

A significant change in 2007 was a substantially new executive team. To this team and our employees, enormous credit is given for all that we achieved together. Challenges were embraced and:

- We achieved 85 per cent of our corporate business plan initiatives
- We substantively met our service targets for members and pensioners while service demands increased considerably
- We implemented reciprocal transfers among specific pension plans through policy advice to plan governors and the plans' trustee, the Government of Alberta, followed by technology changes that delivered these enhanced benefits to many plan members
- We identified and implemented process improvements that increased the efficiency of our operations
- We developed a corporate performance management system, including learning and development objectives, that will support and mentor our employees in delivering valued pension administrative services into the future
- We implemented a risk management and compliance program, focused initially on managing strategic risks and broadening to include operational risks
- Our Board of Directors adopted and we implemented a robust Ethics Violation and Fraud Reporting Policy and training program that emphasizes the importance of our corporate values and Code of Conduct in our operations

We undertook significant initiatives, and delivered our core services to a service and cost standard that compares very favourably to our peer group. While we are on a path focused on delivering more timely and accessible services, I want to stop and acknowledge that we have done very well in the face of service and volume challenges.

In the upcoming year, the Corporation will continue to focus on our strategic priorities. These strategies maintain our service focus, and move us along in building our technology capacity to manage demands and expectations. These priorities also ensure we continue to provide the requisite assurance and support to our Board of Directors in fulfilling their oversight responsibilities for effective, efficient and risk-managed operations.

I greatly appreciate the contributions APA's employees and our Board of Directors made in 2007 to our successes. This is a team of people that I am very proud to be associated with. I am looking forward to 2008, and all that lies ahead for APA.

Respectfully,

[Original signed]

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

Corporate Profile

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

Mission

Through pension expertise, we deliver responsive, focused services to meet the unique needs of members, employers and plan governors.

Values

Premised on integrity, the shared values of the individuals and teams associated with APA 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

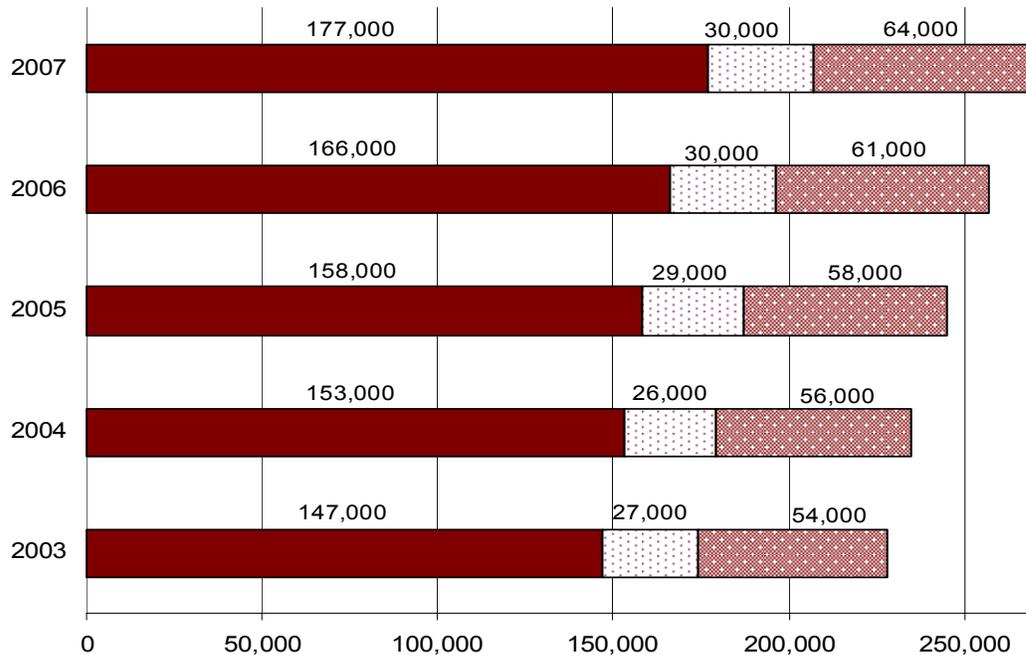
The services provided by APA include:

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

At the end of 2007, the Corporation:

- Administered seven public sector pension plans and two supplementary retirement plans
- Provided administrative services to 474 participating employers across Alberta
- Provided pension-related services to approximately 271,000 members and pensioners
- Collected \$1.5 billion (employee and employer contributions and transfers from other plans) on behalf of the plans administered
- Paid \$1.2 billion (pension payments, refunds and transfers to other plans) on behalf of the plans administered

Number of Members



- Active members (members who are making contributions)
- ▨ Deferred members (members who have left contributions in their pension plan and have yet to choose a pension)
- ▩ Pensioners (members, surviving pension partners, or beneficiaries who are receiving a pension from their pension plan)



Management's Discussion and Analysis

This section contains management's discussion and analysis of APA's operational and financial results and should be read in conjunction with the audited financial statements for the year ending December 31, 2007.

Vision and Core Business

Vision

APA is highly valued and trusted 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, our employees make it possible.

Core Business

APA'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 governance policies defined by the Board of Directors.

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 plans
 - 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 to achieve success. Our key measures are:

- Client satisfaction
- Reasonable cost
- Continuous improvement
- Knowledge
- Engagement
- Strategic partnerships
- Accountability to Shareholder

The Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Key Performance Measures is included in Appendix 2. Descriptions of the methodology for each performance measure are included in Appendix 3.

Client Satisfaction

We use surveys to assess client satisfaction with our products and services. Members, pensioners and employers are requested to rate their overall satisfaction with the services and information provided. Results assist in the development of client service strategies.

	2007 Actual	2007 Target	2006 Actual
Members and pensioners	81	81	81
Employers	76	76	76

The Corporation's survey results are calculated using index scoring, with a maximum score being 100. Index scoring assigns a weight to each satisfaction category (very dissatisfied, dissatisfied, satisfied and very satisfied) and provides data that improves our understanding of important changes in client satisfaction and focuses us on continuously improving the value of services provided.

For 2007, APA met its client satisfaction targets. Our indexed targets recognize that APA values higher satisfaction; however, our efforts are balanced by our targets for reasonable cost and productivity. For 2008, the targets will remain at our 2007 results.

Reasonable Cost

The Corporation strives to deliver effective pension administration services at a reasonable cost, as measured by "cost per member".

	2007 Actual	2007 Target	2006 Actual
APA cost per member ¹	\$91	\$101	\$88

Our 2007 cost per member was less than targeted due to lower than planned administrative costs and higher than projected average plan memberships. The lower administrative costs are largely a result of staff vacancies. These lower costs, which provide immediate savings for the plans, are offset by the challenges APA is facing in addressing increased service volumes and delivering technology improvements with fewer staff.

