

**our values,
reflecting
our
commitment
to clients**

our values,
reflecting

our
commitment
to clients

our mission.

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

Our vision

Alberta Pensions Administration Corporation (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.

Our values

The shared values of the individuals and teams within 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



Alberta Pensions Administration Corporation

Alberta Pensions Administration Corporation (APA) delivers trusted pension services to seven public sector pension plans and two supplementary retirement plans, 481 employers and more than 285,000 members and pensioners across Alberta. In 2008, APA collected \$1.7 billion in contributions and transfers and paid \$1.3 billion in pension payments, refunds and transfers on behalf of the plans served.

What do we do? APA is a multi-faceted Corporation that delivers a variety of crucial services to a number of different client groups. Just a few of the trusted pension services we provide include: receiving, reconciling and reporting employer and plan member contributions, calculating benefits, paying pensions, managing compliance, regulatory and financial reporting, developing and implementing pension policy, providing legal services to pension plans and their governors, and producing, designing and delivering member, pensioner and employer communications.

How do we deliver these services? APA employees are guided by the values of stewardship, client service, engagement, respect and collaboration, which drive us to strive to achieve our mission and to work together to provide consistent, superior services to our clients.

In order to ensure the services we provide are maintained at the highest standards, APA adheres to the following governance policies established and defined by our 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; they receive benefit entitlements when due; they have timely, reliable and accessible information about their pensions; and they 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; and 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; and they submit contributions paid into plan funds when due.

The Trustee for government-designated plans has the benefit of APA's expertise for making decisions affecting those plans.

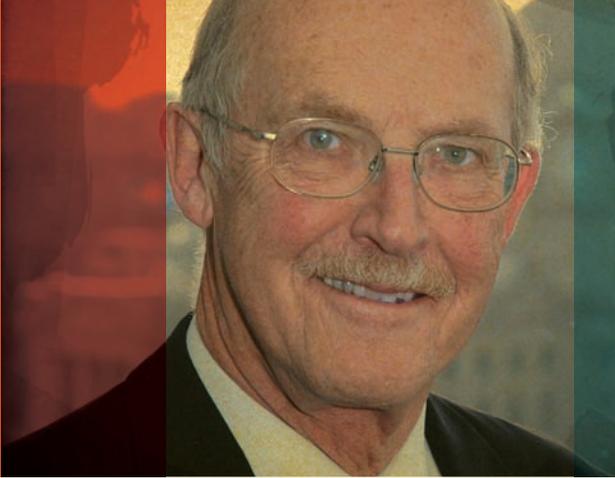
Contributors to pension plans realize the benefits of efficient and effective, risk-managed and value-added pension administration.

Pensions are administered in the context of business plans and the Memorandum of Understanding with, and in accordance with the reporting requirements of, the Shareholder, the Minister of Finance and Enterprise on behalf of the Government of Alberta.

2008 Annual Report

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i continue to be proud
of the corporation
and to share in the
commitment in serving
our shareholder and
stakeholders.

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, 2008.

Building on our prior years' successes, in 2008 we remained committed to the initiatives outlined in our Five-Year Strategic Plan. Throughout the year, the Board monitored APA's progress on a number of initiatives including improving service delivery to members and employers, building a foundation that better enables us to leverage technology, implementing an enhanced risk management and internal control program, developing corporate and pension plan communications and introducing dynamic human resource policies and practices.

In addition to these initiatives, the Board commenced a review of its governing documents, resulting in a recommendation to the Shareholder to expand the Board with the appointment of two additional external Directors. These new Directors were recruited in 2008 and will join the Board in 2009. The Board will complete its review of the Corporation's governing documents in 2009.

In 2008, the Board remained committed to continuously improving its own effectiveness and following governance best practices. During this year, the Board acted on its 2007 self-evaluation and completed an evaluation of its governance policies. The Board created a Human Resources Committee to assist in ensuring human resource practices support the achievement of corporate objectives. We adopted a Board Charter that summarizes the governing documents, operating practices and position descriptions and also adopted Charters for the Audit and Human Resources Committees.

The Board continued its support of Alberta Finance and Enterprise in the review of the governance structures of Alberta public sector pension plans. In conjunction with this review, work on service level agreements with the pension plan governors continued throughout the year. A key objective of the review was the implementation of operating protocols clarifying the conduct of business and respective responsibilities of APA, the pension plan boards and committees and Alberta Finance and Enterprise; these protocols were officially signed by all parties in late 2008.

The Board is very excited about the Corporation's move to a new building in Southwest Edmonton which will occur in 2009. We look forward to the positive implications the move will have for our many clients and employees as the new location will provide APA with improved accessibility and needed space for meeting with clients.

Supporting the Board are committed people. As Chief Executive Officer, Monica Norminton continues to lead the Corporation forward with initiatives that are demonstrably improving APA's ability to achieve its mission. The Board strongly supports the changes being made as they are improving APA's ability to deliver to expectations today and positioning APA for the future.

In turn, Monica is supported by an executive team and employees that make APA's successes possible. As such, I would like to thank all employees for your hard work and dedication to delivering our business objectives to our diverse groups of clients.

I would also like to take this opportunity to thank members of the Board for their support in achieving our mission and for their continued insight and contributions. The look of the Board will change in 2009: Rick Milner's retirement from the Board will mark a milestone for the Board and the Corporation – Rick's wisdom and advice has been invaluable in building APA since 1995 and his contributions will be missed. At the same time, the addition of two independent Directors, Rosemarie McClean and Darrell Jones, and the appointment of Al Mondor to take Rick's seat, will continue to build the capability of the Board to lead the Corporation forward. These are, indeed, exciting times!

I look forward to working with the Board, our CEO and all the staff of the Corporation as we move ahead with our initiatives in 2009. I continue to be proud of the Corporation and to share in the commitment in serving our Shareholder and stakeholders in an effective, accountable and responsive manner.

Respectfully submitted,

Original signed by:

Jack McMahon, FCA
Board Chair

our values are a shared reflection of the corporation and our commitment to its success.



message from the ceo.

2008 was a year full of change, challenges and opportunities. Challenges in recruiting and retaining quality employees were accompanied by global market uncertainty, and operational capabilities were tested by volume and service demands. 2008 confirmed our resolve to maintain the course of our Five-Year Strategic Plan: to develop and strengthen our ability to deliver risk-managed, quality and cost-effective services to our diverse clients through an engaged and empowered workforce.

In 2006, APA employees were asked to define a set of values that they felt best represented their life with APA. The values: Stewardship, Client Service, Engagement, Respect and Collaboration, became a shared reflection of the Corporation and our commitment to its success. Since then, our values have been driving us to work hard for our clients, be engaged in our work, respectful of one another's diversity, open to collaboration and proactive and efficient stewards of the information we manage. The theme of the annual report this year, *Our Values, Reflecting our Commitment to our Clients*, is fitting—our ability to live these values is improving our operations and is resulting in a culture devoted to adopting best practices for delivering services to our clients.

In the first year of our Five-Year Strategic Plan, 2008, we set high expectations of ourselves and achieved results. Together, we launched and completed a record number of corporate projects, demonstrably improved our client services through improved call centre and web service initiatives, worked diligently on our relationships with employers and plan governors, made strides toward the development of a stable workforce with growth and succession opportunities and grew in our ability to effectively manage the privacy, security and integrity of our information.

At the same time, we continued to experience operational challenges, including challenges in delivering call centre services, and delays in the launch of our employer online services system. We also saw time and quality challenges in our member services. We continue to work on these operational challenges through investments in developing our people and technologies and improving our systems and processes through internal and external reviews. We are committed to providing

services in a manner that demonstrates our accountability to and engenders the confidence of our Board of Directors and, through our Board, the Minister of Finance and Enterprise, as trustee of the plans we serve; this, at the same time, builds our clients' trust in our services.

Looking ahead, we will need to continue to focus on our strategic priorities—delivering valued pension administration services, building a performance-oriented Corporation that empowers employees, being adaptable and responsive to opportunities and risks and aligning with our Shareholder. The coming year will see major changes and—with a move to a beautiful new building in Southwest Edmonton, a new visual identity and Corporation name—it's sure to be a year to remember.

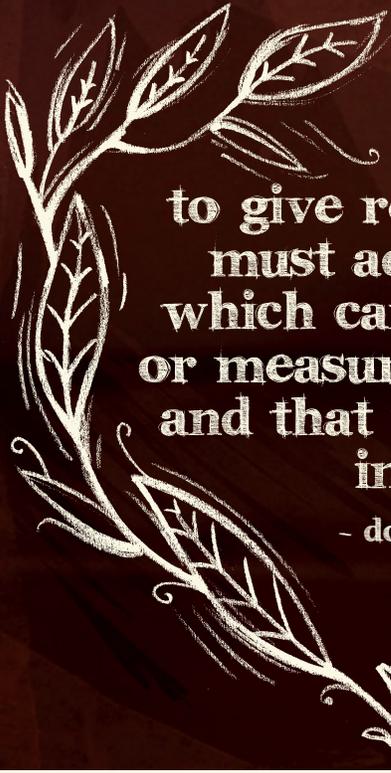
I would like to thank our Board of Directors for continuing to provide us with the support necessary to enable us to move forward with our vision—our collaboration has been invaluable.

I truly appreciate the efforts of everyone who contributed to APA this year—your hard work and dedication have allowed us to realize our goals and have left us in good stead to continue our mission into 2009. I'm very proud to be leading such a dynamic group of individuals, and I look forward to an exciting and engaging 2009.

Respectfully,

Original signed by:

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



to give real service you
must add something
which cannot be bought
or measured with money,
and that is sincerity and
integrity.

- douglas adams.



client service.

We continually improve on the products and services we deliver to clients.

Client service is something that is understood, embraced and reinforced at APA. With clients covering the full gamut of perspectives: members, pensioners, large and small employers, pension plan boards and committees, and Alberta Finance and Enterprise representatives among others, it's no wonder that it's something we highly value.

“Client service is extremely important to me,” said Stephanie Michaels, an Advisor in the Corporate Communications area, “it feels fantastic to know that the work I’ve completed has made it easier for someone to complete a form, make a choice, or simply understand their pension better.” As a Corporation, we provide valued services on a wide range of complex initiatives to a wide range of client groups—and we’re there to help, every step of the way.

Helping clients understand the value of their pension plan

APA employees were hard at work in 2008 improving information products for members, pensioners and employers that clearly display the value of their plan. Client feedback indicated that these products could be better used to help clients really understand the complexities of a pension plan.

Welcome Packages for new members were reassessed, rewritten and redesigned to describe, in plain language, the value and benefits of a defined benefit pension plan. Welcome Package forms were standardized and made clearer to reduce completion errors, and the accompanying satisfaction survey was redeveloped to solicit feedback that could be used for future assessments.

The Pension Options and Pension Estimates Packages were also redeveloped, with a view to making the retirement planning process easier for clients. APA employees thoroughly reviewed these packages from the client perspective and have completely redesigned how the information is presented—making the process much less complicated than it was in the past. Michaels

noted the importance of ensuring these packages were clear when she said that *“this could be the culmination of a person’s life work or one of many sources of retirement income. We need to ensure they really understand this information so they can make the right choice for themselves.”*

An information booklet for new employers was also developed to ensure employers have the most complete and clear information when they consider joining the Local Authorities Pension Plan (LAPP).

With our member/pensioner satisfaction rating target achieved in 2008 (see Appendix C), you know we’re committed to ensuring the client experience is at its best.

Working behind the scenes to provide secure access to information

Members told us in 2007 that they wanted improved functionality with the secure *mypensionplan* website. We listened, and the result was a greatly improved registration process that provides members new to the site with the ability to immediately gain access to their information with no waiting period. This improvement produced immediate results, with *mypensionplan* registrations increasing from an average of 473 per month to 542. In addition, improvements also enabled members to update their address information online—information that now automatically updates APA systems. This new functionality was implemented at the end of November, and by the end of December members had processed a total of 1,067 address updates on the site—alleviating the increasing demand on APA’s Member Service Centre representatives, freeing them for more complex calls.

