



2010
annual report

RESPONSIVE TO CHANGE



alberta pensions services

OUR MISSION

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

OUR VISION

Alberta Pensions Services Corporation 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

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 Services Corporation (APS) guides the pension experience on behalf of Alberta's public sector pension plans. We serve seven public sector pension plans and two supplementary retirement plans. From those plans, 500 employers and more than 304,000 members and pensioners rely on APS' trusted pension expertise. APS was incorporated in 1995 under Alberta's *Business Corporations Act* with the Government of Alberta as the sole Shareholder.

On behalf of the Trustee, the Minister of Finance and Enterprise, APS provides trusted pensions services, including:

- ▶ Contributions management
- ▶ Member, pensioner and employer information management
- ▶ Member, pensioner and employer education and communications
- ▶ Benefit calculations
- ▶ Benefit disbursements
- ▶ Plan board services
- ▶ Policy development and implementation
- ▶ Communications design and delivery
- ▶ Compliance, regulatory and plan financial reporting

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It is not the strongest
of the species that
survive, nor the most
intelligent, but the one
most responsive
to change.

Charles Darwin



MESSAGE FROM THE BOARD CHAIR

On behalf of the Board of Directors, I am pleased to present Alberta Pensions Services Corporation's (APS) annual report for the year ended December 31, 2010.

A changing pension environment framed APS' business decisions in 2010, as did the strategic direction provided by the Board of Directors. Lingering economic uncertainty and continued increasing demand for quality, timely services focused APS management and the Board on improving our capability and capacity to deliver pension services. In 2010, APS began three major, multi-year projects that are already beginning to change the way we deliver our business: streamlining business processes, simplifying pension policies, and consolidating and upgrading the applications we use to deliver pension services. These projects result in APS demonstrating greater efficiency in delivering consistent, quality and timely services to our clients.

The Board has approved these projects and believes they support a more sustainable business model. The Board also affirmed its commitment to APS' Risk Philosophy, recognizing that risk management is critical to APS' delivery of quality services on behalf of the Trustee.

APS' Board of Directors continues to be committed to strong corporate governance practices, and participated in workshops on Policy Governance—a vital refresher for the Board's review of its governance policies. In 2010, the Board substantively reviewed and updated its Ends and CEO Limitation Policies to clearly articulate the business of the Corporation and better position APS for the future. These policies define what benefits APS produces, for whom and at what cost, and further defines the boundaries within which the CEO can act.

The work, which began in 2009 on a Mandate and Roles document as required under the *Alberta Public Agencies Governance Act*, continued. APS is working closely with Alberta Finance and Enterprise to complete the document.

The Board welcomed new director David Watson, who was appointed on nomination of the Special Forces Pension Board. On recommendation of the APS Board, Garth Sherwin was appointed as an independent director effective January 1, 2010. Milo Steele, nominee of the Public Service Pension Board, left his director position in October and I wish to thank Milo for his service. Chris Archibald is the new nominee from the Public Service Pension Board.

The Board acknowledges the commitment of APS employees, led by President and CEO Monica Norminton, for another successful year. APS met or exceeded almost all of its performance targets and has positioned itself well in response to change.

Sincerely,

Original signed by

Al Mondor, FCA

Chair



MESSAGE FROM THE CEO

Quality service delivery to members and beneficiaries continued to be the focus of Alberta Pensions Services Corporation's (APS) activities in 2010. While focusing on client needs today, we must also look forward to meet the service expectations of a more diverse client base, particularly as baby-boomers approach retirement. In 2010, we began building our capacity and capability for service, which will enable us to meet future demand.

We launched three significant projects that position us to efficiently and effectively respond to changes in service demand. We began significant work to simplify our business processes and pension policies, while starting to plan the upgrade of the business applications that will improve how we deliver our mandate. These three initiatives are at the core of APS' business operations, and figure prominently in our long-term strategic planning.

As in previous years, I am extraordinarily proud of the efforts of APS employees to respond to change and build on our successes. We delivered our first Risk Management Annual Report that presented a comprehensive picture of our business risk profile. We also delivered substantively new Quarterly Service Reports that provide information about our service delivery successes, opportunities and challenges to plan governors and the Trustee. APS presented new reports on our management of pension plan transactions, and continued our work with employers to improve pension plan administration and, ultimately, delivery of products and services to members. In dedication of the safety and well-being of our staff, APS was awarded a Certificate of Recognition (COR) from Alberta Safety Council. COR is difficult to obtain and I am extremely proud of APS' achievement.

We continued to add to our suite of online services. Members now have the option of changing beneficiary information on **mypensionplan**, and can sign-up to go green and receive e-mail notifications when Member Annual Statements are available online. APS launched a visually appealing, easy-to-use, website for the Local Authorities Pension Plan, and 2011 will see the redesign and launch of three other pension plan websites. We also mobilized in response to the restructuring of Alberta's health care sector, which saw approximately 2,700 employees consolidate under one employer, and transition from one pension plan to another. This significant effort will continue in 2011.

For plan governors, we recognize the critical governance role plan governors play in our environment and APS' need to support this role. In late 2010, we created the new position of Vice President, Plan Board Secretariat. This position will be recruited to in 2011.

APS strives to deliver services of the highest quality and we continued to deliver to client expectations. Throughout 2010 client satisfaction for members, members about to retire (members in transition) and pensioners was consistently above target.

APS has much to be proud of in 2010. We have had tremendous success and great opportunity. We are in an excellent position, and ready and able to respond to more change ahead. This readiness to respond to change gives me great confidence in our ability to continue to improve on our commitment to provide quality and timely services to pension plan members, pensioners and beneficiaries, as well as support employers and plan governors in fulfilling their mandates.

Sincerely,

Original signed by

Monica Norminton, QC
BA, LLB, MBA, CA·IT

President and Chief Executive Officer

Security can only be achieved through constant change, through discarding old ideas that have outlived their usefulness and adopting others to current facts.
William O. Douglas

MANAGEMENT DISCUSSION & ANALYSIS (A YEAR IN REVIEW)

The pension environment is changing, and like any successful business, Alberta Pensions Services Corporation (APS) is responsive to change. Economic and societal changes continue to impact pension plans. Most of the pension plans served by APS either raised contribution rates for members and employers in 2010 or announced increases. Clients want assurances their contributions are well managed and the service they receive is timely, and of the highest quality.

In response to environmental changes, APS must simplify its business to meet future challenges and opportunities head-on. To this end, we began work on three multi-year projects.

As APS readies itself for new opportunities and challenges, we also continue to build on our successes today. APS marked another successful year in 2010 wherein solid improvements were made to the products and services we provide—and the results show in our performance measures.

DELIVERING VALUED PENSION SERVICES

On behalf of the seven public sector pension plans and two supplementary plans, APS provides direct services to more than 231,000 active and deferred members, 73,000 pensioners and 500 employers.

APS administers the following public sector 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)
- ▶ Supplementary Retirement Plan for Public Service Managers (MSRP)
- ▶ Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMC(R)PP)
- ▶ Provincial Judges and Masters (Unregistered) Pension Plan (PJMC(U)PP)

APS' clients expect quality service at every point of contact with APS. Expectations are rising, for timely information, and quicker and improved service.

MEMBERS AND PENSIONERS

The 2010 combined membership volume grew, but at a slower rate than in previous years. Active membership saw a decline while deferred membership grew, resulting in a combined two per cent annual growth rate. The number of pensioners increased across all plans.

Table One: Year-end membership

These numbers include active members, deferred members and pensioners.

Plan	2010	2009	% Change
LAPP	206,249	199,849	3.2
PSPP	77,924	77,742	0.0
MEPP	9,366	9,195	1.9
SFPP	6,261	6,187	1.2
MSRP	1,715	1,653	3.8
PSM(CM)PP	2,285	2,382	(4.1)
PJMC(R)PP	263	244	7.8
PJMC(U)PP	237	226	4.9
MLAPP	214	223	(4.0)
Total	304,514	297,701	2.3

MEMBER SERVICES

The Member Services Centre (MSC) responded to more than 71,000 calls in 2010, a 9.5 per cent increase over the previous year. While being challenged with call volumes that exceeded our capacity in the first half of the year, we adapted our work processes and ended the year with an annual abandoned call rate of 6.8 per cent. This was a tremendous improvement over the prior year, and a tribute to the dedication and resourcefulness of APS employees. We continued to promote our plan specific phone lines to help members further identify with their specific pension plan. At year-end 77 per cent of all phone calls were answered by pension plan. The most common query across all plans was terminations and retirements. Requests for information by e-mail dropped substantially as members were advised not to use e-mail to transmit personal information. One-on-one counselling sessions totalled 1,746.