Given the workforce challenges of the Alberta market, APA has increased its recruiting efforts and is focused on initiatives, such as aligning human resource policies and programs with corporate objectives, and implementing new compensation strategies and a corporate learning and development program that improves the attractiveness of APA as an employer. As well, APA is pursuing opportunities that leverage technology to deliver services that complement our in-person services.

Continuous Improvement

In 2007, APA based continuous improvement on two measures:

- Risk management
- Productivity

Risk Management

APA launched a Risk Management Program in 2007 to provide reasonable assurance that APA has appropriate checks and balances to protect and safeguard corporate assets, and increase the credibility of APA to its stakeholders by focusing on Shareholder and strategic risks.

	2007 Actual	2007 Target	2006 Actual
Risk management plan	Targeted risks managed	Targeted risks managed	Shareholder and corporate risk framework developed and managed

During the year, the following Risk Management Program milestones were achieved:

- Development of a framework to manage Shareholder risks
- Development of a Risk Management Program Charter approved by our Board of Directors
- Incorporation of risk assessments in the Corporation's business planning cycle
- Completion of the 2007 work plan for our internal control assessment program

Full development and implementation of the Risk Management Program is targeted for 2008.

¹ In prior years, the cost per member measurement was calculated on a different basis. See Appendix 3 for details.

Productivity

The ratio of plan members per full-time equivalent employee (FTE) defines APA's productivity measure. This approximates an accepted industry measure that APA has modified for its purposes to reflect the draw on APA staff time to address service requests by members and pensioners over the year based on average annual membership². We determined the industry measure detail was not fully reflective of APA's overall services and made adjustments to the methodology to reflect our service environment.³

	2007 Actual	2007 Target	2006 Actual
Productivity measure Members / full-time equivalent	1,351	1,191	1,226

The Corporation's 2007 productivity measure shows the effect of a higher than projected average plan membership on a lower than planned FTE count. As the ratio increases, the demands on employees also increase. To mitigate the risks associated with the increased demands on existing employees, APA has embarked on initiatives to streamline manual processes, increase the use of technology as an internal productivity tool and for client self-service, and increase recruitment and retention efforts through our human resource policies and practices.

Knowledge

APA is committed to providing a work environment that encourages continuous learning. Employees are our most valuable resource and we recognize that APA's organizational goals and objectives can only be achieved if the skills of employees are continually developed. Employees are encouraged to participate in learning activities that enhance their work-related skills.

	2007 Actual	2007 Target	2006 Actual
Training hours / full-time equivalent	Target education and capacity exceeded	Target education and capacity met	n/a

Our targeted training hours were 42 hours per full-time equivalent employee (FTE). We exceeded this target with 47 hours of training received per FTE. These 2007 results highlight that APA is creating more opportunities for employees to participate in both internal and external training opportunities, and a larger number of employees are participating in training. This is a key success indicator for our Human Capital Strategy.

² The industry measure source is Cost Effective Measurement (CEM), which defines members as active members and pensioners at a point in time, being December 31 of the year being measured.

³ The change made to the methodology for calculation of the APA productivity measure includes deferred members in the count of the overall membership and calculates membership as average annual membership, instead of at a point in time.

Engagement

APA participates in the Queen's University School of Business / Hewitt Associates "Best Small and Medium Employers in Canada" survey. One component of the survey is "engagement" which is defined by Queen's University / Hewitt as "a measurable state of emotional and intellectual involvement and commitment of the workforce to organizational success". APA's overall engagement score shows the percentage of employees who are engaged.

	2007 Actual	2007 Target	2006 Actual
Employee survey results	35%	47%	37%

The result measures APA's progress toward engaging its employees and building a values-driven culture. It gives insight into employees' views of APA and issues such as leadership, corporate responsibility and individual opportunities for career development. In comparison to APA, the average score for employers across Canada participating in the Queen's University survey was 62 per cent and the best employers averaged 77 per cent.

In retrospect, APA's target engagement score for 2007 was very ambitious. 2007 was a year of substantial change for the Corporation. At the end of 2007, we feel confident about the progress we have made. We have implemented a learning and development program that has already seen results for staff, and in 2008 will be launching an online performance management system that will further increase opportunities for engagement and development. We also created a committee to work on human resource policies and initiatives to keep the Corporation's workplace practices moving forward.

Strategic Partnerships

In 2007, APA planned to negotiate new service level agreements with the plan boards to update our mutual understanding of services to be provided and the respective service standards. The Administrative Services Memorandums of Understanding with each plan board have been in place since 2002.

	2007 Actual	2007 Target	2006 Actual
Service level agreements	Agreements continued	Agreements negotiated	n/a

During the year, APA determined that the existing agreements could be continued for another year. This decision was reached recognizing the respective priorities of both APA and plan boards, and the need for continued focus on working with Alberta Finance to complete its governance review of Alberta public sector pension plans.

Accountability to Shareholder

This measure reflects efforts by APA to formally develop a process that details the CEO and Board's evaluation of compliance with obligations identified in APA's governing documents: the Unanimous Shareholder Agreement, Memorandum of Understanding, Administrative Services Agreement and APA By-laws.

	2007 Actual	2007 Target	2006 Actual
Assessment of Corporate obligations	Process and review plan developed	Process and review plan developed	n/a

In 2007, APA developed processes and completed a formal review of its obligations under the Corporation's governing documents.

Corporate Risk Management

The 2007 – 2009 Business Plan identified four major categories of risks facing the Corporation. All were successfully managed in 2007:

- Shareholder (Government of Alberta) risks
- Service risks
- Workforce risks
- Operational risks

These identified risks impact the 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.

Shareholder

As planned, the corporate risk management program was implemented and the 2007 business plan goals and corporate risks were actively and regularly monitored by our Board of Directors. Throughout the year, APA supported Alberta Finance's governance review of operating agreements between APA, the plan boards and the Minister of Finance, as trustee. New service level agreements were not implemented as planned. Existing service level agreements have been extended with recognition that these agreements will be formally reviewed in 2008.

In 2007, the Board of Directors, in consultation with the CEO, made refinements to the Board's oversight policies as part of the ongoing process to achieve a better balance and alignment of corporate processes. APA also developed a process for review of its corporate obligations as defined in the Corporation's governing documents.

Service

Increases in service demands continue to be a risk for the Corporation. The planned five-year strategy is to fully enable online functionality that will complement in-person services for plan members and pensioners delivered through our Member Service Centre. With employees dedicated to pension inquiries and member interviews, the Centre's focus has been on enhanced pension training and process improvements. Immediate volume demands are beginning to be addressed by increasing staff resources.

During 2007, 10 process improvements were implemented to increase the efficiency of the Centre's operations. These include improvements to member online services messaging, establishing an employee certification program, and developing a call distribution and escalation plan and tools to support internal communications. Restructuring and expansion of the Frequently Asked Questions on the pension plan websites is scheduled for 2008.