APA employees also embarked on a Web Self Service project—a thorough review and assessment of our existing web-based systems with a planned move to an integrated system that adheres to best practices around security and usability. The project included the purchase of a content management system, the implementation of technical design standards for four pension plan websites, and an external review of our internal technology security standards. *“I think this project will build the foundation we need to make our web channel a primary point of contact,”* said Pete Smith, Director of Technology Applications at APA, *“and it means we’ll be providing another valuable communication channel to serve our client groups.”*

Reciprocal agreements: providing options for plan members

On January 1, 2008, reciprocal transfer agreements took effect between a number of the public sector pension plans in Alberta

and with other plans under the National Transfer Agreement as well. This means that members of these plans now have the option of transferring their service from one plan to another. These reciprocal agreements increase options for people in the workforce and employers participating in the pension plans APA serves. Portability among plans is a feature that pension plan members and employers value—and one we’re proud to serve.

Working closely with employers to customize service

If there was one thing we learned in 2007 about client service, it was that our participating employers needed attention. Employer groups large and small told us that we needed to provide them with consistent and current information, preferably from a single source—that they wanted improvements to Employer Online Services (EOS), our online benefit transaction website, and access to training.

We took their suggestions to heart, and in 2008 implemented a number of changes that will address their needs. Most notably, an Employer Services division was created, staffed and fully functional in late 2008, offering a single point of contact for all employer groups. Employers were each assigned a representative to whom they could turn with questions or concerns about anything related to employer or employer-member information. *“I was really pleased with the move to dedicated representatives for employers,”* said Wendy Wilson, Manager of Payroll and Benefits for CapitalCare. *“It’s saved me a great deal of time looking for solutions because my representative knows me and knows CapitalCare’s history with APA—it’s really a considerable improvement.”*

EOS also saw a number of system improvements in 2008. With enhanced security features, a system offering improved consistency and usability was launched in March 2008, the results of which will be seen fully with year-end reporting beginning January 2009. When asked what impact the changes had on his role, Randy Lamble, a Functional Analyst and Supervisor of Benefits and Records at the Edmonton Public School Board, said, *“The impact has been significant. Because the turnaround time for transactions is now minutes, it makes administering this benefit much more efficient. Issues can be dealt with immediately and the changes have made dealing with difficult situations much more manageable and timely.”*

Employer training workshops continued in 2008 with 48 held across Alberta. Training materials were enhanced, and the workshops continued to provide valuable pension information to a wide variety of employers, all with unique needs.

we are what we repeatedly
do; excellence then is not
an act, but a habit.

-aristotle

engagement.

We are highly motivated to achieve business goals.

APA understands the importance of engagement. Results of the Queen's School of Business/Hewitt Associates "Best Small and Medium Employers in Canada" survey indicated that in 2008 almost half of our staff (46%) were engaged in their work—were highly motivated to achieve APA's business goals. Given that the Canadian average is 60%, and our 2008 results showed an 11% increase from our 2007 results, we are pleased with the progress we are making and very proud of the talented individuals who make APA such a great place to work.

Our vision for APA as an employer of choice is to have a knowledgeable, engaged and performing workforce working in a safe, respectful and non-discriminatory environment where personal efforts are properly recognized, rewarded and encouraged through developmental opportunities. In 2008 we moved leaps and bounds closer to our vision. With succession planning, training and development, performance management and recognition at the forefront of our planning, we set out to engage employees in the business in a way we hadn't done before.

Learning, development, succession, performance and policy: our Human Resources Strategy

In order to manage employee market volatility, plan for baby boomer retirement and support employees in their development goals, APA developed a Human Resources Strategy. The Strategy is all-encompassing, including learning and development initiatives, performance management, succession planning and employee-oriented work policies.

Learning and development initiatives

APA's Corporate Learning Plan was implemented in 2008, with a focus on Client Service. Our Board of Directors sponsored training on Ethics Violation and Fraud Reporting, demonstrating a commitment to a safe and respectful working environment. Client Services training programs were developed and offered to all APA employees to ensure we were providing consistently superior service to our client groups. In-house training programs were also made available throughout the year for teambuilding, *Freedom of Information and Privacy Act (FOIP)* awareness, and Risk Management skills development. In addition, APA's Management Team received key management skills training and participated in a customized leadership program offered in conjunction with the University of Alberta. Employees were keen to learn in 2008, and dollars spent on employee learning and development initiatives nearly doubled from 2007 (2008: \$708,932, 2007: \$403,500).

“Education is key at APA. We want to be considered best in class in our knowledge of pensions and the only way to do this is through a continued investment in the development of our staff,” said Sara Tharakan, Director of Education.

Succession planning: setting up for success

2008 saw real growth in succession planning at APA. Because of the anticipated retirement of a large number of employees over the next few years, and continuing workforce competition in the Alberta marketplace, a comprehensive plan to replace valuable employees—their skills and depth of knowledge—is imperative. Over the past year, we were busy recruiting highly skilled employees for key positions who had the specific expertise necessary to move APA forward with our business goals. As well, development of knowledge-sharing initiatives continued so our veteran employees could impart their experience and expertise to more recent employees—ensuring a continuity of service and information across APA now and into the future.

Engaging employees in their performance

Through internal employee surveys conducted in 2007, it was determined that many employees didn’t fully understand the connection between their responsibilities and APA’s strategic priorities. This needed to change, so we set out on an ambitious journey to rethink how we manage performance and set personal employment goals at APA.

To begin, we established a new, robust competency model and launched a delivery system that streamlined the process of performance management and enabled us to see how our work fit with the rest of the Corporation. The new software tool, FOCUS, provided continuity through phases: goal development, self-appraisal, multi-rater feedback and final assessment. Early results indicate that the new process and system were well-received, with a total of 95% of bargaining unit staff participating in the optional multi-rater feedback process. The new system also allows us to view aggregate scores—providing insight about where we are as a Corporation with respect to performance dimensions. *“We had an aggressive launch of this new system because we knew staff wanted a better understanding of how their performance was being measured, and managers wanted more one-on-one time with their employees,”* said Tharakan. *“The results have been impressive and performance reviews were completed prior to the Christmas holidays for the first time—with excellent feedback from staff on the process.”*

As we become more familiar with the system, its benefits and areas for improvement, we look forward to customizing the process even further to glean the most accurate and objective assessments we can, based on performance measures that are relevant to the individual.

Turning practice into policy

The Human Resources Strategy also identified that Human Resource policies needed to reflect our focus on development and succession, and needed to be reviewed, enhanced and created, where necessary, to ensure we are attracting the most talented, diverse and skilled workforce we can.

To this end, a total of nine Human Resource policies were enhanced or created in 2008, adding more weight to APA’s goal of being an employer of choice in Alberta and beyond. Included in these upgrades was an increase in the personal wellness and development allowance for employees and the establishment of the Employee Ambassador Program, which provides financial incentives for successful employee referrals.

As an employer, APA is committed to maximizing employees’ growth potential and rewarding success. We offer an excellent compensation package, including variable pay and support for learning and wellness.

APA: An employer of choice

APA is defined by the quality of the individuals it employs. In order to attract and retain employees of the highest calibre, we ensure APA focuses not only on the business, but also on the people who make the business successful. From work-life balance incentives to a secure pension plan, excellent health benefit options and recognition programs—APA is there for its employees.

“Coming to work in the morning is an exciting thing for me,” said Gursharan Pandher, a representative in our Member Service Centre. *“I walk into work never knowing what I’m going to get to do—every day provides new challenges, variety and opportunity for new experiences,”* he said.

In addition to providing challenges and opportunities for growth, APA understands that employees need to have balance between their work and other aspects of their lives. *“I left a stressful management position to come here,”* said Pandher. *“Creating balance at this job has been easy for me—APA has made it easy.”*



respect.

We show consideration and appreciation for diversity in others.

Respect for corporate, team and individual diversity is an important factor in the success of any interaction. At APA, the respect we have for each other, the work and contributions we bring to the Corporation are building strong teams that will translate into focused and responsive service to all of our client groups. Without a healthy respect for our diverse experiences and contributions, we would not function successfully as a team—for our clients or for each other.

We see this value exercised every day at APA. From our corporate programs that encourage diversity and respect to our project teams that thrive because of the expertise and unique perspective each individual brings to the table—we respect and appreciate our differences.

Corporate programs recognize respect and diversity

There is no doubt that being respected and valued is a motivator for individuals. APA understands this and knows that promoting programs that demonstrate our consideration and appreciation for diversity in others is paramount to our success as a Corporation. In fact, 77% of our staff believe that their co-workers respect their thoughts and feelings—this is an aspect of APA that we all highly value and work hard to preserve and enhance.

With CEO breakfasts and Vice President luncheons held to create a forum for concerns and ideas, formal annual recognition programs that identify and celebrate employees who exemplify our values, annual recognition luncheons for all staff, Executive Town Hall meetings throughout the year and less formal consultation sessions that help encourage knowledge-sharing among staff—as a corporation, APA gets it. *“I’ve always felt that I was valued here, and that has motivated me to work hard and earn the respect of my colleagues,”* said Sheniza Esmail, a Representative in the Member Service Centre area.

And employees are valued whether they are contributing ideas or sharing concerns. A detailed Ethics Violation and Fraud Reporting Policy with a third party providing resolution management services, and an open door policy across the Corporation, ensures that concerns are addressed promptly and proactively—APA will take the time necessary to ensure a respectful and comfortable working environment is maintained for all employees.

in the end we are all separate: our stories,
no matter how similar, come to a fork and
diverge. we are drawn to each other because
of our similarities, but it is our differences we
must learn to respect.

~ anon

APA is constantly working towards creating an environment that includes individuals from diverse personal and professional backgrounds who can contribute to our collective success. *"I like that we are all unique and provide something different,"* said Esmail. *"I think this allows us to challenge one another and grow in a safe environment of acceptance and understanding."*

Diverse project teams making things happen

"I'm in awe of what we can accomplish here," said Wendy Lauber, a Business Process Analyst with the Corporate Projects and Processes area, when asked what she thought about the diversity of skill sets on the projects she was involved with in 2008. *"Everyone is so special and can contribute such unique information that I think we all feed off one another—I know I certainly do."*

Project teams are at the heart of APA's core functions—and what was accomplished in 2008 was no small undertaking. With 28 projects initiated this year, we wouldn't have been able to achieve our targets—and satisfy our client groups—at the rate that was accomplished without the unique professional and personal experiences of our team members.

Team members are able to grow and learn from one another—sharing in an environment that allows us to see the benefits of working successfully together, toward a common end.

"Not only do I appreciate the diversity within our project teams," said Lauber, *"I know that the diversity is what makes us tick. When you bring all that fire and experience to one table, attacking one problem, the end result is almost always going to be a phenomenal product."*

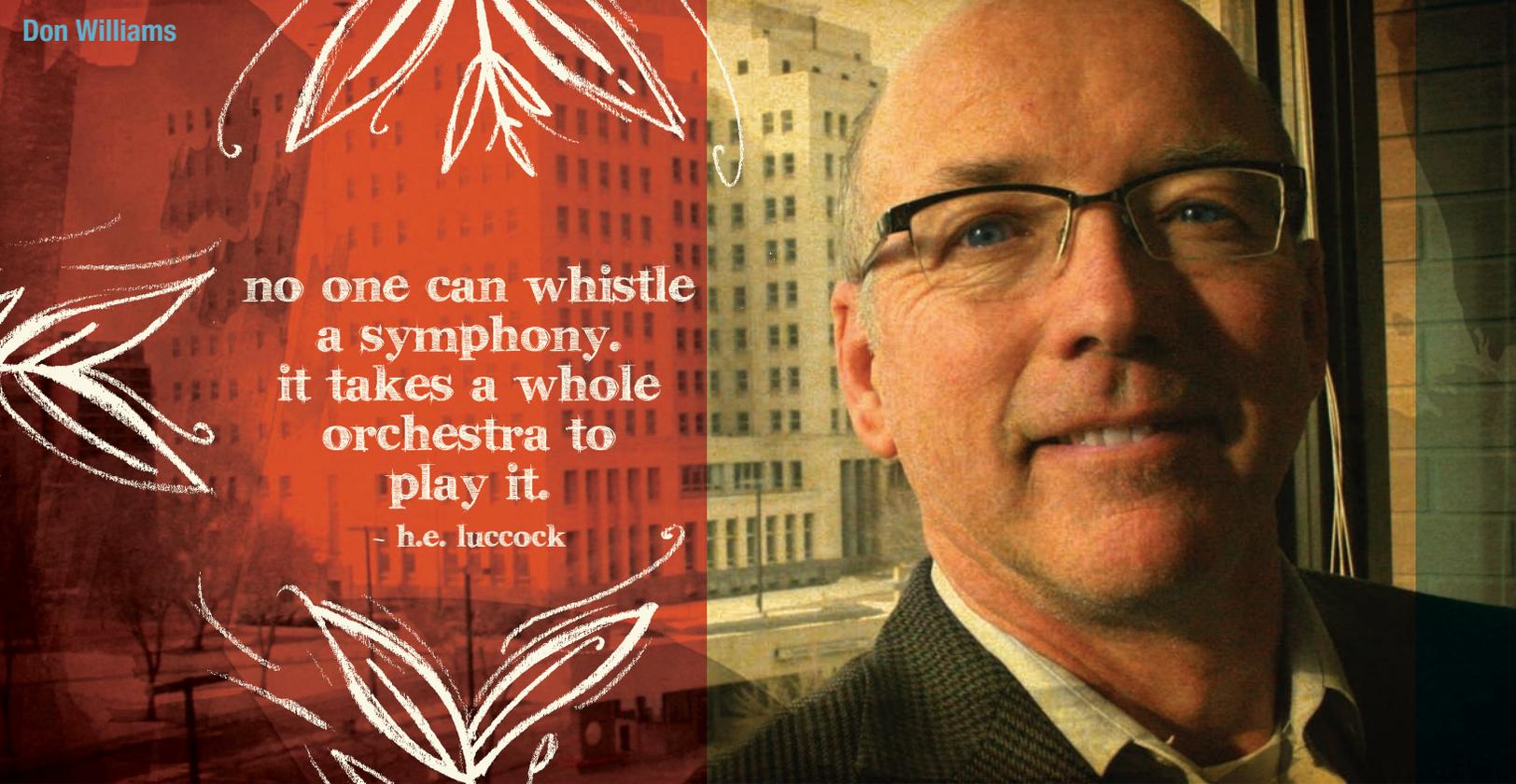
Bringing the outside in: diverse cultural and professional experience valued