Overall, transaction volume decreased in 2010. There were more than 5,000 fewer transactions than the previous year; however, retirement transactions were up by 18 per cent. We expect the number of retirements to continue to increase as more baby-boomers approach retirement age. We refer to members in the retirement process as “members in transition” and are addressing their information and service needs through dedicated work resources, as shown in our performance measures.

APS recognizes and appreciates the decision to retire is one of the critical life decisions we all make. Decreases in enrolments and reciprocal transfers reflect ongoing economic uncertainty as there is less worker mobility. Statistics on other transaction categories are reported in the table below:

Table Two: Transactions Processed

Plan			%
Membership	2010	2009	Change
Enrolments	13,673	22,239	(38.5)
Re-enrolments	2,393	2,987	(19.9)
Retirements	27,561	23,317	18.2
Disability	226	227	(0.4)
Death	748	793	(5.7)
Terminations	32,887	31,678	3.8
Purchase of Service	31,360	32,761	(4.3)
Reciprocal Transfers	1,181	1,516	(22.1)
Marriage Breakdown	617	585	5.5
Marriage Payout	805	749	7.5
Total Transactions	111,451	116,852	(4.6)



ONLINE SERVICES

In keeping with our plan to invest in technology to improve the quality of our services and products, APS continues to make improvements to **mypensionplan**, a secure website for members. Members now have the option to go green and receive e-mail notifications when Member Annual Statements are available on **mypensionplan**. The service was offered mid-year and by the end of 2010, 942 members had signed up to go green and do their part for the environment.

Updates to beneficiary information can now be made on **mypensionplan**. In 2010, members updated 32,718 beneficiaries. Members also made more than 23,343 changes to their personal contact information supported by the successful implementation of new software to ensure updates are consistent with industry standards for privacy and accessibility. **mypensionplan** had close to 17,000 new registrants bringing the total number of members registered on **mypensionplan** to 55,108, compared to 38,237 in 2009.

We also worked on an APS designed solution to allow members to register for one-on-one consultation sessions online. Currently, sessions must be booked by phone through MSC. The new online registration service will be available in 2011.

NEW PLAN WEBSITE

APS launched the first of four new websites planned for LAPP, PSPP, MEPP and SFPP. The new LAPP website went live in October 2010 and provides a more engaging online experience. New features include an online host to guide the user to specific services, the top five frequently asked questions, instructional video clips and an advanced search function. Development continues on the remaining websites, which will all launch in 2011.

MEMBER AND PENSIONER SATISFACTION

As a client-focused organization, APS strives to provide quality service to all our clients. MSC implemented several improvements in 2010 including call recording, to improve coaching and training for front line employees who interact with members. Another improvement was the adoption of an instant messaging service that allows one Member Services Representative to ask another representative a question while on a live call with a member, resulting in more timely service to the member. A mentoring program was developed to further enhance training for MSC staff.

When members and pensioners want information about their pensions, APS' brand promise is to provide timely, clear and accurate answers to pension questions. APS' newly revised client satisfaction survey demonstrates APS is delivering on that promise. An impartial third party administers the survey by contacting members, members in transition, or members who are approaching retirement, and pensioners who have had contact with MSC.

Client satisfaction survey results exceed targets on all fronts. Members report 84 per cent satisfaction, exceeding our target of 81. Satisfaction rates for members in transition are even higher at 87 per cent, six points above target. This was the first year we surveyed pensioners, who also report high levels of satisfaction at 91 per cent. While MSC is the face of the Corporation for most members, the satisfaction rates speak to the commitment to service demonstrated by staff throughout the Corporation. In 2010, APS employees lived the brand promise, and members, pensioners and beneficiaries appreciated the effort!

CLIENT SERVICE ADVOCATE

At APS, the client experience is important to us. The Client Service Advocate (CSA) is empowered to initiate investigations into issues identified by our clients. The CSA has the ability to investigate further, even after the client's issue is resolved, to identify the root cause of the incident. Working with the appropriate teams within APS to address root cause will ensure that similar incidents will not occur in the future and improves our overall client service experience.

EMPLOYER SERVICES

APS embarked on new initiatives focused on supporting employers in their role as partners in the administration of the pension plans. Enhanced online services, on-event training and updates to the Employer Compliance program assisted employers in performing their duties as defined by legislation.

EMPLOYER ONLINE SERVICES

Employer Online Services (EOS), the secure website for employers was significantly improved. Initial 2011 processing times for 2010 year-end data from employers show a 40 per cent improvement in the speed at which files move through the system. This improvement is due to technology upgrades made to EOS. APS continues to strive to make employer information exchange and compliance as simple as possible for the employer, recognizing this benefits all employers as well as members, and improves all participants' appreciation of the value of public sector pension plans.

COMPLIANCE

Updates to the Employer Compliance program included improving instructions to employers and auditors about audit process requirements. APS is also developing an automated receipt and tracking system. This system will automatically issue notification letters to employers, provide a central e-mail address for auditors and employers to send their completed audits, automatically track the receipt of the documents, issue receipt notification letters and follow-up letters in the event some of the documentation is missing or the audit requires other follow-up. This is a multi-phase project, which is expected to be fully implemented for the 2011 reporting year.

TRAINING

Training programs targeted to improve year-end employer reconciliations were successful. In 2009, APS introduced on-event training for employers. This focused training continues to be successful for both employers and APS, and ultimately, improves the service delivery to members. The table below demonstrates 2009 year-end results in comparison to the average of the previous three years. The results were available in 2010.

Table Three: Year-end employer reconciliations compared to previous three-year average.

	Average	2009	Difference
Earliest Submission Date	Jan. 3	Dec. 19	15 days earlier
Latest Submission Date	June 16	Mar. 25	83 days earlier
Average Submission Date	Feb. 1	Jan. 26	6 days earlier
Number of Employers Submitting On Time	264	336	72 more (27% increase)
Total Number of Employers Submitted	465	482	17 more (4% increase)
Percentage On Time	57%	70%	13% (23% increase)

Courses developed and delivered in 2010 included Processing Retirements, Optional Service and Compliance Audits. APS also developed a proposed program for online education modules and an online registration process for employer-hosted member education sessions. The registration process was developed along with the online registration process for members and will be launched in 2011.

EMPLOYEE REGISTRATION

Within the *2010-2012 Business Plan*, there was an initiative to pilot enhancements for registering new employees as pension plan members. The concept was to develop an employer to APS database information exchange. A feasibility study was completed, and based on this study, the decision was made to close this project as it was not providing the return on value expected. Registration of new members remains a focus in both employer education and employer compliance activities.

EMPLOYER ENGAGEMENT

Employer Engagement is a new measure to gauge not only employer satisfaction levels with APS' products and services, but also the extent to which employers are compliant with legislation and plan rules. Employer Engagement met our target of 78 per cent in

2010, compared to 82 per cent in 2009, when APS only measured employer satisfaction. APS is tremendously proud of this achievement and considers its Employer Engagement score a tribute to both employers and APS employees, who dedicated significant efforts in 2010 to helping each other improve those functions where responsibility for pension plan administration is shared.

BEGINNING THE JOURNEY OF CHANGE

Historically, APS' response to increasing demand was to add more products, more services, and more systems to support the needs and expectations of our clients. We have been in the pension business a long time, so it is not surprising some of these add-ons have led to burdensome and complex business processes and pension policies. This impacts our ability to deliver risk-managed, efficient and effective pension services.

APS embarked on three multi-year projects in 2010 to simplify our operations. Business Process Simplification, Pension Policy Simplification and Next Generation Application Implementation—a project that will result in an upgrade and unification of a number of systems APS uses to deliver pensions services.



BUSINESS PROCESS SIMPLIFICATION - SIMPLIFYING PROCESSES

Business Process Simplification began with streamlining our processes around Member Annual Statements. The result being that the 2010 Member Annual Statements are being produced within 30 days of each employer account being closed.