Workforce

Our Human Capital Strategy remains a key priority for addressing our staffing challenges. We have reviewed and implemented a number of policies aimed at increasing APA's attractiveness as an employer. Formal initiatives, such as our learning and development program and wellness policy, also increase understanding of what APA has to offer to current and potential employees. Other initiatives, such as succession planning, continue to be developed to further manage APA's workforce risks.

In 2007, the Corporation adopted a revised Code of Conduct for all employees that complements the Ethics Violation and Fraud Reporting Policy approved by the Board. APA also launched a new performance management system that improves the effectiveness of our management practices, enabling the Corporation and employees to achieve our business objectives.

In addition, APA has the following strategies in place for our employees:

- A commitment to work-life balance through flexible work hours and ongoing wellness programs
- An performance bonus program for all employees based on corporate and divisional results
- Employee personal development action plans resulting in over 9,200 hours of training and development received by more than 195 employees in 2007
- An employee engagement survey
- A program to recognize innovation by challenging employees to submit ideas to improve corporate operations

Operational

Continuous improvement remains a focus for APA, as demonstrated by the internal control assessment program which resulted in specific quality process changes in 2007. As a component of our risk management program, internal control assessments provide assurance that proper controls are established and maintained to protect plan funds and the Corporation's assets. During the year, assessment activities included a re-testing schedule of controls related to pension receipts, calculations and payments, systems applications and data and financial transactions.

An ongoing priority for the Corporation remains robust business resumption planning. In 2007, application recovery targets were adopted. The Corporation regularly monitors and identifies security and vulnerability risks to its technology network, including assessing information security safeguards and security awareness activities. Throughout our review of business processes, we continue to actively manage vendor relationships as critical business functions. 2008 will see the development of a comprehensive business resumption plan.

In 2007, APA completed an assessment of its privacy risks and compliance with applicable legislation. Activities for the coming year include implementing a privacy framework that includes policies, procedures, training and communication to ensure the Corporation continues to comply with the *Freedom of Information and Protection of Privacy Act* and protects the privacy of all plan and corporate information and records.

2007 Business Plan Highlights

Highlights of APA's accomplishments in 2007 include:

- Development and approval of our Five-Year Strategic Plan
- Implementation of a new form of reciprocal transfers between the Local Authorities Pension Plan and the Public Service Pension Plan including the supporting processes
- Development of a corporate risk management and compliance program
- Introduction of a new performance management system for our employees
- Launch of an updated learning and development program
- Improvements to both our member service call centre and pension production centre

Initiatives identified in our 2007 – 2009 Business Plan that have not been completed are:

- Employer online services, APA's system for receiving employer information, remained under development as a priority initiative and was completed in early 2008. The technical challenges of upgrading the original custom application to an accepted industry standard required additional time and resources to ensure APA is able to meet the service and security standards that we expect of a replacement system.
- The employer role clarification project was re-cast in 2007. Recognition was given to the need to develop a more robust relationship with employers and that APA must dedicate staff to support employers in pension administration. This led to the creation of a business unit dedicated to employer services. In 2007, the focus was on staffing this unit and delivering APA's education program for employers. In 2008, these efforts will continue to be a priority focus for APA.
- A corporate information system integrating human resources, financial and budgeting information was not implemented as we determined the costs outweighed the benefits and that other priorities, such as the employer online services system, demanded our attention.

The Corporation also undertook other key initiatives at the direction of our Board of Directors, including:

- Development of an implementation plan and processes for new reciprocal transfer agreements between several Alberta, federal and other provincial public sector plans
- Review of proposed regulatory changes to support amendments in the *Employment Pension Plans Act*
- A review of our compensation policies
- A review of our internal practices that protect the privacy of the information we manage
- A formal review of our pension receipts and disbursements processes designed to provide assurance that error risks are minimized
- A comprehensive review of our information technology policies and practices to an industry standard (COBIT⁴)

⁴ Control Objectives for Information and related Technology (COBIT) is a set of best practices (framework) for Information Technology (IT) management.

Results

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

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

Financial Results

APA's budget is approved by our Board of Directors and 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 Expenses (\$ millions)	Actual	Budget	Variance
Staff and related expenses	\$ 16.1	\$ 17.8	\$ (1.7)
Other operating expenses	3.2	2.9	0.3
Amortization	2.7	3.0	(0.3)
Materials and supplies	2.2	2.5	(0.3)
Total before plan specific	24.2	26.2	(2.0)
Plan specific	1.1	1.4	(0.3)
Total operating expenses	\$ 25.3	\$ 27.6	\$ (2.3)

The variance between budgeted and actual costs is primarily due to staff vacancies and lower plan specific contract costs.

Capital Costs (\$ millions)	Actual	Budget	Variance
Computer equipment	\$ 0.5	\$ 0.2	\$ 0.3
Computer software	1.1	1.5	(0.4)
Furniture and equipment	-	-	-
Leasehold improvements	-	-	-
Total capital investment	\$ 1.6	\$ 1.7	\$ (0.1)

The variance in capital spending is attributed to an increased focus on project requirements.

Pension Plan Volume Statistics

Changes in APA's pension plan volume statistics are primarily driven by an increased demand for pension information and services due to changing demographics and the Alberta labour market.

We see the effects of increased labour mobility in the service volume changes for termination payouts, service purchase requests and retirement finalizations. We also see the effects of an aging workforce in the increase in phone inquiries, retirements and member and employer seminars. The increased accessibility and use of the web is also being seen in our on-line pension estimating tool.

Category	2007	2006	% Change
Benefit-related phone inquiries	121,004	80,095	51.1%
Pension estimates*	43,667	39,539	10.4%
Termination payouts (refunds to members or transfers to locked-in retirement accounts)	11,977	7,728	55.0%
Service purchase requests (for past employment)	2,826	3,675	(23.1%)
Retirement finalizations	4,327	3,661	18.2%
Personal member interviews	2,786	2,513	10.8%
Correspondence (written and email)	4,813	9,127	(47.3%)
Member seminars	270	201	34.3%
Employer seminars	51	46	10.9%

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

Service Indicators

The focus of 2007 continued to be meeting established service targets while implementing improvements to our pension processes. Demand for pension administration services continued to rise throughout 2007. We anticipate this demand to continue in 2008 due to Alberta's strong economy.

As illustrated in the following chart, APA exceeded all targeted standards in 2007 with the exception of reciprocal transfers. The targets for transfers were not met due to delays associated with collecting additional information to finalize transfer transactions and the higher than anticipated volumes related to the new actuarial liability transfers implemented in 2007.

For 2008, APA will be reviewing and assessing the target service levels for reciprocal transfers as current timelines do not appear to allow adequate time for affected members, employers, other pension plans and APA to complete the transfer process to provide the best value for the service.