"There is a saying in India that 'a guest in your house is equal to God and should be served as such'," said Prashant Singh, a Network Specialist with the Infrastructure Team at APA. *"I think this works at APA too—where our house is our office and we are all guests to one another."*

The individuals who comprise APA are hardworking, respectful people, who understand and invite diversity into their workplace. On an individual level, APA employees recognize that the value of a person is made up of much more than their work commitments. This fact, as Singh said, *"motivates me to include my diverse cultural and professional experiences in my daily work."*

"Respect for a person is earned," said Singh, *"but it's also a two-way mechanism that covers not only valuing a person for their actions, but also their thoughts, emotions and tastes."* Singh feels not only respected and valued at APA as an individual, but also encouraged to express himself culturally and professionally through a number of means across the Corporation. On a quarterly basis, Singh provides a thoughtful column on our world from an IT perspective through our staff newsletter *Vibe*—always imbued with his colourful humour and insight.

In fact, many if not most APA employees lead busy, productive lives outside of the workplace, the results of which often serve to enrich our workplace as we grow and learn from our collective experience.



no one can whistle
a symphony.
it takes a whole
orchestra to
play it.

- h.e. luccock

collaboration.

We work together to achieve our goals.

Working together is not only important to APA—it's imperative. With the sheer volume of projects initiated by the Corporation in 2008, our success was contingent on our ability to work together, share information and motivate one another toward common goals. The results are in and all signs point to great improvements! We made enormous progress in 2008—thanks to our collective commitment to one another and to the Corporation.

Collaboration is an integral component of APA's business environment. The Corporation promotes cross-divisional collaboration and the concept is fast becoming hard-wired within APA. From working with our employer groups to solve complex problems and collaborating with pension plan boards and committees to develop pension policies, to working with our Shareholder at Alberta Finance and Enterprise and internally within our project teams—we are working hard to establish relationships and get things done.

APA employees know how to work together

As a vibrant Corporation with a variety of roles to fill, APA employees must collaborate on a number of levels in order to achieve success. With that said, collaboration comes in many different forms, and one thing APA employees know is that this value does not need to be structured to be recognized. *"I think we collaborate all the time,"* said Christine Davis, Project Manager in the Corporate Projects and Processes area. *"Every interaction I have is a collaborative effort, and in that sense I always like to get to know the individual I'm interacting with—which I believe allows for a unique synergy when we eventually come to the table together."*

When APA employees come to the table, they bring a vast array of skills and knowledge—and they come prepared with the spirit to get the job done. *"These projects wouldn't have been realized,"* said Davis, *"had we not had many different minds from many different areas working together, making suggestions, brainstorming and troubleshooting in a collaborative environment."*

Outside of our project teams, APA employees share ideas through the Bright Ideas program, which encourages them to submit innovative solutions for business improvements, and through the internal newsletter *Vibe*, where we share our accomplishments, interesting stories and achievements. Collaboration begins with communication and, to this end, APA encourages all employees to share ideas, information and concerns in an open and accepting environment.

Working with employers to accomplish shared goals

Collaborating with employer groups is so important to the success of the Corporation that, in 2008, a new business area was created to identify and address their needs. The creation of this team was a direct result of employer feedback and was a collaborative effort involving a number of different areas of APA. Employer service representatives work with employers to enroll new members, collect benefits, identify member information changes, process benefit transactions, instigate transfers, process terminations, educate employer groups and their employees, and much more.

Not only does APA provide a wide variety of services to our employer groups, we also work with employer groups of various sizes, some representing as many as 28,000 plan members and others as few as one. Within those client groups, individuals from employer benefits, human resources, payroll, finance and technology teams, among others, come to our employer service representatives to find solutions to their, at times, complex problems. *"We have such a diversity of employer groups that we need to tailor the way we communicate with them and the types of solutions we provide,"* said Don Williams, a Manager with the newly created Employer Services area. *"Working closely with one of our largest employers helped us to understand their needs better and, as a result, we have addressed requirements on both sides and the quality of data that is transferred has been significantly improved,"* he said.

Collaboration with plan governors crucial to success

Annual reports, briefings for the pension plan boards and committees, meetings, communication initiatives—the list goes on. Collaboration between APA and pension plan governors is multi-dimensional, involving a wide range of activities and business-critical functions that mean strong partnerships between these groups must be carefully cultivated and maintained. To achieve this, APA has dedicated a team of individuals to provide services to specific plan governors to ensure this unique and diverse client group is well-supported in its complex governance obligations.

Within the Plan Board Services area, APA has dedicated managers to three pension plan boards and committees. The plan board managers occupy a unique position in that they work to share knowledge and build consensus toward goals shared both by APA and the boards—a truly collaborative role. *"This position poses a number of challenges,"* said Liz Doughty, Plan Board Manager for the Special Forces Plan Board. *"It's a balancing act in that we are employed by APA, but are required to maintain objectivity and a degree of neutrality to satisfy our obligations to the boards. By maintaining open, trusting and transparent communication in both directions though, we are definitely able to achieve the balance."*

"I wholeheartedly agree," said Lynn Andrews, Plan Board Manager for the Public Service Plan Board. *"And I also think that because APA understands and respects these expectations, they have given us the flexibility and degree of independence that allow us to flourish in these roles."*

Meryl Whittaker, Vice President of Policy and Legal at the Alberta Local Authorities Pension Plan Corp., the strategic support arm of the Local Authorities Pension Plan (LAPP), noted that *"effective collaboration with APA is vital to our collective success. Working together allows our organizations to manage the pension plan in an efficient, coordinated fashion—just what LAPP members, retirees, employers and unions expect from us."*

Sharing ideas with our Shareholder

As our Shareholder, the Minister of Finance and Enterprise provides direction to APA's Board of Directors and we in turn work hard to ensure that the administration of the public sector pension plans is well-managed, with a focus on risk management. The relationship is multi-dimensional, and we come together throughout the year for a variety of purposes. Successful collaboration with Alberta Finance and Enterprise then, is critical to our business and our shared goals help us to achieve success on both sides. *"Effective collaboration with APA means that we communicate with each other in ways that promote common understanding, effective problem solving and enhanced relationships,"* said Lorna Mathews, Executive Director for the Public Sector Pension Policy division of Alberta Finance and Enterprise. *"We often see this collaborative spirit in action—most recently when expanding the portability arrangements with a number of other public sector pension plans."*



stewardship.

We efficiently deliver services to our clients.

Maintaining the integrity and protection of our clients' information is easily one of the most important functions conducted at APA. We are constantly looking at privacy legislation standards and amendments, risk management strategies, business continuity and disaster recovery models, and new ways to improve the integrity of systems, including storage, retrieval and communication of information.

Because of this approach, we are able to efficiently deliver services to all of our client groups and they can feel assured that their information, whatever the nature or purpose, is secure.

Privacy protection: securing our information

2008 was a busy year for Privacy. An all-encompassing Privacy Framework was established that outlined how privacy is managed at APA. The Framework is designed to ensure we maintain consistent and high standards that adhere to legislated privacy principles. As a result of the implementation of the Framework, a Privacy Advocate Office was created and staffed. The office was established as a semi-independent unit

that assesses privacy standards and requirements through an objective lens. "I'm thrilled to be a part of the Privacy Advocate Office," said Pamela Tom, Director of Risk Management and Compliance. "We have the opportunity to champion privacy protection best practices and be the central point of contact for guidance on any FOIP or privacy concerns for employees and clients—it's great to know that our staff and clients now have a designated place to go when they have questions or concerns."

The Privacy Advocate Office was quick to draft and implement a privacy statement in 2008 that all APA employees could stand by. The statement outlines our commitment to the privacy and confidentiality of all personal information, in accordance with the provisions of Alberta's *FOIP Act*. In addition, the majority of employees received privacy awareness training by the end of 2008, including a confidentiality agreement that was signed by all employees—furthering our commitment to the protection of our clients' personal information.

The Framework also identified that APA needed a Privacy Policy—something that would outline for all employees how privacy protection and access to information would be handled in all our interactions, both internally and externally, with our clients. The Policy was finalized in 2008 and is soon to be put into practice.

alberta pensions administration corporation
is committed to protecting the privacy and
confidentiality of the personal information
of all pension plan members and pensioners,
while continuing to disclose information
that can be shared with the public according
to the provisions of the alberta freedom of
information and protection of privacy act and
regulations.

- apa privacy statement

Effectively managing risk

Risk management has long been a top priority at APA. In 2007, the Board of Directors approved a Risk Management Program Charter that provided a systematic approach to evaluate and improve the effectiveness of APA's risk management practices, controls and processes. In 2008, the Board of Directors approved our Corporation's Risk Philosophy:

Alberta Pensions Administration Corporation (APA) is committed to creating and sustaining value for plan members, pensioners, employers, plan governors, and our Shareholder. The Risk Management and Compliance Program at APA is based on the recognition that the Corporation will face uncertainty and risk in creating and sustaining such value in meeting its existing fiduciary obligations as well as responding to new opportunities. It must, therefore, be able to identify, measure, monitor and control all foreseeable risks in a manner that is consistent with the Corporation's business model and its risk appetite.

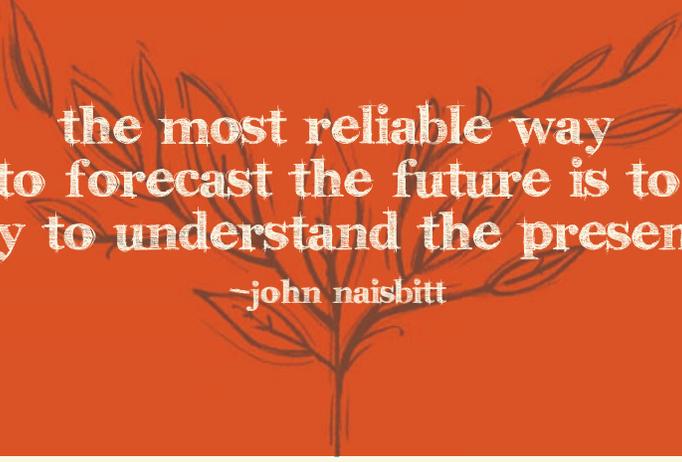
As part of living to this philosophy, risk management workshops were held that included employees from all business areas across the Corporation. The workshops identified key business risks, which were then mapped to critical business processes—giving APA an excellent picture of where we sat within our risk spectrum and leaving us able to effectively plan to mitigate business-critical risks. The year's work on risk management will see the Corporation publish its first comprehensive Risk Management and Compliance Report for the 2008 fiscal year—and although the picture isn't yet perfect, our objective is to be transparent and accountable for our areas of weakness and demonstrate our commitment to quality service by continually improving our ability to manage the risks we have identified.