When planned and performed accurately, business processes add value, not only in efficiency and clarity for the Corporation, but with increased value for our clients in terms of a quality product and service and an improved pension experience. Processes related to APS product delivery will continue to undergo rigorous review in the coming years.

PENSION POLICY SIMPLIFICATION - SIMPLIFYING POLICIES

In addition to more products and services, over the years, changes in diverse regulations and policies for the pension plans we serve have resulted in complex pension administration policies. The more complex our environment, the more difficult it becomes to manage and deliver to expectations; communications to

members and employers becomes increasingly difficult; administrative reporting requirements for both employers and APS become more burdensome. All of this is reflected in the time and resources dedicated to plan administration.

APS recognizes these complex rules and requirements detract from members' understanding and appreciation of their participation in the pension plan. The Policy Simplification Project is a multi-year initiative, with one of its objectives being improved understanding of pension requirements and benefits for members. APS is committed to examining areas of pension administration policy for opportunities to improve understanding for members, employers and our own staff, and will engage plan governors and other stakeholders in this effort.

In 2010, an operational framework and governance structure was developed to support the project. APS will identify, develop and implement specific proposals, in consultation with plan governors, employers and the Trustee in the coming years.

NEXT GENERATION APPLICATION IMPLEMENTATION - SIMPLIFYING SYSTEMS

The Next Generation Application Implementation project is aligned with the Business Process Simplification and Policy Simplification projects to ensure APS selects appropriate technology to meet business needs. Our pension systems are aged and we use multiple applications to deliver services to our diverse client group. We need to upgrade and unify our systems to continue to deliver quality and timely services, information and support to members, beneficiaries, employers, plan governors and the Trustee. We need to have adaptable and scalable systems, supported by efficient and effective business processes and pension policies. The Next Generation Application Implementation project will help us achieve this outcome.

In 2010, we conducted market and solutions research, completed a needs assessment, issued a request for information, and developed system requirements. Our learnings from this work will lead to a comprehensive request for proposal for the Next Generation Application, to be issued in 2011.

LOOKING AHEAD

Significant work was accomplished in 2010 on several projects, which will be implemented in 2011. These initiatives include:

- ▶ A newly designed Leave of Absence Notice of Cost that answers the question for members, “What’s in it for me?” Members will also have the opportunity to register their decision to purchase a Leave of Absence on **mypensionplan**.
- ▶ Members will benefit from new, engaging publications designed to provide more information about the importance of their pension plans.
- ▶ Implementing a new phone system for employer services and improving APS’ ability to report and manage this important function.
- ▶ Issuing a Request for Proposal on the Next Generation Application Implementation.

an never really change someone;
people must change themselves.
But we can help. We can be a
presence that can nurture, encourage
and support. Stephen R. Covey We
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Stephen R. Covey*

BUILD A PERFORMANCE-ORIENTED ORGANIZATION THAT EMPOWERS EMPLOYEES

At APS, we recognize and appreciate that it is through the knowledge and commitment of our employees that we meet our obligations and achieve success. APS supports its employees during change and transition. A continuing priority is a strong organizational development strategy focused on developing and sustaining professional excellence for all our staff and building a culture that inspires employees to be their best every day.

CERTIFICATE OF RECOGNITION

In September 2010, APS was awarded the Certificate of Recognition (COR) from the Alberta Safety Council. The COR is awarded to companies that validate the effectiveness of their Occupational Health and Safety (OH&S) management system through an OH&S audit. We achieved this certification through systematic training, communication and hazard control methods. APS had a 99 per cent participation rate in the OH&S training.

The OH&S management system at APS makes the Corporation a healthier and safer place to work. An additional benefit to the Corporation was a reduction of Worker Compensation Board costs.



MAYORS AWARD

APS received a Mayor's Award in the employer category for its support of persons with disabilities. The Corporation was nominated by employee, Sylvia Boucher, who pointed to one of APS' corporate values, 'respect'. In her nomination form, Sylvia noted, "APS not only talks about respecting diversity, they live it." The award was accepted by CEO Monica Norminton at a ceremony in May on behalf of all APS employees.

EDUCATION

A commitment to training and learning opportunities readies APS employees for change. Employees benefited from numerous courses held throughout 2010 and exceeded the target of 60 training hours per employee by more than 10 hours. Learning and Development Advisors supported corporate change by developing training content and delivering educational programs for over 15 corporate projects. In addition, new and veteran staff received corporate training on pension services for 25 different topic areas.

In 2010, 208 staff participated in refresher sessions on APS key policies, such as our Code of Conduct. We also held workshops, where more than 230 staff discussed workplace scenarios and behaviours related to our Ethics Violation and Fraud Reporting Policy. APS employees also benefited from soft skills courses on topics related to team building, business writing, critical thinking, effective time management and de-escalation training.

Work began this year on developing business knowledge categories and content standards for online education. This was foundational work that will be incorporated into future projects.

CULTURE

It is our goal to achieve a culture in which APS employees are inspired to be their best every day. The three projects of Business Process Simplification, Pension Policy Simplification and Next Generation Application Implementation will drive our business in the coming years and dramatically change the way we work. As a result, our plans for continuing to make APS a great place to work will develop under our Organizational Development Strategy, which will launch in 2011.

EMPLOYEE ENGAGEMENT

Overall engagement was down from 49 per cent in 2009 to 37 per cent in 2010. While significant and demanding of our attention, we appreciate that APS is experiencing considerable organizational change, and many of the initiatives designed to address staff concerns that arose from prior year's surveys require time to implement and realize results.

The projects that will address employee feedback on work processes (Business Process Simplification, Pension Policy Simplification and the Next Generation Application project) were launched in the latter part of the year. Also, new compensation policies and improvements to APS Rewards and Recognition program will be implemented in 2011.

APS did launch its Kudos to the Brand Hero program in recognition of employees who live the brand on a day-to-day basis. APS employees will see more focus on our brand as we continue to evolve our work processes and performance measures.

Toward the end of the year, APS started holding monthly celebrations to recognize corporate successes throughout the year. We will continue to commemorate our achievements as a corporation, together.

WORKFORCE PLANNING

APS has undergone significant change in recent years as we continue to adapt to meet an ever-changing environment. In the fall, APS offered a Voluntary Retirement Incentive Program to employees who were 55 years of age or older in the 2010 calendar year, with five or more years of continuous service with APS. There were 15 employees who took advantage of the program.

We also announced the position of Vice President, Plan Board Secretariat. The focus of this position is plan board relations, the

leadership of the Plan Board Secretariat team, and to support changes that may impact both APS and plan governors under the new *Alberta Public Agencies Governance Act*.

Workforce diversity and mobility compel APS to continue its focus on staff engagement, education and training, knowledge transfer and technology investments that enable consistent and quality service delivery to diverse clients while managing workplace expectations. Work on the Strategic Workforce Planning framework will be rolled into an enhanced strategy on Organizational Development.

LOOKING AHEAD

2011 initiatives in support of a performance-oriented workforce include:

- ▶ Drafting an Organizational Development Strategy.
- ▶ Completing our annual internal review of Occupational Health and Safety system for ongoing improvement.





We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction. Bill Gates

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Bill Gates

BE ADAPTABLE AND RESPONSIVE TO OPPORTUNITIES AND RISKS

It's our job to ensure obligations for risk-managed, efficient and effective pension services are met. Our pension environment is constantly changing, including the technologies we use to deliver pension services. We must adapt and respond to opportunities and risks as they arise.

RECORDS MANAGEMENT

APS took a significant step in preserving records of our valued clients. Historically, information relating to pensioners was managed on microfiche. This microfiche represented the only accessible copy of these records and was at risk of loss due to disaster, technical obsolescence or natural deterioration. During 2010, APS digitized six million images and is currently in the process of uploading these into an electronic records management system. This work by APS employees will serve members and pensioners, and their beneficiaries for years to come through reliable and accessible records.

CORPORATE TAXONOMY

A factor in delivering quality and timely service is the efficiency of our records management processes. We need to retrieve client information quickly to deliver on our brand promise. Our goal is to design and implement a centralized approach to classifying and managing records. In 2010, the corporate taxonomy was validated. Implementation is complete for APS' Human Resources team, and implementation of corporate taxonomy throughout the remainder of the Corporation will occur in 2011.