Service indicator	Service level	Target	Actual
Pension estimates	7 days from receipt of completed application	90%	96%
Pension option packages*	7 days from receipt of completed application	90%	94%
Pension payments finalized	30 days from receipt of required documents	90%	92%
Termination payments (refund to member or transfer to locked-in retirement account)	21 days from receipt of completed application	90%	94%
Cost to purchase past employment service or leave periods	21 days from receipt of completed application	90%	90%
Transfers with public sector plans in Alberta	90 days from receipt of completed application	90%	69%
Transfers with public sector plans outside Alberta	180 days from receipt of completed application	90%	45%
Written correspondence	respond within 14 days of receipt	90%	93%
email correspondence	respond within 14 days of receipt	90%	94%

* includes disability pension adjudication and death benefits

Reporting Requirements

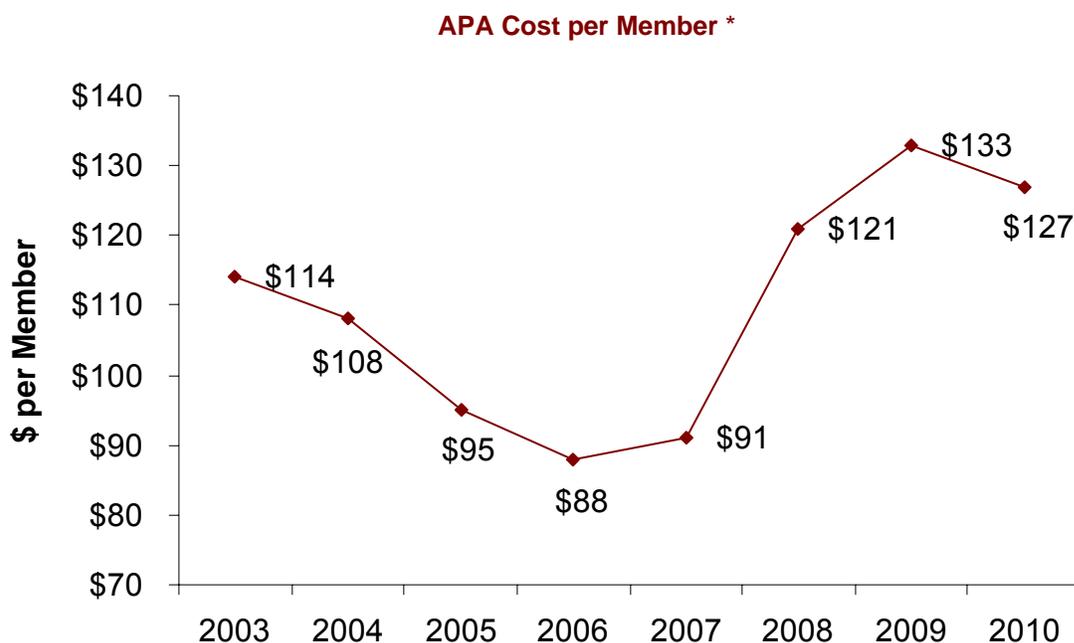
The Corporation met all the reporting requirements for 2007 as outlined under the Memorandum of Understanding (Section 7, Accountability Documents) between APA and the Minister of Finance, including:

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

Looking Ahead

Since 2004, APA's expenditures per average membership, as highlighted below, have declined significantly. This reflects increased staff vacancies, decreased capital investment, as well as increasing plan membership.

Moving into the future, we expect costs to increase in the short-term as we significantly invest in technology to address volume demands.



	2003	2004	2005	2006	2007	2008 Projected	2009 Projected	2010 Projected
Average Membership	228,030	230,992	240,047	250,993	263,895	271,705	281,557	289,228

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

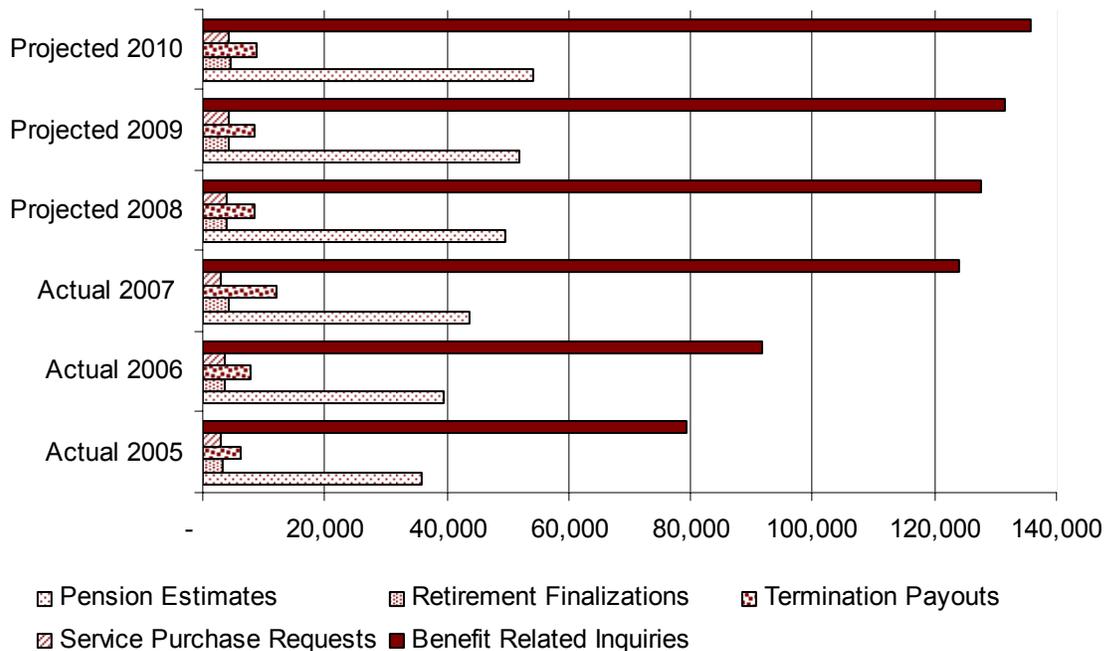
APA participates annually in the Quantitative Service Measurement (QSM) survey to evaluate service delivery costs relative to a Canadian peer group. QSM utilizes a specific methodology for calculating both costs and membership based on budget expectations to ensure results are comparable. For 2007, the average cost per member for QSM participants was \$120. Using the QSM methodology, APA's cost per member in 2007 was \$104.

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. The growth in pension estimates for 2008 and onward is based on the historic rate of service usage by plan members, increased by labour growth projections for Alberta.