Maintaining data integrity: our Corporate Records Framework

APA understands that the management of our records in a disciplined and coordinated manner will optimize the value of our information management capability, support risk-managed and effective and efficient operations and improve the delivery of services to our clients. We knew we had work to do in this area, so a Corporate Records Policy was developed. The Policy provides the foundation for the creation of a disciplined, consistent approach to support the management of all records in a business-focused system, and position the Corporation to make an orderly and efficient transition to electronic information management. "I'm excited to be implementing the Policy," said Damian Hollow, Senior Records Officer in the Records Management Services area. "Records are an important component to all of our lives, and the Policy will allow APA to continue providing clear information and support services in a responsive timeframe."

Preparing for the unexpected: Corporate Disaster Recovery and Business Continuity

2008 saw giant strides for our Corporate Disaster Recovery and Business Continuity plans. Risk and readiness assessments for the entire Corporation were conducted to determine where we needed to concentrate our planning efforts. In addition, a disaster recovery exercise was conducted which tested our systems for a mock disaster. The exercise was successful—a major achievement that enables us to move full steam ahead with the remainder of the project initiatives. A program for the Business Continuity and Corporate Disaster Recovery project was also drafted and established to ensure appropriate testing and maintenance continues once the project is completed.



the most reliable way
to forecast the future is to
try to understand the present.

—john naisbitt

a year in review.

2008: Management Discussion and Analysis

2008 was a busy year for APA—both challenges and successes were experienced. We've been working continuously to improve our performance as a pension service provider, focusing on our five values of Stewardship, Client service, Respect, Collaboration and Engagement. As shown in our Annual Report, we are making great strides in living these values.

When created in 1995, the Corporation focused on cost-effective member services. The world has changed enormously in the years since incorporation: as employers, we all face an aging and increasingly mobile workforce that has compelled us to reevaluate the importance we place on our pension and benefit programs; compliance and assurance reporting with benchmarked performance measures and metrics is now a norm; privacy and confidentiality are at the forefront of our clients' and employees' minds; and the Internet offers a distinct and expected service channel. These changes, together with a more sophisticated clientele, have refocused the Corporation and we now recognize that to best enhance members' understanding about the value of their pension plans, we need to focus not just on members, but also on pensioners, employers, plan governors and our Shareholder.

From our perspective, this is a world that aligns very well with our strengths as a service provider: we have the discipline and experience to recognize the importance of privacy, confidentiality and compliance; we are engaged and committed to serving the unique needs of all our client groups, and we have the creativity and passion to deliver products and services—whether in person, by phone or via the web—that exceed clients' expectations. Capitalizing on these opportunities will enable us to deliver our vision of being a highly valued and trusted pensions services provider—it might be a few years down the road, but we can definitely see it.

2008 saw distinct progress in reaching beyond. We made progress in advancing our Five-Year Strategic Plan and completed many of our 2008 planned projects. 2008 was a year characterized as “building our foundation.” In many respects, we succeeded in this objective: we created new organizational teams and programs focused on providing services to employers and plan governors; we increased our focus on risk management and compliance; we recognized the value of client-friendly communications and began engaging our clients in helping redesign our programs, information products and technology-based services. We also made noticeable changes in direct service delivery, through enhanced web services for members and improved call centre processes.



Strategically managing risks

In 2008, we continued to emphasize risk management through all aspects of our operations. In making risk management a key objective for the Corporation, we believe we are positioning ourselves to increase the value members place on their pensions through delivery of quality, timely and useful information—and thereby increase the value of pensions for employers.

Delivering valued pension services

Changing and increasing service expectations will always require attention if we want to continue to be a valued and trusted service provider. All client groups continue to drive change within the Corporation and 2008 saw us moving in the right direction. While the world has evolved, APA's technology investment stalled in 2004. We are feeling the effects of that decision now with labour-intensive work processes and slow turnaround times. The result is that rather than focusing on client service, many of our staff have been focused on paperwork. In 2008, we increased our focus on technology infrastructure and organizational design. We are building a technology foundation that allows us to address volume demands, that automates an increasing number of work processes, and facilitates self-service for members, pensioners and employers who want to access this type of service. Upgrading our technology to meet expectations for service will continue to be a priority as the need to deliver quality and timely information also continues to be our biggest risk.

We also reorganized ourselves in a manner that reflects our value chain: we created a specific team to support plan governors in their legislated roles. APA also dedicated a team of highly qualified individuals to work with employers, conducted a training and needs assessment for employers, and established specified employer contacts to ensure timely delivery of accurate information from a single source. The active participation of employers in pension services delivery directly impacts the quality of service APA can deliver, and we recognize this! In addition to this change, APA received requests from 12 new employers in 2008 (2007: 15), all employers were given the opportunity to attend 48 workshops across the province (2007: 40), and a total of 493,975 employer transactions were processed this year (2007: 412,672).

At the same time, we worked to improve *mypensionplan*, the secure online service for members, beginning with enhanced online registration and address update functionality. In addition to the 145,723 (2007: 127,270) unique visits made to individual pension plan websites, 41,645 visits were made to *mypensionplan*.

APA made significant changes in its online services in 2008, and members appreciated the differences. While our 2007 online registrations were higher than our 2008 registrations (2008: 6,285; 2007: 6,517), our registrations in the latter part of the 2008 increased 28% from the first half of the year (January through June: 2,756, compared to July through December: 3,529). We expect the improvements made to online registration to increase the number of members who continue to access *mypensionplan* in the future. Also, with our implementation of online address updates for members in fall 2008, 1,067 account updates were made by members by the end of 2008. Our work to make the web more relevant for members and employers of the plans served is just the beginning.

Further work undertaken in 2008 to improve service delivery included:

- *Review and redesign of three information products: Welcome Package, Pension Options and Estimates Package and New Employer Information Package. The new Welcome Package was released and the Pension Options and New Employer Information Packages are in the final stages of preparation and will launch in early 2009.*
- *Conducted a thorough review and assessment of our web-based systems, including adoption of a content management system that will facilitate online information management and delivery.*



Table One shows transaction volumes processed for the nine primary service categories within which APA delivers services to members and pensioners. Table Two shows membership across all pension plans served.

Table One

Transactions processed for all pension plans served:

	2008	2007	% Change
<i>Enrolments</i>	26,771	24,798	8.0
<i>Re-enrolments</i>	2,891	2,975	-2.8
<i>Retirements</i>	28,018	28,254	-0.8
<i>Disability</i>	324	257	26.1
<i>Death</i>	661	637	3.8
<i>Terminations</i>	60,437	60,876	-0.7
<i>Purchase of Service</i>	25,674	24,134	6.4
<i>Reciprocal Transfers</i>	2,130	1,738	22.6
<i>Marriage Breakdown</i>	409	368	11.1
<i>Marriage Payout</i>	570	584	-2.4
Total Transactions	147,885	144,621	2.3

Within these numbers, 4,339 (2007: 4,327) retirements were finalized, 13,761 (2007: 11,977) members terminated their plan membership, 26,771 (2007: 24,798) members enrolled in the pension plan served, and 24,366 (2007: 22,954) members purchased optional service in a pension plan. Additionally, under the new reciprocal transfer agreements, 1,500 (2007: 1,340) members requested quotes for transferring service to another pension plan, and 630 (2007: 400) transfers were finalized.

Table Two

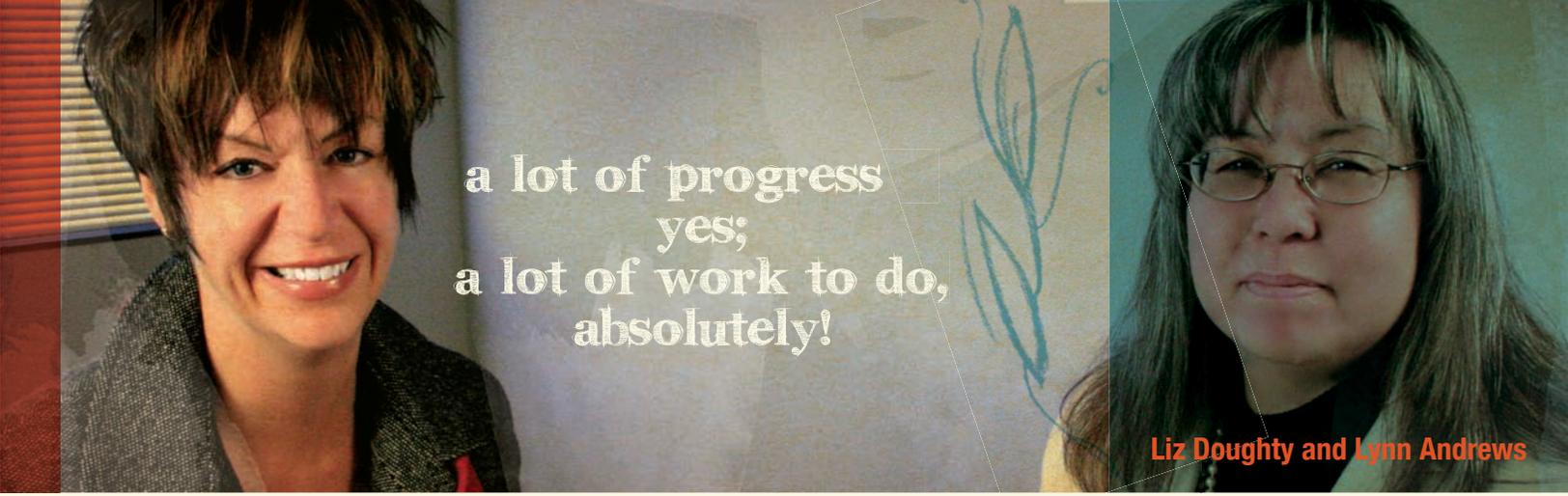
Year-end membership across all pension plans served:

	2008	2007	% Change
<i>LAPP</i>	189,149	179,188	5.6
<i>PSPP</i>	77,177	73,446	5.1
<i>MEPP</i>	8,824	8,285	6.5
<i>SFPP</i>	5,836	5,487	6.4
<i>MSRP</i>	1,473	1,429	3.1
<i>PSM(CM)PP</i>	2,424	2,467	(1.7)
<i>PJMC(R)PP</i>	234	227	3.1
<i>PJMC(U)PP</i>	216	209	3.3
<i>MLAPP</i>	227	228	(0.4)
Total	285,560	270,966	5.4

Building a performance-oriented Corporation that empowers employees

Our ability to deliver is the direct result of our investment in our employees and their commitment to delivering risk-managed, effective and efficient client services. Risks associated with an aging and mobile workforce continue to be concerns for APA as an employer. Staff training and skill development along with recruitment, retention and compensation issues require ongoing attention. To manage these risks, programs focused on employees and improving our workplace were implemented, including an online performance management system supporting an APA-specific competency framework and a corporate learning and development program providing training and educational opportunities for all disciplines that support our mission.

APA also continued a number of policies to challenge employees and help them grow, including a variable pay program for all employees, employee Personal Development Plans, and policies that support flexible work schedules—recognizing the Corporation's commitment to work-life balance and employee innovation.



a lot of progress
yes;
a lot of work to do,
absolutely!

Liz Doughty and Lynn Andrews

2009 will see us continue these initiatives focused on improving the knowledge, skills and opportunities available to our employees within APA. We're also improving our workplace environment with the move to a new building that offers geothermal heating, natural lighting and green spaces. We'll continue our focus on corporate learning and development. We'll also be launching a new health spending account, aimed at making healthy living a bigger part of our employees' lives.

Ensuring our adaptability and ability to respond to opportunities and risks

Continuous improvement remains a focus for APA, particularly in light of the operational risks we continue to encounter as client expectations evolve and our systems age. To temper these risks, APA launched a risk management program that documents risks—known, probable, likely and possible—and key business processes and management controls that address these risks. In early 2009, we will see the first Risk Management Report published for APA, documenting our identified risks and outlining our plans to address these—all with a view to increasing APA's transparency and accountability in providing assurance to our clients, Shareholder and Board of Directors that our operations are sound and risks are being appropriately and proactively addressed.

In 2008, we also secured and built a fully functional warm site for continuing technology operations in the event of disaster. This warm site will allow us to continue critical operations, such as accessing member and employer information, if a serious disruption occurs. This was the first step in building a business continuity plan for the Corporation that will address resumption of all operations in the event of a major incident. This work will continue into 2009.