ELECTRONIC RECORDS MANAGEMENT

To enhance records management within APS, it was our intention to implement an Electronic Records Management (ERM) solution. We have identified business requirements, and completed a peer review. This project will proceed in concert with the Next Generation Application Implementation.

DISASTER RECOVERY AND BUSINESS CONTINUITY

Business Continuity and Disaster Recovery preparedness is a corporate business requirement. There is no question that, to be viable, a business entity must be capable of effectively recovering from any unplanned event that negatively impacts critical business functions. For APS, it is good business practice and it is mandated by law.

In 2010, APS developed a Business Continuity Program and completed a readiness assessment exercise. We completed a business impact analysis for disaster recovery, including maximum tolerable outages, recovery time objectives, risk ratings and severity definitions.

Crisis Management team roles were created along with documented processes and procedures. APS identified Business Continuity Management Coordinators for each business area, an information technology (IT) Continuity Coordinator and documented operational processes and procedures. Document repository and emergency response kits were created along with a Crisis Communications Plan.

Our performance under the Disaster Recovery Plan was tested twice in 2010, with power outages resulting from third party activities. In one case, services to members were uninterrupted, and in the second case, services were restored in under four hours—both events speak to the capability of APS' Crisis Management and Technology Teams in preparing APS for such unforeseen circumstances.

PRIVACY AND RISK MANAGEMENT

APS is committed to protecting the privacy and confidentiality of the personal information of all pension plan members and pensioners. In 2010, a corporate privacy risk assessment was completed along with a review of our identity protection processes. The privacy risk assessment examines our internal processes involving the collection, access, use, disclosure and retention of personal information to ensure we have appropriate safeguards in place to protect against breaches to member and pensioner information.

APS has a robust Risk Management Program, which was first implemented in 2007. To evaluate and monitor APS' progress in using this program to manage its risks, we developed a measure, called Risk Management Maturity, as one of the Corporation's performance measures. This measure allows us to evaluate APS' risk

management activities such as governance, identification, assessment, response, and the monitoring and reporting of our risk management activities. Our target was 63 per cent. We exceeded our target at 68 per cent. In addition, APS prepared its second annual Risk Management Annual Report in 2010 that demonstrates our accountability for providing risk managed services to plan members, on behalf of the Trustee. Our report and maturity measure speak to the commitment and understanding that APS staff demonstrate in delivering valued pension services, and capably managing the risks of our environment.

TECHNOLOGY MATURITY

APS continued to advance our IT framework, based on the industry recognized Control Objectives for Information Technology (COBIT) standard. We implemented IT Service Management through adoption of Information Technology Infrastructure Library (ITIL) best practices supported by a common tool, formal processes and IT Service Management governance. We established an IT Service Management Governance Roles and Responsibilities Process and a Continual Service Improvement Model.

We adopted a new performance measure in 2010 called the Perfect Day, which measures the availability of core application systems by the number of working days the systems are available each month. We set a target of 85 per cent achieving 90 per cent. This measure speaks to our ability to deliver ongoing services as our information systems support so much of what we do.

EMPLOYER RESTRUCTURING – ALBERTA HEALTH SERVICES

In the latter part of 2010, the Government of Alberta approved a regulation to transfer employees from the Alberta Cancer Board, Alberta Alcohol and Drug Abuse Commission, Colon Cancer Clinic and Sexually Transmitted Infections Unit from the Government of Alberta to Alberta Health Services (AHS). The move impacts close to 2,700 employees, most of whom are both changing employers and moving from PSPP to LAPP.

APS' responsiveness to this significant change is detailed and thorough. As of the end of 2010, work was well underway to validate all files to ensure all member histories are accurate and whole, under AHS as the employer. Once validated, each member will receive a package which includes a cover letter outlining the contents of the package, a summary of the member's pension benefit prior to the regulation, the pension benefit after the migration and the pension benefit as at December 31, 2009. APS will complete the transfer of all member files in 2011.

LOOKING AHEAD

Projects lined up for 2011 to ensure we are adaptive and responsive to opportunities and risks include:

- ▶ External audit of privacy program
- ▶ Continue implementation of corporate taxonomy
- ▶ Complete AHS pension transfer



The one unchangeable certainty is that nothing is certain or unchangeable.

John F. Kennedy

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ALIGN WITH THE SHAREHOLDER

APS is responsive to changing client and Trustee expectations. We are aware of the financial environment the pension plans are facing and the need for reassurance that we deliver services that demonstrate value for money. We work within a managed annual budget.

COST MANAGEMENT

Total gross expenditures were budgeted at \$45.7 million and our actual 2010 gross expenditures were \$43.8 million. The difference is due to APS not fully achieving its desired headcount of 256, resulting in lower than planned operating costs. In 2010, our average number of full-time equivalent (FTE) positions was 231, an increase of 10 from the 2009 average of 221.

Capital spending was lower than budget by \$682,000, despite spending on several key areas: Technology Maturity, Disaster Recovery and Business Continuity and Privacy and Risk Management. Over the next several years, the Corporation will increase capital spending to focus on the Next Generation Application Implementation system. The implementation of this project will be the major capital cost going forward.

A key measure of our success is "cost per member". Our cost per member target of \$174 continues to be the median of our peer group; in 2010, we ably met this target with a year-end cost per member of \$167. Another key measure of success is our productivity measure. Our published business plan target was 1,056 plan members per FTE in 2010. Our actual productivity measure was 1,153 plan members per FTE, which means demands on employees increased. Despite this, APS remains within its target and will continue to recruit staff to ensure ongoing improvements to service delivery.



PENSION PLAN TRANSACTIONS

APS manages approximately \$3.7 billion in pension plan funds annually through receipts and disbursements to and from employers, members and other pension plans. APS is accountable for the management of these receipts and disbursements. In 2010, we began producing a “Statement of Pension Plan Transactions” to account for the flow of pension plan funds through receipts and disbursements of the plans. The statement is provided bi-annually to the Trustee and plan governors of the pension plans served by APS.

COST ALLOCATION REVIEW

During 2010, and at the request of the Trustee, APS conducted a formal review of the methodology of the allocation formula for the pension plans we serve. APS recommended the methodology be reviewed every five years rather than the current three-year review cycle. APS also recommended that it would review, on an annual basis the categories or tiers for costing activities and report any recommendations for changing the cost allocation categorization. Changes require Ministerial approval. In making its recommendations, APS would continue its practice of consulting with plan governors. The Trustee accepted these recommendations.

GOVERNANCE

Work continues on a Mandate and Roles document as required under the *Alberta Public Agencies Governance Act*. APS will work closely with Alberta Finance and Enterprise, as Trustee and shareholder, to complete this and related governance documents.

PLAN VALUATIONS

Plan governors rely on APS to provide timely and accurate information for plan valuations to assess the financial condition of the plans. APS is committed to improving its processes around pension plan valuations. The process was documented in 2010, and system updates have been defined. Data collation, migration processes, reports and test scripts are being developed and tested. The project will be completed in 2011, with the process improvements evident in the plan valuation information produced for 2011.

COMMUTED VALUE

APS responded to changes put forward by the Canadian Institute of Actuaries for calculating commuted value (CV). The first phase, which focused on changes to interest rate assumptions and the fact that people are living longer, was implemented in 2009. The next phase is scheduled for early 2011, with most of the work completed in 2010 to ready our systems for implementation. This work saw interest rate tables updated by moving from a two month lag on interest rates to one month, and updating the mortality tables to reflect generational mortality.

LOOKING AHEAD

In 2011, APS will:

- ▶ Continue work with the Shareholder on a Mandate and Roles document
- ▶ Implement phase two changes to commuted value

Additionally, in 2011, the first *Five-Year Strategic Plan* accepted by the Board for the 2008-2012 period draws to a close. Work is underway to present the next *Five-Year Strategic Plan* for Board review in 2011. This plan will set the course for APS for the years 2012-2016.



the change you wish to see in
Mohandas Gandhi You must be
the change you wish to see in the world.
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Mohandas Gandhi

CORPORATE GIVING

2010 marked our first full year with our new name and new location. In keeping with these changes, it seemed like the perfect time to re-evaluate APS' charity choice to one that is reflective of our evolution to a modern, vibrant corporation. Employees were asked for their ideas and APS chose to support the Stollery Children's Hospital Foundation.