Service Projections



We are focusing the Corporation to meet the increase in service demands through four strategic priorities:

1. Deliver valued pension administration services
2. Build a performance-oriented organization that empowers employees
3. Be adaptable and responsive to opportunities and risks
4. Align with the Shareholder

Management's Responsibility for Financial Reporting

The financial statements and information in the 2007 Annual Report are the responsibility of Alberta Pensions Administration Corporation (APA) and have been approved by management and APA'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 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's external auditor, provides an independent audit opinion on the financial statements.

[Original signed]

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

[Original signed]

Ryan Barrack, CA
Vice President, Finance and Compliance

February 29, 2008



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, 2007 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, 2007 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
February 29, 2008

Balance Sheet

As at December 31, 2007

	(\$ thousands)	
	2007	2006
	\$	\$
ASSETS		
Cash	49	68
Accounts receivable	13	6
Prepaid expenses	219	138
Due from pension plans	2,846	2,276
Property and equipment (Note 4)	3,433	4,612
	6,560	7,100
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable and accrued liabilities	1,872	1,176
Accrued salaries and benefits	977	941
Accrued vacation pay	278	354
Deferred lease inducement	-	17
Deferred capital contributions (Note 3)	3,433	4,612
	6,560	7,100
Shareholder's equity		
Share capital (Note 5)	-	-
	6,560	7,100

The accompanying notes are part of these financial statements.

Approved by the Board:

[Original signed]

 Jack H. McMahon
 Chair
 APA Board of Directors

[Original signed]

 R. C. (Rick) Milner
 APA Audit Committee Chair

Statement of Income

Year ended December 31, 2007

	Budget 2007 \$	(\$ thousands) Actual 2007 \$	Actual 2006 \$
	(Note 15)		
Revenue (Note 6)	27,636	25,290	24,326
Operating expense			
Staff and related expense	17,831	16,056	15,649
Other operating expense (Note 7)	2,925	3,234	2,682
Amortization	3,032	2,746	2,865
Materials and supplies	2,435	2,148	2,113
Total before Plan Specific	26,223	24,184	23,309
Plan Specific (Note 8)	1,413	1,106	1,017
Total Operating Expense	27,636	25,290	24,326
Net income	-	-	-

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year ended December 31, 2007

	(\$ thousands)	
	2007	2006
	\$	\$
Operating Activities		
Net income	-	-
Items not affecting cash:		
Amortization	2,746	2,865
Capital contributions recognized (Note 3)	(2,746)	(2,865)
	-	-
Changes in non-cash working capital (Note 9)	(2)	456
	(2)	456
Investing Activities		
Acquisition of property and equipment	(1,567)	(521)
Financing Activities		
Decrease in deferred lease inducement	(17)	(18)
Decrease in capital lease obligation	-	(440)
Capital contributions received	1,567	521
	1,550	63
Decrease in cash for the year	(19)	(2)
Cash, beginning of year	68	70
Cash, end of year	49	68

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2007

1. Authority

Alberta Pensions Administration 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, 2008. These services include the collection of contributions, payment of benefits and refunds, and other services specifically requested by individual pension boards.

3. Summary of Significant Accounting Policies

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.

Notes to the Financial Statements (continued)

Year ended December 31, 2007

3. Summary of Significant Accounting Policies (continued)

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)			
		2007		2006
	Cost	Accumulated	Net Book	Net Book
	\$	Amortization	Value	Value
		\$	\$	\$
APEX business system	7,383	7,012	371	1,643
Computer equipment	2,923	2,305	618	336
Computer software	5,438	3,779	1,659	1,406
Leasehold improvements	1,596	1,077	519	838
Furniture and equipment	1,106	840	266	389
Telephone system	43	43	-	-
	18,489	15,056	3,433	4,612

5. Share Capital

	2007	2006
	\$	\$
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share (Note 1)	1	1

Notes to the Financial Statements (continued)

Year ended December 31, 2007

6. Revenue

	(\$ thousands)	
	2007	2006
	\$	\$
LAPP	15,386	14,470
PSPP	7,027	6,875
MEPP	1,212	1,207
SFPP	934	1,009
PSM(CM)PP	249	260
MSRP	238	241
PJMC(R)PP	83	96
PJMC(U)PP	77	75
MLAPP	56	63
	25,262	24,296
Interest and other miscellaneous cost recoveries	28	30
	25,290	24,326

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

7. Other Operating Expense

	(\$ thousands)	
	2007	2006
	\$	\$
Contract services	1,851	1,453
Data processing and maintenance	1,117	981
Miscellaneous	266	248
	3,234	2,682

Notes to the Financial Statements (continued)

Year ended December 31, 2007

8. Plan Specific

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

	(\$ thousands)					2006
	2007					
	Contract Services \$	Salaries and Benefits \$	Materials and Supplies \$	Board Remuneration \$	Total \$	Total \$
PSPP	139	285	70	-	494	515
MEPP	181	-	82	31	294	206
SFPP	202	-	65	23	290	219
PSM(CM)PP	13	-	-	-	13	24
PJMC(R)PP	3	-	3	-	6	18
MSRP	4	-	-	-	4	25
MLAPP	3	-	-	-	3	10
PJMC(U)PP	2	-	-	-	2	-
Total	547	285	220	54	1,106	1,017

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

9. Changes in Non-Cash Working Capital

	(\$ thousands)	
	2007 \$	2006 \$
(Increase) / decrease in accounts receivable	(7)	2
(Increase) / decrease in prepaid expenses	(81)	31
(Increase) / decrease in due from pension plans	(570)	404
Increase in accounts payable and accrued liabilities	696	145
Increase / (decrease) in accrued salaries and benefits	36	(74)
Decrease in accrued vacation pay	(76)	(52)
	(2)	456

Notes to the Financial Statements (continued)

Year ended December 31, 2007

10. 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.

11. Related Party Transactions

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

		(\$ thousands)	
		2007	2006
		\$	\$
Service Alberta	Data processing and postage	875	717
Alberta Finance	Accounting, insurance and administrative	31	39
Alberta Infrastructure and Transportation	Parking rental	10	10
		916	766

The Corporation also provided services to the public sector pension plans and supplementary retirement pension plans as disclosed in Notes 6 and 8.