Our focus on the integrity of client information continued in 2008, with the creation of a corporate Privacy Framework that increases APA's operational focus on privacy and confidentiality. Complimenting this work, we continued to upgrade our records system. 2009 will see us continue to work on enhancements to this records system, and adopting work processes, as well as system and management controls, that protect the integrity of client information.

Aligning with our Shareholder

As Alberta Finance and Enterprise is both the Corporation's Shareholder and the trustee of the pension plans that APA serves, ensuring our initiatives align with those of the Shareholder is a priority for our Board of Directors and management. APA's Board manages this priority through attention to its own governance practices; monitoring management's adherence to the Ends and CEO Limitation Policies established by the Board; business plan development, execution and performance reporting; and overseeing management and employee adherence to APA's Code of Conduct and Ethics Violation and Fraud Reporting policies.

In 2008, APA met all the reporting requirements as outlined in the Memorandum of Understanding (Section 7, Accountability Documents) between APA and the Minister of Finance and Enterprise. This includes the presentation of a business plan, annual report, quarterly reports, financial results and variance analysis, and corporate governance reviews including a commentary on APA's performance relative to Corporate Governance Disclosure Guidelines. We also shared our business plan and results analysis, together with our budget and financial results, with pension plan governors, recognizing that we serve the same plan members, pensioners and employers, and so need to be aligned and support each other's activities.



Rhea Doyle and Julie Caron

Together with Alberta Finance and Enterprise, we began in 2008 to review our governing documents, including our Memorandum of Understanding. This work will continue in 2009. Work also began, at the request of the Minister, on the cost allocation formula by which the Minister allocates APA operating costs to the plans served. This formula was last reviewed and approved in 2006. Consultations with the pension plan governors have been completed, and significant change in the cost allocation methodology is not expected. The allocation formula approved in 2006 is expected to substantively continue.

Work not completed

A few initiatives defined in our 2008 – 2010 Business Plan were not completed as planned:

- A business case and plan for a Contact Centre Service Request Management system was not completed given other operational priorities. This project has been deferred and will again be considered in 2010.
- An implementation plan for a new pension payroll system was begun but not completed in 2008; it is a continuing priority for 2009 with a go-live date of January 2010.
- An employee online self services program was deferred pending a review of other solutions and given increased operational demands for our Human Resources business unit, including staff recruitment activities.

Financial management

APA's budget is approved by our Board of Directors. Actual expenditures are recovered from plan funds according to a cost allocation formula decided by the Minister of Finance and Enterprise.

Operating Expenses (\$ millions)	Budget 2008	Actual 2008	Actual 2007
Total operating expenses	\$ 32.3	\$ 29.9	\$ 25.3

The variance between budgeted and actual operating expenses is primarily due to staff vacancies and turnover in budgeted positions. The variance between 2008 and 2007 is primarily due to an overall increase in contractor and staff costs.

Capital Costs (\$ millions)	Budget 2008	Actual 2008	Actual 2007
Total capital investment	\$ 2.3	\$ 2.0	\$ 1.6

Cost per member (gross expenditures)	\$ 121	\$ 108	\$ 91
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The variance between budgeted and actual capital spending is due to lower than planned expenditures on two significant projects, offset by initial capital investment for the new building. The variance between 2008 and 2007 is primarily due to an increase in the number of capital initiatives undertaken by APA in 2008.

Performance Measures

Each year we set corporate-level targets to advance our goals and drive desired results. The following outlines our key corporate goals, targets and results. The Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Key Performance Measures is included in Appendix C. Descriptions of the methodology for each performance measure are included in Appendix D.

Client satisfaction

For 2008, APA met its client satisfaction target for pensioners and plan members. For employers, we fell from 76 to 67 as an indexed score. We attributed this decline to one major factor: we did not launch the redesigned employer online services system until late March 2008. This meant that employers completing their 2007 year-end reporting during the period of January through to late March 2008 experienced significant service issues. For many employers, the year-end reporting period defines their relationship with APA.

In 2008 we recognized limitations in our survey methodology for pensioners, plan members and employers. The surveys recognize only single events and do not provide a complete picture of APA's services. In 2009, we are reviewing our client satisfaction measures and the methodology used to gather the information to support these measures.

	2008	2008 Target	2007
Members and Pensioners	81	81	81
Employers	67	77	76

Reasonable cost

The Corporation strives to deliver pension services at a reasonable cost, as measured by "cost per member." APA's 2008 cost per member was less than targeted due to lower than planned service costs and higher than projected average plan membership. The lower service costs are largely a result of staff vacancies.

	2008	2008 Target	2007
APA cost per member (gross expenditures)	\$108	\$121	\$91

The ratio of plan members per full-time equivalent (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 active and deferred members and pensioners over the year based on average annual membership.¹

	2008	2008 Target	2007
Productivity measure Member / full-time equivalent	1,314	1,245	1,351

The Corporation's 2008 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 continues its work to streamline manual processes and to increase the use of technology as an internal tool and for self-service. In 2008, APA increased its overall staff count. Year over year, we have increased the ratio of full-time equivalent staff to members by almost 3%, and we are within 6% of our target. APA's recruiting efforts have experienced success, and our capacity to address service demands has improved to a satisfactory level.

¹The industry measure source is Cost Effective Measurement (CEM), which defines members as only active members and pensioners at a point in time, being December 31 of the year being measured.

Knowledge

APA is committed to providing a work environment that encourages continuous learning. Employees are APA's greatest ambassadors and APA recognizes that organizational priorities 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.

	2008	2008 Target	2007
Training hours / full-time equivalent	73	43	47

The targeted training hours were calculated per full-time equivalent. The result for 2008 highlights that APA is creating more opportunities for employees to participate in both internal and external training opportunities and that a larger number of employees are participating in training. This measure demonstrates that APA is continuing to build our employees' capacity to deliver our mission.

Engagement

APA participates in the Queen's University School of Business / Hewitt Associates "Best Small and Medium Employers in Canada" survey. While the survey provides insight into employees' views of APA (e.g., leadership and career development), the total results measure engagement, which is defined by Queen's University and Hewitt as *a measurable state of emotional and intellectual involvement and commitment of the workforce to organizational success*.

	2008	2008 Target	2007
Employee survey results	46%	40%	35%

The result measures APA's progress towards 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.

APA's results for 2008 show tremendous improvement and demonstrate that our employee-focused initiatives, such as staff development, performance management and healthy workplace policies, are having a positive impact on the Corporation.

Risk Management

APA further developed its Risk Management Program in 2008. While building on a pre-existing internal controls program, the Risk Management Program is designed to provide a more robust picture of the Corporation's risks and plans for managing those risks. The objective of the Program is to provide reasonable assurance that APA has appropriately prioritized risks and is managing them in a manner that protects and safeguards the assets managed, and increases the credibility of APA to its stakeholders.

	2008	2008 Target	2007
Corporate risk management program	Targeted risks managed	Shareholder risks managed and corporate risk profile complete	Targeted risks managed
Internal controls	Target met	Controls evaluated per three-year plan with focus on risk identification, value for money and program improvement	Controls tested per Corporate schedule

The Internal Control Assessment Program was introduced in 2005 to review key business processes within APA. These key processes were evaluated on a three-year rotational cycle, depending on the determined level of risk. The Internal Control Assessment Program is a significant program supporting APA's Risk Management Program, which provides assurance that some of our key business risks are being managed and that our corporate assets are adequately safeguarded.

While targets for 2008 were met, significant work still needs to be done to deliver program objectives. In 2009, work will continue on identifying and evaluating corporate risks, and building strong processes to manage those risks. 2009 will also see publication of the Corporation's first Risk Management and Compliance Report.

Strategic Partnerships

In 2008, APA began negotiating new service level agreements with the pension plan boards and committees to update our mutual understanding of services provided and the respective service standards. The existing service level agreements have been in place since 2002.

	2008	2008 Target	2007
Service level agreements	Agreements monitored	Agreements monitored	Agreements continued

During the year, APA and plan governors agreed on principles to guide the development of the service agreements. The finalization of these agreements was delayed pending the finalization of operating protocols between APA, Alberta Finance and Enterprise and the three pension plan boards in November 2008. The work to finish developing the service agreements continues in 2009.

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, Pension Services Agreement and APA By-Laws.

	2008	2008 Target	2007
Assessment of Corporate obligations	Review plan implemented	Review plan implemented	Process and review plan developed

In 2008, APA completed a formal review of its obligations under the Corporation's governance documents, and provided the assessment to our sole Shareholder, the Minister of Finance and Enterprise.



2008: Compensation Discussion and Analysis

The following discussion and analysis should be read in conjunction with Note 13 of the audited financial statements included in this Annual Report.

APA recognizes that its employees contribute to its success and strives to reward them fairly, equitably and in relation to the value they add to the organization. The Corporation offers its employees the opportunity to participate in important and rewarding careers, and recognizes that the pension services industry is knowledge-based and that skilled employees are highly valued. The compensation design and practices are guided by four key principles: internal consistency, market competitiveness, goal achievement, and simplicity.

Internal Consistency

Compensation at APA is based on each position's expected contribution to the Corporation's business objectives as determined by a job evaluation system that is fair, rational and defensible. The Hay methodology has been adopted by the Corporation to ensure internal consistency and to validate the pay and benefits structure.

Market Competitiveness

While APA competes for employees with both the public and private sectors, its business is more aligned with the public sector. Therefore, APA's overall market strategy is to align itself with the mid-level of a mix of the broader public sector (75% weighting) and the private sector (25% weighting). Compensation mix between salary and benefits are balanced and aligned in accordance with this mix.

Goal Achievement

Through its performance management program, APA endeavours to create an environment that fosters and rewards:

- *striving for and achieving excellence;*
- *engaging in collaborative and respectful relationships with employees, employers and other stakeholders; and*
- *maintaining the highest ethical standards.*

Simplicity

In order for compensation to promote and reward desired results and behaviours, and align employees with corporate objectives and values, it must be generally understood by all employees. Therefore compensation structures and processes are designed, administered and communicated with this principle in mind.

Executive Compensation

In 2008, the Board of Directors formed a Human Resources Committee. Part of this Committee's responsibility is to review annually the compensation structure for the Executive team comprising of the Chief Executive Officer and Vice Presidents. The Committee also makes recommendations to the Board for the Chief Executive Officer's compensation. During the year, the Board hired an independent compensation consultant to assist with its evaluation of Chief Executive Officer compensation.

Executives are eligible to receive variable pay based on the achievement of predetermined corporate measures. The corporate measures are based on the Three-Year Business Plan. Assessment of corporate results is at the discretion of the Board of Directors.

Executives participate in the Management Employee Pension Plan (MEPP) and Supplementary Retirement Plan for Public Service Managers (MSRP). Combined, these plans provide pension benefits equal to 2% of each Executive's best five-year average annual pensionable salary for each year of service. The pension provided by MEPP is limited to base salary up to the *maximum pensionable salary limit* permitted under the federal *Income Tax Act (ITA)*. MSRP provides a pension in respect of the base salary in excess of the *maximum pensionable salary limit* under the *ITA*.

No portion of executive compensation consists in any manner of equity instruments.



Frank Salvatore, Trevor Meadaht, Emily Demchuk, Laura McKeil, Terri Imhoff, Linda Sinclair, Erica Smith, Dianne Kenny, Janice Miller and Kathryn Miller.

caring for our community.

Helping the 'United Way'

APA employees answered the call to help their community with gusto in 2008. Total employee contributions to the United Way were \$21,765 in 2008—a 12% increase above our target of \$19,400 and an increase of \$1,537 from 2007!

More than half of our staff participated in the United Way events, pledge drive and other functions this year—a 15% increase from 2007. Thank you to everyone who participated and made a difference, the United Way!

Toys for Santa

When Santa made the call that toys were needed for less-fortunate children in our city, APA employees answered in spades. To add some fun to the fundraiser, participating employees were asked to choose the name of another employee, and to purchase a toy the recipient might have played with when they were young. With much laughter and celebration, more than 100 toys were unwrapped and donated to Santa's Anonymous—truly a show of community and holiday spirit.

Building a Habitat for Humanity

Staff wanted to make a difference in their community—and they wanted to do it together. Eliminating poverty housing in Canada was something everyone could stand behind, so the volunteers chose to work for Habitat for Humanity, building much-needed affordable housing for the poor.