APS employees are highly motivated and raised more than \$17,000 for the Stollery in 2010. Of that, \$9,750 came from 50 staff members who donated through the Corporation's payroll deduction program and made personal gifts.

Supporting a new charity allowed staff to be creative with their fundraising activities. Some of these activities included:

- ▶ Pumpkin-carving contest
- ▶ Jeans day called Casual for a Cause
- ▶ APS anniversary party
- ▶ Coffee and cookie day
- ▶ Pizza sale
- ▶ Cake walk silent auction
- ▶ Registration fees from a first aid certification
- ▶ Participation in the Mother's Day Walk and Run

In addition, APS donated food to the Youth Emergency Shelter and the Bissell Centre.

This is only some of the volunteer work involving APS employees. Every day, employees donate their time and energy to meaningful causes and we feature one of them monthly on our corporate website. Feature volunteers have supported:

- ▶ Alberta Winter Games
- ▶ Western Canada Summer Games
- ▶ KidSport
- ▶ Pet Therapy Society of Northern Alberta
- ▶ Youth Emergency Shelter Society
- ▶ International Association of Business Communicators
- ▶ Crohn's and Colitis Foundation of Canada
- ▶ Canadian Diabetes Association
- ▶ Canadian Breast Cancer Foundation
CIBC Run for the Cure
- ▶ Edmonton Humane Society
- ▶ Scouts Canada

Staff's willingness to donate time and money to charities to help improve the lives of others in our community is a reflection of the character and spirit alive within our organization. That spirit is carried into the work APS does every day.



COMPENSATION DISCUSSION AND ANALYSIS

OUR PEOPLE

APS recognizes that our employees contribute to our success. APS offers its employees the opportunity to participate in important and rewarding careers. APS has adopted a compensation philosophy, with four key principles that guide the compensation design and practices: internal consistency, market competitiveness, goal achievement and simplicity in design and understandability. We ensure there is internal job design and compensation consistency based on contributions to business objectives and that the job evaluation system is fair, rational and defensible. APS aligns its market strategy with both the private and public sectors, and we changed our market position, effective January 2011. The weighting will shift in 2011 to a 50 per cent weighting between public and private sectors from a 75 per cent to 25 per cent respectively in 2010. Goal achievement is our third key principle, and encourages an environment that strives for and achieves goals at the individual, team and corporate levels. We promote and reward desired behaviours and results by designing, implementing and communicating compensation policies and practices that are aligned, consistent and understandable.

HUMAN RESOURCES COMMITTEE

The Board of Directors has a Human Resources Committee (HRC) that assists the Board in ensuring human resources policies and practices support achievement of corporate objectives. The HRC performs its responsibilities to enable the Board to fulfill its oversight responsibilities.

The committee is composed of all 10 members of the Board, each of whom is independent of management. The committee meets a minimum of four times per year. It conducts in camera sessions at the beginning and end of each meeting without management present. The HRC retains external advisors to provide executive compensation advice and other expertise the Committee deems necessary.

Key Responsibilities of HRC:

- ▶ Overseeing the CEO's:
 - ▶ Identification and management of workforce risks
 - ▶ Recruitment, development and retention of the Corporation's workforce
- ▶ Appointment and evaluation of the performance of the Chief Executive Officer
- ▶ Succession planning related to the Chief Executive Officer and Vice President ("Executive") positions
- ▶ Compensation, incentive and benefits for the Chief Executive Officer
- ▶ Total compensation structure for the Vice Presidents

EXECUTIVE COMPENSATION

Part of the HRC's responsibility is to review annually the total compensation structure for the Executive Team comprising of the Chief Executive Officer and the Vice Presidents. The Committee also makes recommendations to the Board for the Chief Executive Officer's compensation. The HRC met five times during the 2010 fiscal year.

During the year the HRC worked with an independent compensation consultant to assist with assessing the compensation philosophy for the Corporation as well as the total compensation structure for the Chief Executive Officer and Vice Presidents.

Executives are eligible to receive a variable pay award based on the achievement of predetermined corporate and divisional measures. Payment for the achievement of corporate results is at the discretion of the Board of Directors.

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 two per cent 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). The 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.



SUMMARY COMPENSATION TABLE (audited)

The table below provides complete disclosure of salary, variable pay, pension value of defined benefits and all other compensation earned for the year ended December 31 by the Chief Executive Officer and the Vice Presidents.

Name & Principal Position (year end)	Year	Base Salary ⁽¹⁾	Variable Pay ⁽²⁾	Pension ⁽³⁾	Other Compensation ⁽⁴⁾	Total Compensation
(\$ thousands)						
MONICA NORMINTON President & Chief Executive Officer	2010	251	39	50	24	364
	2009	251	34	49	54	388
RYAN BARRACK Vice President Finance and Compliance	2010	176	20	34	23	253
	2009	176	18	33	20	247
LESLEY BOWERING ^(5,6) Vice President Policy and Research	2010	176	20	34	23	253
	2009	176	18	33	24	251
JOHN GUBBELS ⁽⁶⁾ Vice President External Relations	2010	162	-	31	59	252
	2009	-	-	-	-	-
BRIAN LUTERBACH Vice President Information Technology	2010	176	20	34	29	259
	2009	176	6	33	22	237
FAYE RAULT ⁽⁷⁾ Vice President Plan Operations	2010	176	6	34	11	227
	2009	53	-	10	8	71
JEFF UHLICH ⁽⁸⁾ Vice President Human Resources	2010	147	19	28	9	203
	2009	176	18	33	15	242
Vice President Pension Services ⁽⁷⁾	2010	-	-	-	-	-
	2009	22	-	4	194	220

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. The pension 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 and contributions or payments made on their behalf including health care, dental coverage, group life insurance, long-term disabilities, WCB premiums, professional memberships and tuition fees.
5. Effective January 1, 2010 a new position was created, Vice President, Policy and Research. Prior to this date, Lesley Bowering occupied the Vice President of External Relations position.
6. John Gubbels has occupied this position since February 1, 2010.
7. The Vice President, Pension Services position was terminated February 19, 2009. A new position was created, Vice President, Plan Operations. Faye Rault has occupied this position since September 14, 2009.
8. Jeff Uhlich left the Corporation October 31, 2010.

BOARD REMUNERATION (\$ thousands)

The Board Chair received remuneration of \$51 (2009: \$32). Seven Board members received remuneration totalling \$131 (2009: \$155). Three Board members, who are employed by the Government of Alberta, are not eligible for remuneration.

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



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- Kennedy The one unchangeable

Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2010 Annual Report are the responsibility of Alberta Pensions Services Corporation (APS) and have been approved by management and the APS Board of Directors (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 2010 Annual Report that relates to the operations and financial position of APS is consistent with that in the financial statements.

To discharge its responsibility for the integrity and objectivity of financial reporting, APS 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 (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, APS' external auditor, provides an independent audit opinion on the financial statements.

Original signed by
Monica Norminton, QC
BA, LLB, MBA, CA•IT
President and Chief Executive Officer

Original signed by
Ryan Barrack, B.Comm, CA
Vice President, Finance and Compliance

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Alberta Pensions Services Corporation

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Alberta Pensions Services Corporation, which comprise the balance sheet as at December 31, 2010, and the statements of income and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Pensions Services Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher, CA
Auditor General
April 13, 2011
Edmonton, Alberta

ALBERTA PENSIONS SERVICES CORPORATION BALANCE SHEET

As at December 31

(\$ thousands)

	2010	2009
	\$	\$
ASSETS		
Cash	210	51
Accounts receivable	179	2,530
Prepaid expenses	929	505
Due from pension plans (Note 8)	7,358	1,989
Computer systems and other assets (Note 4)	7,450	8,770
	16,126	13,845

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities

Accounts payable and accrued liabilities	3,831	1,803
Accrued salaries and benefits	3,035	1,288
Accrued vacation pay	204	191
Deferred lease inducement (Note 12)	1,606	1,793
Deferred capital contributions (Note 4)	7,450	8,770
	16,126	13,845

Shareholder's equity

Share capital (Note 5)	-	-
	16,126	13,845

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Original signed by

Al Mondor, FCA

Chair

Board of Directors

Original signed by

Douglas Hollands, BComm, CA

Chair

Audit Committee

ALBERTA PENSIONS SERVICES CORPORATION STATEMENTS OF INCOME

For the year ended December 31

(\$ thousands)

	BUDGET	ACTUAL	ACTUAL
	2010	2010	2009
	\$	\$	\$
OPERATING EXPENSES	(Note 14)		
Staff and related expenses	27,506	25,692	22,320
Contract services	7,132	7,297	4,236
Materials and supplies	4,703	5,090	3,638
Amortization	2,899	2,906	2,045
Data processing and maintenance	1,665	1,729	1,329
Total before Plan specific and Employer specific services	43,905	42,714	33,568
Plan specific (Note 6)	1,799	1,057	1,079
Employer specific services (Note 7)	13	15	22
Total operating expenses	45,717	43,786	34,669
Recovery of costs (Note 8)	45,717	43,786	34,669

The accompanying notes are an integral part of these financial statements.