Notes to the Financial Statements (continued)

Year ended December 31, 2007

12. Salaries and Benefits Disclosure

	(\$ thousands)				2006
	2007				
	Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	Total	Total
	\$	\$	\$	\$	\$
Board Chair (d)	-	23	1	24	33
Board Members (d)	-	82	5	87	66
President and Chief Executive Officer (e)	176	38	61	275	220
Corporate Officers:					
Vice President, External Relations (f)	106	2	47	155	-
Vice President, Finance and Compliance (g)	54	102	17	173	198
Vice President, Human Resources (h)	138	4	32	174	13
Vice President, Information Technology (i)	63	114	20	197	172
Vice President, Pension Services (j)	149	19	41	209	192
Vice President, Strategic Planning (k)	152	19	38	209	228

- (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, severance payments, vacation payouts and honoraria where applicable.
- (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, Workers' Compensation Board premiums, professional memberships and tuition fees where applicable.
- (d) Remuneration paid for the services of the Chair and five board members is paid based on rates approved by the Lieutenant Governor in Council in accordance with the Unanimous Shareholder Agreement and confirmed at the Annual General Meeting.
- (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 VP, Information Technology 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 position was created on March 1, 2007.
- (g) The current VP, Finance and Compliance has occupied the position since October 29, 2007. The predecessor occupied the position until March 26, 2007. Other cash benefits includes the severance payment of the predecessor. In 2006, the position was Chief Administrative Officer.
- (h) The position was created on December 1, 2006.
- (i) The current VP, Information Technology has occupied the position since November 15, 2007. The predecessor occupied the position until May 11, 2007. Other cash benefits includes the severance payment of the predecessor. The predecessor acted as CEO for three months during 2006. Acting pay for that period has been included as CEO salary. In 2006, the position was Chief Information Officer.
- (j) In 2006, the position was Chief Operating Officer.
- (k) In 2006, the position was Chief Strategist and Corporate Secretary.

Notes to the Financial Statements (continued)

Year ended December 31, 2007

13. 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 \$1,256 for the year ended December 31, 2007 (2006: \$1,175).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of \$6,765 (2005 - \$165,895) and the Public Service Pension Plan reported a surplus of \$153,024 (2005 deficiency - \$187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$3,698 (2005 - \$10,018).

14. Commitments

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

	Facility Lease \$	(\$ thousands) Multi-Year Contracts \$	Total Commitments \$
2008	853	86	939
2009	568	-	568
2010	-	-	-
	1,421	86	1,507

15. 2007 Budget

The Corporation's 2007 budget was approved by the Board of Directors on November 28, 2006.

16. Comparative Figures

Certain 2006 figures have been reclassified to conform with the 2007 presentation.

17. Approval of Financial Statements

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

Appendix 1

Charter of the Board of Directors

The Board of Directors for Alberta Pensions Administration Corporation has adopted a Charter that summarizes the governing policies adopted and the Board's operating practices. The Charter sets out:

1. The corporate governance practices and policies that apply to the Board of Directors.
2. The duties and responsibilities of the Board of Directors.
3. The position description for a Director.
4. The position description for the Chair of the Board.
5. The position description for the Chair of a Board Committee.

On an annual basis, the Board of Directors reviews the Charter and approves changes as necessary. The following summarizes the key aspects of the Charter.

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

- a) Achieves appropriate results for appropriate persons at an appropriate cost as described in the Board's Ends Policies; and
- b) Avoids unacceptable actions and situations as described in the CEO's Limitation Policies established by the Board.

The Board achieves its purpose through Ends and Limitation Policies, as well as through the adoption of best practices appropriate to the governance and oversight of Alberta Pensions Administration Corporation.

Structure and Operations: The Corporation By-laws provide for the Board of Directors to have a minimum of one and a maximum of 15 directors. The Articles of Incorporation provide that any vacancy in the Board of Directors shall be filled by the Shareholder appointing an individual as director, and the Unanimous Shareholder Agreement provides that eight directors shall be appointed by the Shareholder.

Board and Board Committee meetings follow a schedule agreed upon by the Board prior to the commencement of a calendar year. Quorum and voting are determined by agreement with the Shareholder.

Duties and Responsibilities of the Board of Directors: The Board performs its stewardship responsibilities either directly or through the committees of the Board. The Board of Directors has adopted a Code of Conduct for its membership and oversees the ethical conduct of the Chief Executive Officer, and all employees of the Corporation, by monitoring compliance with the Corporation's Code of Conduct and Ethics. In addition, the Board has adopted an Ethics Violation and Fraud Reporting Policy. This Policy allows complaints to be made on a confidential and anonymous basis. The Board believes that providing a forum for directors, officers and employees to raise concerns about ethical treatment fosters a stronger culture of ethics in the Corporation.

Position Description for Directors: The Board of Directors has adopted position descriptions for all directors. Each director participates in fulfilling the Board's stewardship role by acting honestly and in good faith with a view to the best interests of the Corporation (fiduciary duty) and by exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care).

Audit: The Audit Committee oversees the integrity of the Corporation's financial reporting, risk management policies and practices, internal controls management and disclosures.

Other Governance Matters: The Board of Directors has adopted positions descriptions for the Chair of the Board as well as the Chair of the Audit Committee. In practice, the Board's Audit Committee sits as a committee of the whole Board with unique agendas and meeting times. The Board has also adopted specific governance policies and practices respecting Board orientation, education and interactions with the Chief Executive Officer as well as management.

Appendix 2

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 2007 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 2007-2009*. Actual results are presented for all key performance measures.

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.

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]

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
March 10, 2008

Appendix 3

Key Performance Measures – Description of Methodology

Member and Pensioner Satisfaction Survey

<p>Target</p>	<p>81</p>
<p>Methodology</p>	<p>Index scores were calculated as part of the survey analysis. Index scoring assigns a weight to each satisfaction category (very dissatisfied = 0, dissatisfied = 25, satisfied = 75 and very satisfied = 100); the maximum index score is 100. By using an index score, APA improves data for planning purposes and gains 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. APA 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>Members: APA 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.</p> <p>In 2005 and 2006, a survey was sent with every welcome package. During 2007, it was determined that APA could reduce the number of surveys sent while maintaining a statistically representative sample. Approximately mid-year, the number of surveys sent was reduced to one survey for every 130 packages.</p> <p>Overall, 28,101 welcome packages for new members were sent between January 1 and December 31, 2007. Through the year, 2,228 survey responses were received, resulting in a response rate of 7.9%</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>Pensioners: APA conducted on-event surveys linked to the receipt of the pension options package by which pension plan members make the pension choices. APA provided 4,671 pension plan members with pension option packages; these are members who submitted their application for retirement between January 1, 2007 and December 31, 2007. APA received 1,025 completed surveys. This is a response rate of 22%.</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>Combined:</p> <p>2007 – combined index = 81 2006 – combined index = 81</p> <p>Members:</p> <p>2007 – Very satisfied and satisfied index = 80 2006 – Very satisfied and satisfied index = 80</p> <p>Pensioners:</p> <p>2007 – Very satisfied and satisfied index = 84 2006 – Very satisfied and satisfied index = 84</p>
Analysis of results	<p>Combined:</p> <p>The index satisfaction score is based on combined survey results for four categories (very satisfied, satisfied, dissatisfied and very dissatisfied).</p> <p>Members:</p> <p>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.</p> <p>Pensioners:</p> <p>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. Any questions that had a response of N/A were not considered in the calculation of satisfaction percentages.</p> <p>Achieving our target in 2007 means we have provided members with products and services that satisfy their needs. However, other data is collected as part of the surveys that provide important information about what the member or pensioner understands. This is the information that will be used in 2008 when we review pension products in accordance with the 2008 – 2010 Business Plan.</p>
Data source(s)	<p>Members: Welcome Package survey</p> <p>Employers: Pension Options Package survey</p>