Everyone had a spectacular day participating in this activity together for a fantastic cause. Well done!

Giving back to the environment

APA employees care about their surroundings. A number of programs around the Corporation ensure we encourage one another to do our part to make the world a healthier place to live, work and play. With bottle/can recycling stations, confidential recycling bins, notepads made from outdated paper stock, reduced use of paper daytimers in favour of online calendars and reminders about efficient paper use—APA employees are doing their part.

Individuals making a difference

APA employs outstanding individuals who understand the importance of giving back to their community. Employees at APA have participated in or canvassed for The Weekend to End Breast Cancer, Santa's Anonymous Toy Delivery, the CIBC Run for the Cure, Kidsport Edmonton, the Canadian Liver Foundation, the Alberta Diabetes Foundation and the Edmonton Humane Society, to name just a few.

Employees know that their work and time are important, both in the office and in their community. Thanks to all the employees who participated in activities with these organizations—your efforts are invaluable!



looking ahead.

We are highly motivated to achieve business goals.

2008 was the first year of our Five-Year Strategic Plan, and we learned a great deal about where we are as a Corporation, where we want to go and what we need to do to get there. A move, and several new projects and initiatives for the coming year, mean we'll continue to be hard at work striving to achieve our mission through our strategic priorities.

Looking forward

In 2008, we continued to experience service challenges—volume, quality and timeliness were challenges for different plan services at different times. We also continue to be challenged by aged technology and work systems that have limited our ability to improve our efficiency and report performance metrics and measures. What are we going to do to improve our ability to deliver? In 2009, we are going to develop key performance measures and metrics, and increase our focus on risk management and compliance; we're continuing to increase our resources and attention on our first point of contact with members, pensioners and employers; we're increasing our focus on building efficient work processes that allow staff to spend the time needed to build trust in, and understanding of, the value of the pension plans we serve. We will continue to incrementally improve service delivery, while also putting into place the building blocks—by investing in our people and technologies—that will position APA to be the credible and trusted service provider demanded by members, pensioners, employers, plan governors and our Shareholder.

A new outfit tailored to suit our needs

In 2008, APA was bursting at the seams; our current location in downtown Edmonton had become too small for our growing needs. In addition, parking for both staff and our clients became increasingly expensive and availability decreased throughout the year. These issues, coupled with a lease renewal approaching in 2009 and rental rates that were expected to skyrocket, sent us looking for a new place to call home.

A great deal of research was conducted and a building was chosen in a new development in Southwest Edmonton. The building will have ample parking for both staff and clients and it will not be a multi-tenant development, meaning we will have a location built to complement our business. The new building is also much more eco-friendly than our current location—incorporating a number of sustainable features like geothermal heating and cooling and energy-efficient lighting. The lease, together with our ability to manage the outfitting and the lower operational costs from a green building, will help APA continue to demonstrate its commitment to achieving its mission in a risk-managed, efficient and cost-effective manner.

We recognize that the move may have some adverse effects on some employees due to the distance of the building from our current location, so a staff Relocation Advisory Committee was elected to help manage and provide solutions to some of these issues. The Relocation Advisory Committee has been hard at work providing suggestions and fielding questions about everything from construction and layout to parking and transportation and all things in between.

The move to Southwest Edmonton will happen this summer, as our lease in downtown Edmonton will expire on August 31, 2009.

Corporate projects charge full steam ahead

While the move will increase our physical accessibility, we also have a number of projects focused on increasing the accessibility, understandability, reliability and timeliness of our services. Major projects planned for 2009:

- *We are upgrading our system supporting pensioner services. The new system integrates with our member services system, allowing information to follow the plan member. Calculations and deductions, now done manually, will be enabled by the new system. The new system will also allow us in the near future to web-enable pensioner services.*
- *Member Annual Statements will be reviewed and redesigned to increase ease of understanding by members.*
- *We continue to work with employers, and after consultations are complete, will launch a new employer compliance program and training for new employers.*
- *We are reviewing our existing service metrics and developing performance measures and metrics that speak to our ability to deliver risk-managed, efficient and effective services for our clients. New measures will be seen in 2009 for key service areas.*

Delivering quality service, at a reasonable cost

APA delivers services that are charged back to the pension plans we serve. The chart below illustrates our actual cost per member for 2004 through 2008, with a projected cost per member for 2009 through 2011.



Prior to 2008, APA's cost per member was declining. Primary reasons for the decline include decreasing investments in technology and increasing plan memberships.

The upward trend in costs starting in 2008 is largely a result of renewed investment in technology, an increased focus on

risk management, and our focus on staff recruitment and development—all aimed at positioning the Corporation to efficiently and effectively address current and future service demands.

Cost per member is a benchmark that APA reviews annually as part of its business planning process.

Meeting future demands

Due to changing member demographics and demands for pension information through various service delivery channels, we continue to plan for growth in pension plan membership and services for plan members. The year-over-year increases forecasted will increase the need for the Corporation to have reliable data and information, and to automate business processes. We cannot increase staff numbers to address volume demands given the workforce demographics forecasted for Alberta, and we cannot continually train people to perform the types of calculations required. In 2007, we began examining our work processes, focusing first on employers. This work resulted in the creation of an Employer Services team, dedicated to working with employers to improve information quality, and integrate employer and APA work processes. We're seeing the results of this work already.

In 2008, we began looking at the processes in place to serve members and pensioners. We concluded that we rely too heavily on manual work processes, and this is not sustainable. For pensioners, we reviewed our processes in 2008, and are proceeding with the implementation of a new pensioner information and service system in 2009, with a go-live date of January 1, 2010. 2009 will also see a systematic review of those processes that support service delivery to members and the measures we use to judge our success in delivering valued pension services. Our objective is to automate, where possible, while increasing our attention on member and pensioner requests for in-person services. Pension decisions can be some of the most important decisions a person makes; we need to be able to provide members with accurate, timely and understandable information to help them make the decisions that best suit their circumstances.

financial statements.

Management's Responsibility for Financial Reporting

The financial statements and information in the 2008 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. Financial information presented in the 2008 Annual Report that relates to the operations and financial position of APA is consistent with that in the financial statements.

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 by:

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

Original signed by:

Ryan Barrack, CA
Vice President, Finance and Compliance

March 31, 2009



Auditor's Report

To the Shareholder of **Alberta Pensions Administration Corporation**

I have audited the balance sheets of the **Alberta Pensions Administration Corporation** as at December 31, 2008 and 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 audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform my audits 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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by:

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
March 31, 2009

Alberta Pensions Administration Corporation**Balance Sheets***As at December 31, 2008 and 2007*

	(\$ thousands)	
	2008	2007
	\$	\$
ASSETS		
Cash	52	49
Accounts receivable	62	13
Prepaid expenses	715	219
Due from pension plans	3,555	2,846
Property and equipment (Note 4)	3,469	3,433
	7,853	6,560
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable and accrued liabilities	2,983	1,872
Accrued salaries and benefits	1,162	977
Accrued vacation pay	239	278
Deferred capital contributions (Note 3)	3,469	3,433
	7,853	6,560
Shareholder's equity		
Share capital (Note 5)	-	-
	7,853	6,560

The accompanying notes are part of these financial statements.

Approved by the Board:

Original signed by:

Jack H. McMahon, FCA

Chair

Board of Directors

Original signed by:

Douglas Hollands, BComm, CA

Chair

Audit Committee

Alberta Pensions Administration Corporation

Statements of Income

Years ended December 31, 2008 and 2007

	Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
	(\$ thousands)		
	(Note 17)		
Operating expense			
Staff and related expense	21,396	18,791	16,056
Other operating expense (Note 7)	5,515	5,603	3,234
Materials and supplies	2,058	2,697	2,148
Amortization	1,738	1,914	2,746
Total before plan specific and employer specific services	30,707	29,005	24,184
Plan specific (Note 8)	1,581	912	1,106
Employer specific services (Note 9)	-	17	-
Total operating expense	32,288	29,934	25,290
Cost recovery revenue (Note 6)	32,288	29,934	25,290
	-	-	-

The accompanying notes are part of these financial statements.

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

Years ended December 31, 2008 and 2007

	(\$ thousands)	
	2008	2007
	\$	\$
Operating activities		
Operating items not affecting cash:		
Amortization	1,914	2,746
Capital contributions recognized (Note 3)	(1,914)	(2,746)
	-	-
Changes in non-cash working capital (Note 10)	3	(2)
	3	(2)
Investing activities		
Acquisition of property and equipment	(1,950)	(1,567)
Financing activities		
Decrease in deferred lease inducement	-	(17)
Capital contributions received	1,950	1,567
	1,950	1,550
Increase (decrease) in cash for the year	3	(19)
Cash at beginning of year	49	68
Cash at end of year	52	49

The accompanying notes are part of these financial statements.

Alberta Pensions Administration Corporation

Notes to the Financial Statements

Years ended December 31, 2008 and 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 Minister of Finance and Enterprise on behalf of the Government of Alberta, and accordingly the Corporation is exempt from income and other taxes.

2. Nature of Operations

The Minister of Finance and Enterprise, 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)

Specific pension services required by the pension plans and employers are provided by the Corporation pursuant to a Pension Services Agreement with the Minister through to December 31, 2009. These services include the collection of contributions, payment of benefits and refunds, and other services specifically requested by pension plan boards and committees. In 2008, the Minister also approved the Corporation providing specific services, on a cost recovery basis, for some employers (Note 9).

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

3. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities in the financial statements. Actual results could differ from these estimates, and the impact of any such differences will be recorded in future periods.

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 on a straight line basis as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and equipment	5 years
Telephone system	3 years
Leasehold improvements	Refer to (a) below

(a) This is over the term of lease plus one optional renewal period, to a maximum of 5 years.

Amortization will commence the month immediately after the property and equipment has been deemed substantially complete and ready for productive use.

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.

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

4. Property and Equipment

(\$ thousands)

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer equipment	4,086	2,603	1,483	618
Computer software	5,960	4,594	1,366	1,659
Leasehold improvements	1,652	1,369	283	519
Furniture and equipment	1,162	977	185	266
Telephone system	195	43	152	-
APEX business system	7,383	7,383	-	371
	20,438	16,969	3,469	3,433

5. Share Capital

	2008	2007
	\$	\$
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share (Note 1)	1	1

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

6. Cost Recovery Revenue

The Corporation charged each pension 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 and Enterprise. The current allocation formula was effective January 1, 2006.

	(\$ thousands)	
	2008	2007
	\$	\$
LAPP	18,637	15,386
PSPP	8,075	7,027
MEPP	1,375	1,212
SFPP	1,020	934
MSRP	304	238
PSM(CM)PP	276	249
PJMC(R)PP	78	83
PJMC(U)PP	75	77
MLAPP	51	56
	29,891	25,262
Interest and other miscellaneous cost recoveries	26	28
Employer specific services (Note 9)	17	-
Cost recovery revenue	29,934	25,290

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

7. Other Operating Expense

	(\$ thousands)	
	2008	2007
	\$	\$
Contract services	3,860	1,851
Data processing and maintenance	1,404	1,117
Miscellaneous	339	266
	5,603	3,234

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

8. Plan Specific

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

	(\$ thousands)					
	2008					2007
	Contract Services	Salaries and Benefits	Materials and Supplies	Board Remuneration	Total	Total
	\$	\$	\$	\$	\$	\$
MEPP	190	-	114	37	341	294
SFPP	155	-	85	33	273	290
PSPP	137	72	59	-	268	494
PSM(CM)PP	5	-	19	-	24	13
MSRP	4	-	-	-	4	4
PJMC(R)PP	2	-	-	-	2	6
MLAPP	-	-	-	-	-	3
PJMC(U)PP	-	-	-	-	-	2
Total	493	72	277	70	912	1,106

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

9. Employer Specific Services

In 2008, the Minister approved the Corporation administering post retirement benefits for certain employers who participate in the public sector pension plans. All costs associated with administering these benefits are recovered directly from the specific employers as follows:

	(\$ thousands)	
	2008	2007
	\$	\$
Government of Alberta	17	-

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

10. Changes in Non-Cash Working Capital

	(\$ thousands)	
	2008	2007
	\$	\$
Increase in accounts receivable	(49)	(7)
Increase in prepaid expenses	(496)	(81)
Increase in due from pension plans	(709)	(570)
Increase in accounts payable and accrued liabilities	1,111	696
Increase in accrued salaries and benefits	185	36
Decrease in accrued vacation pay	(39)	(76)
	3	(2)

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 value from:

	(\$ thousands)	
	2008	2007
	\$	\$
Service Alberta - Data processing and postage	723	875
Alberta Finance and Enterprise -		
Accounting, administrative and risk management	37	31
University of Alberta - Executive training	31	13
Alberta Infrastructure and Transportation - Parking rental	10	10
	801	929

The Corporation also provided services to the pension plans and pension plan boards and committees as disclosed in Notes 6 and 8.