ALBERTA PENSIONS SERVICES CORPORATION STATEMENTS OF CASHFLOW

For the year ended December 31

(\$ thousands)

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Items not affecting cash:		
Amortization	2,906	2,045
(Decrease) increase in deferred lease inducement (Note 12)	(187)	1,793
Decrease in deferred capital contributions	(2,906)	(2,045)
	(187)	1,793
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	2,351	(2,468)
(Increase) decrease in prepaid expenses	(424)	210
(Increase) decrease in due from pension plans	(5,369)	1,566
Increase (decrease) in accounts payable and accrued liabilities	2,028	(1,180)
Increase in accrued salaries and benefits	1,747	126
Increase (decrease) in accrued vacation pay	13	(48)
	346	(1,794)
	159	(1)
Investing activities		
Acquisition of computer systems and other assets	(1,586)	(7,346)
Financing activities		
Increase in deferred capital contributions	1,586	7,346
Increase (decrease) in cash for the year	159	(1)
Cash at beginning of year	51	52
Cash at end of year	210	51

The accompanying notes are an integral part of these financial statements.



ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS

1. AUTHORITY

Alberta Pensions Services Corporation (APS) 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 (the “Minister”) 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* is responsible for administering the following public sector 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)
- ▶ Supplementary Retirement Plan for Public Service Managers (MSRP)

The Minister of Finance and Enterprise, operating under the authority of the *Provincial Court Act* and *Court of Queen’s Bench Act* (Chapter 196, Regulation 2001) is responsible for administering the following public sector pension plans:

- ▶ Provincial Judges and Masters In Chambers (Registered) Pension Plan (PJMC(R)PP)
- ▶ 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 Pensions Services Agreement with the Minister through to December 31, 2011. These services include the collection and recording of contributions, calculating and paying benefits, communicating to plan members and employers, pension plan board support services and risk management services. The Corporation also provides specific services, on a cost recovery basis, for some employers (Note 7).

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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).

Computer Systems and Other Assets

Computer systems and other assets are recorded at cost. The threshold for capitalizing software 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 five years.

Amortization will commence the month immediately after the computer systems and other assets has been deemed substantially complete and ready for productive use.

Use of Estimates

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. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.



ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Changes in Accounting Policies

Recent Accounting Pronouncements

The Canadian Accounting Standards Board confirmed that the changeover date for adoption of International Financial Reporting Standards (IFRS) for publicly accountable services will be January 1, 2011. In October 2009, the Public Sector Accounting Board amended the requirements for government organizations to adopt IFRS and finalized those amendments in April 2010. The amendments require government organizations not classified as a Government Business Enterprise to adopt CICA Public Sector Accounting Standards. A Government Business Enterprise has self-sustaining commercial-type operations. The Corporation is not classified by the Government of Alberta's Treasury Board as a Government Business Enterprise and therefore is required to adopt CICA Public Sector Accounting Standards. The Corporation will adopt Public Sector Accounting Standards for its fiscal year commencing January 1, 2011 and has determined this transition will not have a significant impact on its financial statements.

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. COMPUTER SYSTEMS AND OTHER ASSETS

(\$ thousands)

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Leasehold improvements	7,529	3,205	4,324	5,539
Computer hardware	6,318	4,420	1,898	1,309
Furniture and equipment	1,357	607	750	980
Telephone system	386	91	295	200
Computer software	12,498	12,315	183	742
	28,088	20,638	7,450	8,770

Financing obtained from the public sector pension plans to acquire computer systems and other assets is recorded as deferred capital contributions. The recovery of costs is recognized on the same basis as the acquired computer systems and other assets are amortized.

5. SHARE CAPITAL

	2010	2009
	\$	\$
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share (Note 1)	1	1

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. PLAN SPECIFIC

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

(\$ thousands)

	2010			2009	
	Contract Services \$	Materials and Supplies \$	Board Remuneration \$	Total \$	Total \$
MEPP	151	107	21	279	382
SFPP	215	61	30	306	300
PSPP	300	111	-	411	290
MSRP	22	6	-	28	47
PJMC(R)PP	17	2	-	19	29
PSM(CM)PP	-	14	-	14	24
MLAPP	-	-	-	-	10
PJMC(U)PP	-	-	-	-	(3)
TOTAL	705	301	51	1,057	1,079

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

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. EMPLOYER SPECIFIC SERVICES

In 2008, the Minister of Finance and Enterprise 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:

	<i>(\$ thousands)</i>	
	2010	2009
	\$	\$
City of Calgary	7	9
City of Edmonton	3	6
EPCOR	3	2
Government of Alberta	2	2
Legislative Assembly	-	1
Calgary Health Region	-	1
Telus	-	1
Total	15	22

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. RECOVERY OF COSTS

The Corporation charges each public sector pension plan with its proportionate share of the Corporation's operating and plan specific costs based on the allocation formula approved by the Minister of Finance and Enterprise. The current allocation formula was effective January 1, 2010. At December 31, 2010, \$7,358 (2009 - \$1,989) is receivable from the plans. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

(\$ thousands)

	2010	2009
	Total	Total
	\$	\$
LAPP	27,861	21,776
PSPP	11,584	9,180
MEPP	1,770	1,526
SFPP	1,445	1,197
MSRP	525	414
PSM(CM)PP	331	294
PJMC(R)PP	95	114
PJMC(U)PP	80	72
MLAPP	50	62
	43,741	34,635
Interest and other miscellaneous cost recoveries	30	12
Employer specific services (Note 7)	15	22
	43,786	34,669

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

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. EMPLOYEE FUTURE BENEFITS

(\$ thousands)

The Corporation participates in three multi-employer, defined benefit public sector pension plans, the Public Service Pension Plan, the Management Employees Pension Plan and the Supplementary Retirement Plan for Public Service Managers. The Trustee of the plans is the Minister of Finance and Enterprise. Multi-employer plans are accounted for as defined contribution plans. Accordingly, the Corporation does not recognize its share of any plan surplus or deficit. The expense for these pension plans is equivalent to the annual contributions of \$2,207 for the year ended December 31, 2010 (2009: \$1,688). This amount is included in staff and related expenses.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. The latest valuation at December 31, 2009 indicated the Public Service Pension Plan had a deficiency of \$1,729,196 (2008 - \$1,187,538) and the Management Employees Pension Plan had a deficiency of \$483,199 (2008 - \$568,574). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$39,516 (2008 - \$7,111).

10. RELATED PARTY TRANSACTIONS

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

	(\$ thousands)	
	2010	2009
	\$	\$
Service Alberta - Data processing, postage and printing	1,101	855
Alberta Finance and Enterprise - Risk management and insurance	46	39
University of Alberta - Management training	22	81
Alberta Infrastructure - Parking rental	-	6
	1,169	981

The Corporation also provided services to the pension plans and pension plan boards and committees as disclosed in Notes 6 and 8. These transactions are in normal course of operations.

11. SALARIES AND BENEFITS DISCLOSURE

Details of Executive and Board member remuneration are presented in the Compensation Discussion and Analysis section of the Corporation's 2010 annual report.