Employer Satisfaction Survey

Target	76
Methodology	<p>Index scores were calculated as part of the survey analysis. Index scoring assigns a weight to each satisfaction category (very dissatisfied = 0, dissatisfied = 25, satisfied = 75 and very satisfied = 100); the maximum index score is 100. By using an index score, APA has improved data for planning purposes and gains 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>APA used SurveyMonkey.com, a Web-based subscription tool, to conduct a Web-based satisfaction survey of the 474 employers that APA serves. Content for the survey was developed by reviewing the 2005 surveys and results, correlating questions and developing a set of objectives for future surveys.</p> <p>APA 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>In total, the survey link was sent to 1,081 employer representatives of various levels of responsibility on November 30, 2007. There were 115 returned or undeliverable messages; 966 employer representatives were reached.</p> <p>APA received 179 responses, which is a response rate of 18.5%. While lower than the response rate for 2006, we believe 18.5% is still statistically valid.</p>
Description of results	<p>2007 – Very satisfied and satisfied index = 76 2006 – Very satisfied and satisfied index = 76</p> <p>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>Although the overall response rate provides statistically viable results, there was a significant drop in the response rate in 2007. This will be investigated in 2008.</p> <p>Based on the results, employers remain satisfied with APA overall services. Improvements to <i>Pension e-guide</i> was the significant change in services or products made available in 2007.</p>
Data source(s)	Employer Satisfaction Survey 2007

APA Cost per Member

Target	\$ 101
Methodology	<p>Annual cost per member (industry peer cost) was included in the 2006 – 2008 Business Plan as a performance measure. This calculation was based on Quantitative Service Measurement calculation and was used to benchmark APA performance to a peer group in Canada.</p> <p>The current year calculation for APA cost per member is:</p> $\frac{\text{Total gross expenditures}}{\text{Average plan membership}}$ <p>Total gross expenditures are defined as total operating cost per the financial statements less amortization plus capital additions. The rationale for this calculation is to arrive at a view of the cash the Corporation requires to operate for the year.</p> <p>Average plan membership is calculated by taking the sum of all active and deferred members and pensioners as of January 1 and as of December 31 and dividing the total by two.</p>
Description of results	\$ 91 per member
Analysis of results	<p>This result is less than target due to a combination of the following two factors:</p> <ul style="list-style-type: none"> • favourable variance in gross expenditures • average plan membership ended up higher than projected <p>A large portion of the favourable variance in gross expenditures relates to delays in APA recruitment efforts.</p> <p>A favourable cost per member result may be perceived as a positive, but may have negative implications if not managed. As membership numbers and service volumes continue to increase, APA needs to invest in technology and human resources to ensure that the current service levels can be maintained. Failure to invest in technology and/or people to address service volumes can have a negative impact on service standards.</p>
Data source(s)	<ul style="list-style-type: none"> • Cost data: Agresso accounting software • Number of active and deferred members: mosaic (pension administration system) • Number of pensioners: Pension Payroll

Risk Management Plan

Target	Targeted risks managed
Methodology	<p>This is a qualitative measure whereby outcomes for 2007 will be measured by milestones or actions taken. For future years, APA will work on metrics to quantify the effectiveness and success of the Risk Management Program.</p> <p>In 2007, the following actions and/or milestones were targeted for completion:</p> <ul style="list-style-type: none"> • Develop a framework to manage Shareholder risks • Develop a Risk Management Program Charter • Incorporate risk assessment in the business planning cycle • Complete work outlined in the 2007 work plan for the Internal Control Assessment Program
Description of results	<p>Target has been achieved as the following milestones and key events were completed in 2007:</p> <ul style="list-style-type: none"> • A review of all Shareholders risks was completed • Shareholder risks are actively managed via the CEO monitoring of Ends and Limitations policies– assessment completed and presented to Board • A sample of operating risks was identified in May 2007 • A Risk Management Program Charter was approved by the Board of Directors • Corporate risks were identified and an inventory was developed during APA's 2008-2010 business planning cycle • The Internal Control Assessment Program was completed as planned in 2007.
Analysis of results	<p>The target has been met for 2007, although the Risk Management Program is not fully developed and implemented. Full development and implementation is targeted for 2008.</p> <p>The following will be need to be completed in 2008:</p> <ul style="list-style-type: none"> • Develop a risk management framework and implementation plan • Develop tools and techniques for management to use to identify, assess, respond and manage risks • Identify and manage all significant operating risks with a detailed schedule to complete appropriate risk assessments <p>APA's Risk Management Program will not be fully developed and implemented until the end of 2008. Therefore, APA is unable assess the effectiveness of the Program. The goal is to establish metrics in 2008 with our first year of reporting quantifiable results to occur in 2009.</p>
Data source(s)	<ul style="list-style-type: none"> • Board of Directors' materials • Approved Risk Management Program Charter • Inventory of risks identified via the 2008-2010 business planning cycle

Productivity Measure

Target	1,191 members / full-time equivalent
Methodology	<p>The concept of measuring productivity using members per full-time equivalent employee (FTE) is taken from the Cost Effective Measurement (CEM) reporting which APA undertakes each year in order to benchmark its performance with an industry peer group. The detail of the calculation for CEM purposes was not considered fully reflective of the overall services that APA provides, therefore the following changes were made to the CEM methodology:</p> <ul style="list-style-type: none"> • deferred members are included in the count of the overall membership and; • membership is calculated using an average annual membership, instead of taking the membership at a point in time <p>The calculation for productivity measure member/full-time equivalent is:</p> $\frac{\text{Average plan membership}}{\text{FTEs}}$ <p>Average plan membership is calculated by taking the sum of all active and deferred members and pensioners as of January 1 and as of December 31 and dividing the total by two.</p> <p>FTEs are calculated as follows:</p> <ul style="list-style-type: none"> • permanent full-time employees are counted as 1.0 FTE • permanent part-time employees are pro-rated based on days worked per week • casual and temporary employees are pro-rated based on days worked per month <p>“Employees” are defined in accordance with the Government of Alberta’s 2007 Budget and Business Plan Finalization Instructions, and include permanent, non-permanent, wage and employment contract employees. Employees on long-term disability or individuals working through a service contract are not included.</p>
Description of results	1,351 members / FTE
Analysis of results	<p>This result is higher than target for 2007 due to a combination of the following factors:</p> <ul style="list-style-type: none"> • average plan membership was higher than projected • overall FTE counts were lower than projected <p>As this ratio increases, it demonstrates the need for APA to maximize its use of available technology in order to efficiently deliver services to members and pensioners, and to look for new solutions to maintain this service level. Increasing the number of members per full-time equivalent also increases APA’s exposure to an increase in transactional intensity per member, and, therefore, the risk of decreased customer service.</p>
Data source(s)	Human Resources Information System, mosaic (number of active and deferred members), Pension Payroll (number of pensioners)