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

13. Salaries and Benefits Disclosure

(\$ thousands)

(a) Board Remuneration

The Board Chair received remuneration of \$42 (2007: \$24). Five Directors received total remuneration of \$118 (2007: \$87). Two Directors, who are employed by the Government of Alberta, are not eligible for remuneration.

This remuneration is paid in accordance with the rates approved by the Lieutenant Governor in Council, and is subject to the applicable withholdings.

(b) Executive Compensation

(\$ thousands)

Name and principal position (at year end)	Year	Base Salary ¹ \$	Variable Pay ² \$	Pension Value ³ \$	Other Compensation ⁴ \$	Total Compensation \$
Monica Norminton President and Chief Executive Officer	2008	218	25	43	29	315
	2007	176	30	32	37	275
Ryan Barrack Vice President, Finance and Compliance ⁵	2008	157	3	30	12	202
	2007	54	15	10	94	173
Lesley Bowering Vice President, External Relations ⁶	2008	156	12	30	20	218
	2007	106	-	19	30	155
Brian Luterbach Vice President, Information Technology ⁷	2008	117	1	20	6	145
	2007	63	10	11	113	197
Kevin Olineck Vice President, Pension Services	2008	162	19	31	11	223
	2007	149	15	27	18	209
Jeff Uhlich Vice President, Human Resources	2008	159	18	30	9	216
	2007	138	1	25	10	174
Vice President, Strategic Planning ⁸	2008	80	20	15	24	139
	2007	152	15	27	15	209

1 Base salary includes regular base pay and any retroactive adjustments to base pay.

2 Variable pay is calculated based on achievement of predetermined corporate measures. The amounts disclosed were paid in the year based on the prior year's results.

3 Executives participate in the Management Employees Pension Plan (MEPP) and Supplementary Retirement Plan for Public Service Managers (MSRP). Combined, these plans provide pension benefits equal to 2% of the executive's best five-year average annual pensionable salary for each year of service. The pension provided by the MEPP is limited to the *maximum pensionable salary limit* permitted under the federal *Income Tax Act* (ITA). The MSRP provides a pension in respect of the base salary in excess of the *maximum pensionable salary limit*.

The pension value represents the Corporation's share of contributions to the plans based on each Executive's pensionable salary.

4 Other compensation includes such cash benefits as automobile allowance, lump sum payments and vacation payouts where applicable. Also included are non-cash benefits such as the Corporation's share of all employee benefits and contributions or payments made on their behalf including health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships and tuition fees. Included in other compensation for 2007 are severance payments for positions that had turnover.

5 Ryan Barrack has occupied the position since October 29, 2007. The predecessor occupied the position until March 26, 2007.

6 The position was created on March 1, 2007.

7 Brian Luterbach has occupied the position since August 25, 2008. The predecessors occupied the position for the period November 15, 2007 - May 31, 2008 and the period prior to May 11, 2007.

8 The Vice President, Strategic Planning retired on August 25, 2008.

Alberta Pensions Administration Corporation
Notes to the Financial Statements (continued)

Years ended December 31, 2008 and 2007

14. Defined Benefit Plans

(\$ thousands)

The Corporation participates in two multi-employer 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 \$1,495 for the year ended December 31, 2008 (2007: \$1,256).

At December 31, 2007, the Management Employees Pension Plan reported a deficiency of \$84,341 (2006 - \$6,765) and the Public Service Pension Plan reported a deficiency of \$92,070 (2006 surplus - \$153,024). At December 31, 2007, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$1,510 (2006 - \$3,698).

15. Commitments

The Corporation has entered into an agreement with minimum annual commitments for office space as follows:

	<i>(\$ thousands)</i>
	Total Commitments
2009	1,144
2010	1,729
2011	1,729
2012	1,729
2013	1,729
Thereafter	10,734
	<hr/>
	18,794

The Corporation has entered into a lease agreement for a new facility commencing on September 1, 2009. This agreement is for ten years, with two optional renewal periods of five years each.

16. Contingent Liability

In 2008, a statutory reporting issue was identified that may result in the Corporation incurring expenses to correct the issue. At this point, the resulting expenses, if any, cannot be determined.

17. 2008 Budget

The Corporation's 2008 budget was approved by the Board of Directors on November 29, 2007.

18. Comparative Figures

Certain 2007 figures have been reclassified to conform with the 2008 presentation.

19. Approval of Financial Statements

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

appendices.

APPENDIX A

Board of Directors

Board Mandate

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

- Corporate governance practices and policies
- Duties and responsibilities of the Board of Directors
- 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 B.

Board Independence

The Minister of Finance and Enterprise 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 two committees, the Audit Committee and the Human Resources Committee.

The Committees perform the following duties, enabling the Board to fulfill its oversight responsibilities:

Audit Committee

1. Oversee the CEO's compliance with Board policies respecting asset protection and liabilities and losses
2. Monitor the execution of the Business Plan
3. Review and recommend Board action for all financial statements and reports requiring approval of the Board (Annual and Quarterly Reports)
4. Oversee the Corporation's Risk Management and Compliance Program
5. Oversee the Corporation's Ethics Violation and Fraud Reporting Policy
6. Work with the independent auditor

Human Resources Committee

1. Oversee and monitor plans for identifying and managing workforce risks
 2. Monitor APA's practices for recruitment, development and retention of its workforce
 3. Review and recommend approval for the CEO's appointment, performance evaluation and compensation
 4. Oversee the Corporation's Executive compensation structure
 5. Oversee the development and succession plans for the CEO and Executive positions
 6. Monitor changes to the Corporation's management structure
-

In 2008, the Board formed an ad hoc Nominating Committee to recruit three additional Directors. This Committee was composed of three Directors and an external advisor. The Committee worked with an external consultant to identify and interview potential candidates using a transparent competency-based process.

Board Meetings

In 2008, the Board and the Committees each met quarterly; in camera sessions are included as a component of all meetings. Board attendance for the year was over 97%. In addition to the quarterly meetings, the Board held an “education day.” An orientation session was held early in the year for new Directors.

Governance Practices

The Board has adopted a governance framework that defines accountability between the Board and management. The Board delegates authority to the CEO, specifying clear expectations (Ends), and actions to be avoided (Limitations) in achieving these Ends. The Board has policies to support its on-going commitment to governance practices, including:

- Annual agenda planning
- Rules of meeting conduct
- Board job descriptions
- A Directors’ 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

APPENDIX B

Summary of the Charter of the Board of Directors

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

- The corporate governance practices and policies that apply to the Board of Directors.
- The duties and responsibilities of the Board of Directors.
- The position description for a Director.
- The position description for the Chair of the Board.
- 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 achieves appropriate results for appropriate persons at an appropriate cost as described in the Board's Ends Policies; and 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 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. 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 that results in a formal review fosters a 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 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.

Human Resources: The Human Resources Committee oversees the Corporation's human resources policies and practices, and ensures their alignment with corporate objectives.

Other Governance Matters: The Board of Directors has adopted position descriptions for the Chair of the Board as well as the Chair of each Board Committee. In practice, the Board Committees sit as committees 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 C

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 2008 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 2008-2010*. 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 by:

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
March 31, 2009

APPENDIX D

Key Performance Measures

Client Satisfaction

Members and Pensioners

	2008 Actuals	2008 Target	Previous Year Actual
	81	81	81

Methodology

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.

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 client 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.

The methodology to collect client satisfaction information for members and pensioners is outlined below:

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.

During 2007, it was determined that APA could reduce the number of Welcome Package surveys sent while maintaining a statistically representative sample. One survey was sent for every 10 PSPP and LAPP packages and one for every five MEPP and SFPP packages. The numbers of surveys sent are approximate; therefore the response rate, based on numbers of surveys sent, is also approximate. A survey is included with each Pension Options Package.

Overall, 27,047 Welcome Packages for new members were sent between January 1 and December 31, 2008. Approximately 2,813 surveys were sent and 512 survey responses were received. This results in an approximate response rate of 18%.

On the member Welcome Package survey we asked members to:

Please indicate your overall satisfaction with the information about your pension plan provided to you by Alberta Pensions Administration Corporation.

Very Satisfied/Satisfied/Dissatisfied/Very Dissatisfied

Pensioners:

APA conducted on-event surveys linked to the receipt of the Pension Options Package by which pension plan members make their pension choices. APA provided 4,682 pension plan members with Pension Options Packages; these are members who submitted their application for retirement between January 1, 2008 and December 31, 2008. APA received 1,075 completed surveys. This is a response rate of 22.96%.

Client Satisfaction (continued)

Members and Pensioners

In the Pension Options Package survey we asked pensioners the following question:

Overall please rank your satisfaction with the services provided to you in understanding the options for your pension.

Very Satisfied/Satisfied/Dissatisfied/Very Dissatisfied

Description of Results

Combined:

2008 – combined index = 81

2007 – combined index = 81

Members:

2008 – Very satisfied and satisfied index = 80

2007 – Very satisfied and satisfied index = 80

Pensioners:

2008 – Very satisfied and satisfied index = 83

2007 – Very satisfied and satisfied index = 84

Analysis of Results

Combined:

The index satisfaction score is based on combined survey results for four categories (very satisfied, satisfied, dissatisfied and very dissatisfied).

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.

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. Any questions that had a response of N/A were not considered in the calculation of satisfaction percentages.

In 2008, we achieved our target indicating that we have continued to provide members with products and services that satisfy their needs. As well, 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 was used in 2008 when we reviewed pension products in accordance with the 2008 – 2010 Business Plan.

Data Source(s)

Welcome Package survey
Pension Options Package survey

Client Satisfaction (continued)

Employers

2008 Actuals	2008 Target	Previous Year Actual
67	77	76

Methodology

Index scores were calculated as part of the survey analysis. Index scoring assigns a weight to each satisfaction category (very dissatisfied = 1, dissatisfied = 2, somewhat dissatisfied = 3, somewhat satisfied = 4, satisfied = 5, very satisfied = 6).

The index score for a particular item is obtained by multiplying each percentage response on the six-point scale by the corresponding index value, then adding these values together.

APA used SurveyMonkey.com, a web-based subscription tool, to conduct a web-based satisfaction survey of the 481 employers that APA serves. While employers are asked a variety of questions, only one question is measured.

Please state your overall satisfaction with the services and information provided to you by APA, where 1 = very dissatisfied and 6 = very satisfied.

In total, the survey was sent to 1,071 employer representatives of various levels of responsibility on November 24, 2008. There were 137 returned or undeliverable messages; 934 employer representatives were reached.

APA received 221 responses to the survey, but only 152 responses to the satisfaction question. This gives us response rates of 23.7% and 16.3%, respectively. While lower than the response rate for 2007, 16.3% is still statistically valid.

Client Satisfaction (continued)

Employers

Description of Results

2008 – Index Satisfaction Score = 67
(note comments related to the six-point scale for responses)

2007 – Index Satisfaction Score = 76

For 2008, the index satisfaction score is based on survey results for six categories. In previous years, the index score was based on survey results for four satisfaction categories.

Analysis of Results

The reason for the drop in satisfaction rate is attributed primarily to the delayed launch of employer online services in March 2008. This meant many employers completing their 2007 year-end reporting during the period of January to March 2008 experienced significant service issues. For many employers, the year-end reporting defines their relationship with APA. Additionally, the change in the survey methodology (increasing the choice of satisfaction categories from four to six) may have had an impact on the satisfaction score.

Due to the change in how the survey response selections were presented, direct comparison to previous years cannot be done.

Data Source(s)

Employer Satisfaction Survey 2008

Reasonable Cost

APA cost per member (gross expenditures)

	2008 Actuals	2008 Target	Previous Year Actual
	\$108	\$121	\$91

Methodology

The calculation for APA cost per member is:

$$\frac{\text{Total gross expenditures}}{\text{Average plan membership}}$$

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.

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.

Changes to methodology for calculating the APA productivity measure reflect deferred members in the count of the overall membership and calculate membership as an average annual membership instead of a point in time.