ALBERTA PENSIONS SERVICES CORPORATION NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. COMMITMENTS

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

	<i>(\$ thousands)</i>
	Total Commitment
	\$
2011	1,729
2012	1,729
2013	1,729
2014	1,792
2015	1,916
Thereafter	7,026
	15,921

The Corporation 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. As part of the lease agreement, the Corporation received a lease inducement of \$1,868. The inducement is recognized as a reduction in lease expense over the ten-year term of the lease.

13. FINANCIAL INSTRUMENTS

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost effective manner. The Corporation's only source of liquidity is amounts charged to pension plans (Note 8).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

14. 2010 BUDGET

The Corporation's 2010 budget was approved by the Board of Directors on November 18, 2009.

15. APPROVAL OF FINANCIAL STATEMENTS

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

the change you wish to see in
Mohandas Gandhi You must be
the change you wish to see in the world
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to be the change you wish to see

Appendices

APPENDIX A

Board of Directors

BOARD MANDATE

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

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

On an annual basis, the Board reviews the Charter and approves changes as necessary. The Charter summary is included in Appendix 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 APS 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. Both meet as a Committee of the Whole on a quarterly basis in conjunction with the Board meetings.

The committees perform the following duties enabling the Board to fulfil 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. Recommend approval or other Board action for all financial statements and reports requiring approval of the Board (annual and quarterly reports)
4. Oversee the Corporation's Risk Management 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 APS' 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 total compensation structure
5. Oversee succession planning for the CEO and Executive positions
6. Monitor changes to the Corporation's management structure.

In 2010, the Board and the Committees each met quarterly; in camera sessions are included as a component of all meetings. The Board also held a strategy session to review strategic opportunities and initiatives. Orientation sessions were held in the year for the new directors.

Board attendance for the year was over 94 per cent.

GOVERNANCE PRACTICES

The Board has adopted a governance framework that defines accountability between the Board and management. To achieve greater efficiency across the Corporation, the Board delegates authority to the CEO, specifying clear expectations (Ends), corresponding responsibilities, and actions to be avoided (CEO Limitations) in achieving these Ends. In 2010, the Board reviewed and redrafted its Ends and CEO Limitations Policies.

The Board has policies to support its on-going commitment to governance practices, including:

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

APPENDIX B

Summary of the Charter of the Board of Directors

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

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

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

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

1. achieves appropriate results for appropriate persons at an appropriate cost as described in the Board's Ends Policies; and
2. avoids unacceptable actions and situations as described in the CEO Limitations Policies established by the Board.

The Board achieves its purpose through Ends and CEO Limitations Policies, as well as through the adoption of best practices appropriate to the governance and oversight of Alberta Pensions Services 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 ten Directors shall be appointed by the Shareholder.

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

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

Review Engagement Report

To the Shareholder of Alberta Pensions Services Corporation (APS)

I have reviewed the performance measures identified as “Reviewed by Auditor General” included in Appendix D of *Alberta Pensions Services Corporation's 2010 Annual Report*. These performance measures are the responsibility of APS and are prepared based on the following criteria:

- ▶ Reliability - Information agrees with the underlying data and with sources used to prepare it.
- ▶ Understandability and Comparability - Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- ▶ Completeness - performance measures and targets match those included in the 2010-2012 Alberta Pensions Services Corporation's Business Plan.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to my Office by APS. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the “Reviewed by Auditor General” performance measures in the Alberta Pensions Services Corporation's 2010 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

Original signed by Merwan N. Saher, CA
Auditor General

May 6, 2011

Edmonton, Alberta

APPENDIX D

Key Performance Measures

The Key Performance Measures in this appendix are the responsibility of management of Alberta Pensions Services Corporation (APS) and are prepared in accordance with the criteria of reliability, comparability and completeness in relation to the *APS 2010-12 Business Plan*. The performance results, of necessity include amounts that are based on estimates and judgements.

CLIENT SATISFACTION

Members (Reviewed by Auditor General)

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	84	81	n/a

METHODOLOGY

Members are defined as actively contributing members in all plans.

An external firm was engaged to develop and conduct the survey of members to provide confidence in both the methodology applied and the results generated. The survey was designed to evaluate performance specific to the most recent contact by the member and also captures information on overall perceptions of client service.

The survey is comprised of questions separated into service sections. Individual respondents are asked only the questions applicable to the services requested during interaction with APS. Sample size represents five per cent of the contacts recorded during the survey period.

For 2010, the surveys were conducted for the full year. The result reported is the mean score (multiplied by 10) from all respondents of their ratings of satisfaction on a 10 point scale in three service areas.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

As a result of adopting new methodology in 2010, comparable results from prior years are not available to facilitate assessment of progress on the measured dimensions.

CLIENT SATISFACTION (Continued)

Members in Transition

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	87	81	n/a

METHODOLOGY

Members in transition are defined as those members that have initiated the retirement process but have not been finalized as pensioners in the payroll system.

An external firm was engaged to develop and conduct the survey of members in transition to provide confidence in both the methodology applied and the results generated. The survey was designed to evaluate performance specific to the most recent contact by the member and also captures information on overall perceptions of client service. The survey is comprised of questions separated into service sections. Individual respondents are asked only the questions applicable to the services requested during interaction with APS. Sample size represents five per cent of the contacts recorded during the survey period.

For 2010, the surveys were conducted for the full year. The result reported is the mean score (multiplied by 10) from all respondents of their ratings of satisfaction on a 10 point scale in three service areas.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

As a result of adopting new methodology in 2010, comparable results from prior years are not available to facilitate assessment of progress on the measured dimensions

CLIENT SATISFACTION (Continued)

Pensioners

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	91	81	n/a

METHODOLOGY

Pensioners are defined as clients who have completed the retirement process and are receiving full pension payments.

An external firm was engaged to develop and conduct the survey of pensioners to provide confidence in both the methodology applied and the results generated.

The survey was designed to evaluate performance specific to the most recent contact by the pensioner and also captures information on overall perceptions of client service. The survey is comprised of questions separated into service sections. Individual respondents are asked only the questions applicable to the services requested during interaction with APS. Sample size represents five per cent of the contacts recorded during the survey period.

For 2010, the surveys were conducted in the last four months. The result reported is the mean score (multiplied by 10) from all respondents of their ratings of satisfaction on a 10 point scale in three service areas.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

As a result of adopting new methodology in 2010, comparable results from prior years are not able to facilitate assessment of progress on the measured dimensions.

EMPLOYER ENGAGEMENT

Employer Engagement

2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
78	78	n/a

METHODOLOGY

Employer Engagement is measured using an indexed score based on an employer satisfaction survey and an established employer compliance measure. For 2009 and prior years, only employer satisfaction was measured.

Employer Satisfaction Survey

The survey was designed to evaluate performance, specific to the services provided by APS. An external firm was engaged to develop and conduct the survey. The survey evaluates client service for APS and provides an overall client rating that is robust and comprehensive.

Employer Compliance Measure

The Employer Compliance Measure is designed to evaluate how well APS supports employers in adhering to their legislated responsibilities as related to pension administration. The measure is designed to evaluate the performance of employers in five areas of competence: participation, pensionable salary, pensionable service, contributions and reporting.

The Employer Compliance Measure was applied to 316 employers for the 2009 reporting year. As this was the first year that the measure was calculated, it represents as true a baseline measure for future analysis.

DESCRIPTION OF RESULTS

Target met.

ANALYSIS OF RESULTS

Employer Satisfaction Survey

Results achieved in this Satisfaction Survey are very comparable to results from prior years, indicating a very consistent level of support to employers.

Employer Compliance Measure

An advantage to incorporating the Employer Compliance Measure is the ability to target competencies requiring enhanced training or support, either at the employer level or at the industry level. An analysis of the results of the Employer Compliance Measure indicates that employers are generally strong when it comes to following plan rules.

SERVICE DELIVERY

Transaction Volume Score

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	121	123	126

METHODOLOGY

The concept of measuring transaction volume score is taken from the CEM Benchmarking (CEM) reporting which APS undertakes each year in order to benchmark its service performance with an industry peer group.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

Final score remains above the peer median, and lower than the 2009 result of 126. A higher than peer median score indicates that APS delivers more transactions per member at a higher cost than peers.