Training Hours

Target	Target education and capacity met
Methodology	<p>The calculation for training hours per full-time equivalent employee (FTE) is:</p> $\frac{\text{Total training hours}}{\text{FTEs}}$ <p>For the calculation of total training hours for 2007, APA includes formal classroom, computer-based training, on-the-job training or any other informal training time. The training hours are reported monthly on the employee timesheets. All employees have a Personal Development Action Plan that focuses them towards training that will deliver needed results.</p> <p>FTEs are calculated as follows:</p> <ul style="list-style-type: none"> • permanent full-time employees are counted as 1.0 FTE • permanent part-time employees are pro-rated based on days worked per week • casual and temporary employees are pro-rated based on days worked per month <p>“Employees” are defined in accordance with the Government of Alberta’s 2007 Budget and Business Plan Finalization Instructions, and include permanent, non-permanent, wage and employment contract employees. Employees on long-term disability or individuals working through a service contract are not included.</p>
Description of results	Target education and capacity exceeded
Analysis of results	<p>Total training hours was 9,231.74 and the FTE count as of December 31, 2007 was 195.</p> <p>In 2007, the target for training hours per FTE was set at 42 hours. At 47 hours, we exceeded the target for 2007. Part of this was a result of increasing the number of internal workshops offered. Employees took advantage of the learning and development opportunities offered both internally and externally to enhance their skills and help them cope with the organizational changes that occurred in 2007. A new Learning and Development policy was developed in 2007 which increased the range of learning and development options in which employees could partake. This resulted in an increase in the number of employees taking external courses.</p>
Data source(s)	Total training hours are gathered from each employees’ timesheet on a monthly basis and entered into APA’s human resource information system.

Employee Survey Results

Target	47%
Methodology	<p>In 2006, APA participated in the Queen's School of Business and Hewitt Associates called 'Best Small and Medium Employers (BSME) in Canada' survey for the first time. Participation was dependent on APA having achieved a 70 per cent response rate, with eligibility requirements of APA being in business in Canada for three or more years and having between 50 and 400 employees. The component of the survey used for this performance measure is the engagement score. Queen's and Hewitt Associates define engagement as "a measurable state of emotional and intellectual involvement and commitment of the workforce to organizational success".</p> <p>All APA employees received an email invitation to complete the on-line survey, on an anonymous basis. The information is submitted and collected externally by electronic means, and all responses were analyzed by Hewitt Associates. Hewitt Associates calculated the engagement score using Hewitt's global standard. The score is based on employee views, not on those of outside experts.</p> <p>Employees register their level of agreement with statements in the survey by rating each of them on a scale of one (Strongly Disagree) through six (Strongly Agree). The scores are evaluated for six key engagement questions:</p> <ol style="list-style-type: none"> 1. I would, without hesitation, highly recommend this organization to a friend seeking employment 2. Given the opportunity, I tell others great things about working here 3. It would take a lot to get me to leave this organization 4. I hardly ever think about leaving this organization to work somewhere else 5. This organization inspires me to do my best work every day 6. This organization motivates me to do more than is normally required to complete my work <p>Hewitt uses an average of the scores for these six questions to determine a single engagement score on a one-to-six scale for each individual. APA's overall engagement score shows the percentage of employees whose average score was 4.5 or more on the six engagement questions and hence qualify as engaged.</p>
Description of results	35% of our employees were engaged.
Analysis of results	The 2007 survey was conducted during a year of reorganization. Uncertainty over restructuring, new reporting relationships and reclassification of positions contributed to a drop in the level of engagement. On the plus side, scores improved in some specific areas that were focused on in early 2007.
Data source(s)	Hewitt BSME

Service Level Agreements (SLA)

Target	Agreements negotiated
Methodology	In 2006 and 2007, there was agreement between APA and the plan boards that new service level agreements should be deferred until Alberta Finance's project, Pension Plan Governance, developing new operating protocols between Alberta Finance and each plan board, was complete. This was targeted for completion by March 31, 2007, and subsequently, by December 31, 2007. These targets were not met.
Description of results	As the operating protocols were not finalized in 2007, APA continued the existing service level agreements, the Administrative Services Memorandums of Understanding, until 2008 or until the operating protocols are in place.
Analysis of results	The existing Administrative Services Memorandums of Understanding with the plan boards remain in place. There is little risk to extending the existing agreements as they substantively reflect what will be carried forward into new SLAs.
Data source(s)	Schedule of meetings with plan board representatives and meeting notes.

Assessment of Corporate Obligations

Target	Process and review plan developed
Methodology	<p>APA developed a process and review plan that includes:</p> <p>Prior Year Assessment:</p> <ol style="list-style-type: none"> 1. Catalogue of documented requirements created from source governing documents 2. CEO reviews requirements and assesses compliance 3. CEO presents assessment to APA Board of Directors for review 4. Board reviews assessment and provides input, advice, comment 5. CEO sends formal assessment of the prior year to Alberta Finance (as representing the Shareholder and Minister) <p>Forthcoming Year Plan:</p> <ol style="list-style-type: none"> 1. CEO reviews prior year catalogue; updates as required, and presents to Board of Directors for review and approval 2. CEO actions plan and thereafter follows one to five above

Description of results	The CEO prepared and sent a letter to Alberta Finance on February 26, 2007 regarding the 2006 evaluation of APA Corporation. This consisted of an evaluation of the Corporation's performance relative to its corporate obligations under the Memorandum of Understanding, Administrative Services Agreement and Unanimous Shareholder Agreement with the Minister of Finance and an assessment of APA's obligations to the Minister as Shareholder as documented in the by-laws of APA.
Analysis of results	Deliverables resulting from the evaluation of the Corporation's corporate obligations are incorporated into the Corporation's business plan for the upcoming year.
Data source(s)	Source documents 2007: Unanimous Shareholder Agreement Memorandum of Understanding Administrative Services Agreement By-laws of Alberta Pensions Administration Corporation Board of Directors minutes March 2007

2008 Corporate Directory

Officers of the Corporation

Monica Norminton, BA, LLB, MBA, CA•IT

President and Chief Executive Officer

Ryan Barrack, CA

Vice President, Finance and Compliance

Lesley Bowering

Vice President, External Relations

Kevin Olineck, CEBS

Vice President, Pension Services

Jeff Uhlich, BA, MSc HRM

Vice President, Human Resources

Jill Wlosek

Vice President, Strategic Planning and Corporate Secretary

Vacant

Vice President, Information Technology