Description of Results

\$108 per member

Analysis of Results

This result is less than target due to a combination of the following two factors:

- favourable variance in gross expenditures; and
- average plan membership ended up higher than projected.

A large portion of the favourable variance in gross expenditures relates to delays in APA recruitment efforts.

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.

Data Source(s)

- Cost data: Agresso accounting software
- Number of active and deferred members: mosaic (pension administration system)
- Number of pensioners: Pension Payroll System

Reasonable Cost (continued)

Productivity measure member / full-time equivalent

	2008 Actuals	2008 Target	Previous Year Actual
	1,314	1,245	1,351

Methodology

The concept of measuring productivity using members per full-time equivalent (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:

- 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.

The calculation for productivity measure member/full time equivalent is:

$$\frac{\text{Average plan membership}}{\text{FTEs}}$$

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.

FTEs are calculated as follows:

- 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

“Employees” are defined in accordance with the Government of Alberta’s 2008 *Budget and Business Plan Finalization Instructions*, and includes permanent, non-permanent, wage and employment contract employees. Employees on long-term disability or individuals working through a service contract are not included.

Description of Results

1,314 members / FTE

Analysis of Results

This result is higher than target for 2008 due to a combination of the following factors:

- average plan membership was higher than projected
- overall FTE counts were lower than projected

As this ratio increases, it demonstrates the need for APA to maximize its use of available technology in order to efficiently deliver services, 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.

Data Source(s)

- FTE data: Human Resources Information system
- Number of active and deferred members: mosaic (pension administration system)
- Number of pensioners: Pension Payroll system

Knowledge

Training hours / full-time equivalent

	2008 Actuals	2008 Target	Previous Year Actual
	73	43	47

Methodology

The calculation for training hours per full-time equivalent (FTE) is:

$$\frac{\text{Total training hours}}{\text{FTEs}}$$

For the calculation of total training hours for 2008, APA includes internal and external 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 Plan that focuses them towards training that will deliver needed results.

FTEs are calculated as follows:

- 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

“Employees” are defined in accordance with the Government of Alberta’s 2008 *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.

Description of Results

73 hours per FTE

Analysis of Results

Total training hours were 15,515.44 and the annualized FTE count as of December 31, 2008 was 211.7.

In 2008, the target for training hours per FTE was set at 43 hours. At 73.3 hours, we exceeded the target for 2008. Part of this was a result of the increase in the number of corporate-wide internal workshops offered and the individual learning plans that were rolled out through FOCUS. All employees in the organization took part in learning and development opportunities. In 2008 there was also an increase in the number of staff hired into the areas that have a progression series of courses.

Data Source(s)

Total training hours are gathered from each employee’s timesheet on a monthly basis and entered into APA’s Human Resources Information System.

Engagement

Employee survey results

2008 Actuals	2008 Target	Previous Year Actual
46%	40%	35%

Methodology

In 2008, APA participated in the Queen's School of Business and Hewitt Associates survey called "Best Small and Medium Employers (BSME) in Canada." Participation was dependent on APA having achieved a 70% 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."

In 2008, all APA employees received an e-mail invitation to complete the online survey, on an anonymous basis. The information is submitted and collected externally by electronic means, and all responses are 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.

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:

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.

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.

Description of Results

46% of our employees were engaged

Analysis of Results

In 2008 almost 95% of our employees participated in the survey. The 2008 survey result shows an increase of 11% and confirms that we are heading in the right direction in reviewing, revamping and implementing changes to our Human Resources policies and practices. This increase also reflects the work of managers and employees in performance management, team-building and communication.

Data Source(s)

Hewitt BSME

Risk Management Plan

Corporate risk management program

2008 Actuals	2008 Target	Previous Year Actual
Targeted risks managed	Shareholder risks managed and corporate risk profile complete	Targeted risks managed

Methodology

This is a qualitative measure whereby outcomes 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.

In 2008, the following actions and/or milestones were targeted for completion:

- Complete an annual assessment of Shareholder risks
- Implement the corporate Risk Management Framework to manage corporate risks by carrying out the following:
 - Develop a Risk Management Philosophy that will guide APA's Risk Management Program in the identification and management of risks
 - Complete an annual review and approval of the Risk Management Program Charter to ensure that the program requirements meet strategic objectives
 - Conduct risk identification workshops to compile an inventory of corporate risks
 - Develop and deliver a corporate risk model and dictionary
 - Complete a corporate risk profile based on risk assessments by the Executive Committee and the Risk Management and Privacy Steering Committee
 - Develop a risk management and compliance report template to report 2008 results of the Risk Management Program and the Internal Control Assessment Program
 - Develop a formal reporting and monitoring mechanism to ensure that risks and issues are managed

Description of Results

Target has been achieved as the following milestones and key events were completed in 2008:

- An annual assessment of all Shareholder risks was completed and a report was presented to the Board of Directors in September 2008. Shareholder risks are actively managed via the CEO monitoring of Ends and Limitations Policies.
- Implemented the corporate risk management framework as demonstrated by the completion of the following during 2008:
 - A Risk Management Philosophy was approved by the Board of Directors in October 2008
 - The Risk Management Program Charter was reviewed and approved by the Board of Directors in November 2008
 - Conducted workshops with divisions to compile an inventory of risks. Based on these workshops, developed a Corporate Risk Model and Dictionary, which were validated via workshops with the Executive Committee
 - Conducted risk assessment workshops with the Risk Management and Privacy Steering Committee and the Executive Committee to complete a risk assessment of all corporate risks and arrived at a Corporate Risk Profile. The Corporate Risk Profile was approved by the Executive Committee

Risk Management Plan (continued)

Corporate risk management program

- A Risk Management and Compliance Report template was reviewed and approved by the Executive Committee, and presented to the Board of Directors for comments in October 2008.
- Formal reporting and monitoring mechanisms were established as follows:
 - Quarterly reporting to the Board of Directors, which has been established since the beginning of 2007
 - A Risk Management and Privacy Steering Committee was established in July 2008 via approval of the Terms of Reference document by the Executive Committee. This Committee is responsible for the management and monitoring of risks and issues, and reports to the Executive Committee

Analysis of Results

The target has been met for 2008; 2008 is the first full year of completion for the Risk Management Program.

Data Source(s)

- Board of Directors' materials (reports)
- Approved Risk Management Program Charter
- Key reports and documents reviewed and approved by the Executive Committee
- Inventory of risks identified

Risk Management Plan (continued)

Internal controls

	2008 Actuals	2008 Target	Previous Year Actual
	Target met	Controls evaluated per three-year plan with focus on risk identification, value for money and program improvement	Controls tested per Corporate schedule

Methodology

This is a qualitative measure whereby outcomes will be measured by milestones or actions taken.

The Internal Control Assessment Program utilizes a risk-based three-year rotational work plan. In 2008, the following actions and/or milestones were targeted for completion:

- Alignment and integration of the Internal Control Assessment Program with the corporate Risk Management Program to produce a risk-based approach for continuous improvement of corporate strategic and operational effectiveness
- Develop a Risk Management and Compliance Report template which reports the results of both the Internal Control Assessment Program as well as the Risk Management Program
- Complete 2008 annual work plan for the Internal Control Assessment Program as approved by Executive Committee

Description of Results

Target has been achieved as the following milestones and key events were completed in 2008:

- An integrated risk-based approach was adopted. The previous methodology was reviewed and changes were made to develop a revised 2008 work plan. The revised 2008 work plan was presented to the Board of Directors in October and November 2008 as follows:
 - 22 subject areas were identified for testing in the Program
 - Frequency of testing is based on defined risk criteria
 - A Risk Management and Compliance Report template was reviewed and approved by the Executive Committee, and presented to the Board of Directors for comments in October 2008
 - Testing of internal control outlined in the revised 2008 annual work plan has been completed. Quarterly reports have been presented to the Board of Directors throughout the year of progress made on the testing of internal control. The draft Risk Management and Compliance Report will be reviewed and approved by the Board of Directors by end of Q1 2009, with targeted publishing of the Report in Q2 2009

Analysis of Results

The target has been met for 2008.

Data Source(s)

- Board of Directors' materials (reports)
- Working papers including audit programs, test results and reports prepared and reviewed by the Risk Management and Compliance Team

Strategic Partnerships
Service level agreements

2008 Actuals	2008 Target	Previous Year Actual
Agreements monitored	Agreements monitored	Agreements continued

Methodology

The following are APA's key objectives in developing new Service Level Agreements (SLAs) with the pension plan boards:

1. Clarify the expectations of APA and the plan boards on services and support provided to plan boards
2. Clarify the process for plan board / committee requests to APA and establish service standards for those services in alignment with the plan board services strategy
3. Develop a comprehensive source document that contains:
 - standard services for plan board
 - non-standard services for plan boards
 - service standards and performance measures
 - reporting requirements on service standards and measures

Description of Results

APA continued with the existing service level agreements, the Administrative Services Memorandums of Understanding, in 2008.

APA developed a Mandates and Principles document that considered feedback from the plan boards. The Principles:

- Recognize the unique legislative role of each plan board
- Recognize that administration policy guidelines may impact service levels
- Clarify the review schedule

During the year, APA:

- Developed an approach (and agenda) to obtain input from the plan boards on key components of the SLAs
- Facilitated discussions with plan board representatives to allow APA to gather sufficient information to begin drafting the terms of a SLA for each plan board / committee. This involved:
 - Presenting an overview of key components of a SLA
 - Developing an agenda for the facilitated discussion
 - Assisting in identifying the key components of SLAs where input is required
 - Gathering feedback from plan board representatives and staff and summarizing this information for APA
- Obtained a SLA Toolkit that includes an SLA checklist, SLA Template and SLA Guidelines and Instructions

APA is targeting entering into SLAs with the pension plan boards in early 2009.

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 key activities that will be carried forward into new SLAs.

Data Source(s)

- Schedule of meetings with plan board representatives and meeting notes
- Input from Public Service Pension Board, August 6, 2008
- Input from Management Employees Pension Board, July 3, 2008
- Proposed Statement of Work, September 2008
- Board of Directors briefing, September 2008
- SLA presentation, December 2008
- SLA Checklist
- SLA Template
- SLA Guidance and Instructions

Accountability to Shareholder

Assessment of Corporate obligations

	2008 Actuals	2008 Target	Previous Year Actual
	Review plan implemented	Review plan implemented	Process and review plan developed

Methodology

APA developed a process and review plan that includes:

- Prior Year Assessment:
 1. Catalogue of documented requirements created from source governing documents
 2. CEO reviews requirements and assesses compliance
 3. CEO presents assessment to Board of Directors for review
 4. Board reviews assessment and provides input, advice, comment
 5. CEO sends formal assessment to Alberta Finance and Enterprise (as representing the Shareholder and Minister)
- Forthcoming Year Plan:
 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

In February 2008, the CEO prepared and sent a letter to Alberta Finance and Enterprise regarding the 2007 corporate compliance. 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 Enterprise and an assessment of APA's obligations to the Minister as Shareholder as documented in APA's By-Laws.

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 2008:

- Unanimous Shareholder Agreement
- Memorandum of Understanding
- Administrative Services Agreement
- By-Laws of Alberta Pensions Administration Corporation
- Board of Directors minutes March 2008

board of directors.

The Board has eight Directors, each appointed by resolution of the Minister of Finance and Enterprise.

Name	Representation	Term of Service	Board Position
Jack McMahon	Independent	October 1995 – present	Chair
Rick Milner	Independent	October 1995 – present	Vice Chair, Human Resources Committee Chair
Douglas Hollands	Independent	November 2006 – present	Audit Committee Chair
Dennis Gartner	Alberta Finance and Enterprise	June 2005 – present	
Grant Howell	Local Authorities Pension Plan Board of Trustees	April 2008 – present	
Rod McDermand	Management Employees Pension Board	January 2004 – present	
Garth Sherwin	Special Forces Pension Board	January 2008 – present	
Milo Steele	Public Service Pension Board	June 2007 – present	

2009 corporate directory.

Monica Norminton, BA, LLB, MBA, CA•IT

President and Chief Executive Officer

Ryan Barrack, CA

Vice President, Finance and Compliance

Lesley Bowering, CEBS, MBA

Vice President, External Relations

Brian Luterbach, BA, BSc

Vice President, Information Technology

Jeff Uhlich, BA, MSc, HRM

Vice President, Human Resources