GOVERNANCE

Plan Complexity

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	44	50	52

METHODOLOGY

The concept of measuring plan complexity is taken from the CEM reporting which APS undertakes each year in order to benchmark its service performance with an industry peer group.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

Although the result appears to have significantly changed from the previous year, APS continues to be the most complex plan administrator within the APS peer group.

GOVERNANCE (Continued)

Corporate Obligations

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	All obligations met annually	All obligations met annually	All obligations met annually

METHODOLOGY

APS developed a process and review plan that includes:

1. Catalogue of documented requirements created from source governing documents.
2. CEO reviews requirements and assesses compliance.
3. CEO presents assessment to APS 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).
6. CEO reviews prior year catalogue; updates as required, and presents to Board of Directors for review and approval.
7. CEO actions plan and thereafter follows one to five above.

DESCRIPTION OF RESULTS

Target met.

ANALYSIS OF RESULTS

In March 2010, the CEO prepared a report for Alberta Finance and Enterprise regarding the 2009 corporate compliance. This report evaluates APS' performance relative to its obligations under the Memorandum of Understanding, Pension Services Agreement and Unanimous Shareholder Agreement with the Minister of Finance and Enterprise and an assessment of APS' obligations to the Minister as Shareholder as documented in APS' by-laws.

REASONABLE COST

APS cost per member

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	\$167	\$174	\$131

METHODOLOGY

The target is based upon the Quantitative Service Measure Survey (QSM) reporting which APS undertakes each year in order to benchmark its performance with an industry peer group for costs.

The calculation for APS cost per member is:

$$\frac{\text{Total QSM expenditures for APS}}{\text{Active members + pensioners at year-end}}$$

Total QSM expenditures for APS are defined as total operating costs per the financial statements plus capital additions less any non cash items (i.e. amortization and deferred lease inducement). Total QSM expenditures for APS will also adjust for major project costs. Major projects are amortized over a three-year period.

A "major project cost" is defined as significant project costs over \$2 million.

The concept of adjusting for the major project costs is to smooth out the cost impact of major investments.

DESCRIPTION OF RESULTS

Target met.

ANALYSIS OF RESULTS

The positive variance from target was due the following factors:

- ▶ A favourable variance in expenditures
- ▶ The number of active members and pensioners were lower than projected

REASONABLE COST (Continued)

Productivity

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	1,153	1,056	1,320

METHODOLOGY

The concept of measuring productivity using members per full-time equivalent employee (FTE) is taken from the CEM reporting which APS undertakes each year in order to benchmark its service performance with an industry peer group.

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

Active members and pensioners at year-end

Average FTEs

Average FTEs is calculated by taking the sum of all FTE's at the end of each month in each year and dividing the total by twelve.

FTEs are calculated as follows:

- ▶ Permanent full-time employees are counted as 1.0 FTE
- ▶ Permanent part-time employees are pro-rated based on hours worked per week
- ▶ Casual and temporary employees are pro-rated based on hours worked per month

DESCRIPTION OF RESULTS

Target met.

ANALYSIS OF RESULTS

The target for 2010 was met within an acceptable variance.

ENGAGEMENT

Employee Engagement (Reviewed by Auditor General)

2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
37%	55%	49%

METHODOLOGY

Queen's School of Business and Hewitt Associates define engagement as a "measurable state of emotional and intellectual involvement and commitment of the workforce to organizational success."

In 2006, APS began participating in the *Best Small and Medium Employers in Canada* survey conducted by the Queen's and Hewitt Associates.

Annually all employees receive an invitation to complete the online survey anonymously. The information is submitted and collected externally by electronic means and all responses are analyzed by Hewitt Associates. Hewitt Associates determine the engagement score based on their tested and validated global standards. The score is based on employee views and not the view of outside experts.

Employees register their level of agreement with the statements in the survey by rating each of them on a scale of one (Strongly Disagree) through six (Strongly Agree). The scores are aggregated for six key engagement questions:

1. I would, without hesitation, 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 scale of one to six for each individual. APS' 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

Target not met.

ENGAGEMENT (continued)

Employee Engagement

ANALYSIS OF RESULTS

93 per cent of our employees participated in the 2010 survey. The 37 per cent engagement score is a 12 per cent decline over the prior year. The most significant decline is seen in statements relating to the following categories:

- ▶ performance management
- ▶ rewards and recognition
- ▶ business processes

RISK MANAGEMENT MATURITY

Risk Management Maturity

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	68%	63%	n/a

METHODOLOGY

Risk Management Maturity is measured as the weighted average of APS' Risk Management Framework components, including governance, risk identification and assessment, response and control activities, risk issues monitoring and resolution, and measurement and reporting.

Each component of the framework is scored on a scale of five levels of maturity based on established criteria:

- ▶ Level 1 (ad hoc - little or no formal processes)
- ▶ Level 2 (repeatable - established practices and processes)
- ▶ Level 3 (defined - formally approved and regularly updated policies and practices)
- ▶ Level 4 (managed - formally approved and updated and regularly monitored policies and processes)
- ▶ Level 5 (optimized - with fully established and integrated policies and processes, subject to periodic external reviews and/or benchmarking)

The scores for each component are calculated to arrive at weighted percentage.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

This result reflects management's commitment to ensure APS is a risk managed organization through the establishment and implementation of a corporate Risk Management Program.

INFORMATION TECHNOLOGY

Perfect Day (Reviewed by Auditor General)

2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
90%	85%	86%

METHODOLOGY

The Perfect Day measure is the percentage of the number of days all core information systems are available in a year, compared to the number of working days in a year. The calculation of the Perfect Day is:

$$(\text{Total Perfect Days} / \text{Total Working Days}) \times 100$$

Total Perfect Days is defined as the number of days without an unscheduled service interruption to any of the core systems in a year. Results are based on monthly metric reports from APS' internal system Service Desk Express. Total Working Days is defined as the number of working days in a year.

DESCRIPTION OF RESULTS

Target exceeded.

ANALYSIS OF RESULTS

Positive variance is a direct result of process and technology changes made to the systems environment to improve systems availability.



INFORMATION TECHNOLOGY (Continued)

Business Continuity

	2010 ACTUAL	2010 TARGET	PREVIOUS YEAR ACTUAL
	80	67	67

METHODOLOGY

The Business Continuity Disaster Recovery (BCDR) score is a CEM benchmark measure based on:

- ▶ Back-up logistics including space and equipment
- ▶ Payroll (Internal and external)
- ▶ Data and money collections
- ▶ Call centre service expectations

DESCRIPTION OF RESULTS

Target met.

ANALYSIS OF RESULTS

The scoring calculation was clarified for APS by CEM in 2010.

The target aspired to, and the result achieved, have not changed; however the method of calculation has changed. Consequently the number calculated for both the target and result have changed.

BOARD OF DIRECTORS

NAME	NOMINEE	TERM OF SERVICE	BOARD POSITION
AL MONDOR	Independent	April 2009 - present	Chair
DOUG HOLLANDS	Independent	November 2006 – present	Vice Chair Audit Committee Chair
DENNIS GARTNER	Alberta Finance and Enterprise	June 2005 – present	
GRANT HOWELL	Local Authorities Pension Plan Board of Trustees	April 2008 – present	Human Resources Committee Chair
DARRELL JONES	Independent	January 2009 – present	
ROSEMARIE McCLEAN	Independent	January 2009 – present	Human Resources Committee Vice Chair
ROD McDERMAND	Management Employees Pension Board	January 2004 – present	
GARTH SHERWIN	Independent	January 2010 - present	
MILO STEELE	Public Service Pension Board	June 2007 – October 2010	
CHRIS ARCHIBALD	Public Service Pension Board	November 2010 – present	
DAVID WATSON	Special Forces Pension Board	January 2010 - present	

2010 CORPORATE DIRECTORY

MONICA NORMINTON, QC BA, LLB, MBA, CA-IT	President and Chief Executive Officer
RYAN BARRACK, B. Comm, CA	Vice President, Finance and Compliance
LESLEY BOWERING, CEBS, MBA	Vice President, Policy and Research
BRIAN LUTERBACH, BA, BSc	Vice President, Information Technology
JEFF UHLICH, BA, MSc, HRM	Vice President, Human Resources
FAYE RAULT, B. Comm, CMA	Vice President, Plan Operations
JOHN GUBBELS, BA MPA	Vice President, External Relations



alberta pensions services