

**PLAN AHEAD**



**ALBERTA PENSIONS SERVICES CORPORATION 2014 ANNUAL REPORT**

# PLANNING. WITH PURPOSE.

Alberta Pensions Services Corporation (APS) works to plan and guide the pension experience on behalf of Alberta's seven public sector pension plans and two supplementary retirement plans.

APS was incorporated in 1995 under the Alberta *Business Corporations Act*, with the Government of Alberta as the sole Shareholder. This past year, we put our experience and our expertise to work for more than 342,400 members and pensioners,

and 499 employers across Alberta. We pay pensions, accurately, on time and in compliance with provincial legislation. It's a responsibility we take seriously and one we are relentlessly committed to doing well.

## OUR MISSION

On behalf of the Trustee, obligations for risk managed, efficient and effective pensions services are met; and the needs of plan beneficiaries, employers and plan governors are met at a cost that demonstrates good stewardship of resources.

## OUR VISION

Alberta Pensions Services Corporation is highly valued and trusted to:

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

## OUR VALUES

Service  
Quality  
Accountability

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# THE PEOPLE WE PLAN FOR

APS is committed to helping Albertans who work hard every day plan for a retirement that rewards them for their hard work.

From police officers to nurses, school custodians to social workers, road maintenance crews to provincial court judges, and snow clearing crews to librarians, these are just some of the more than 342,400 Albertans who count on us to do pensions right. People who make our province a better, safer place to live, work and play. These are the people we serve today and the people we plan to serve tomorrow.

# MAKING PENSIONS PART OF THE PLAN

We know that people often don't think about pensions until retirement is on the horizon.

.....  
*We are pension experts, and the Next Generation Project will allow us to put our expertise to better use for clients.*  
.....

We'd like to change that. APS wants to help clients understand that pensions should be part of planning for the future, at every stage of life.

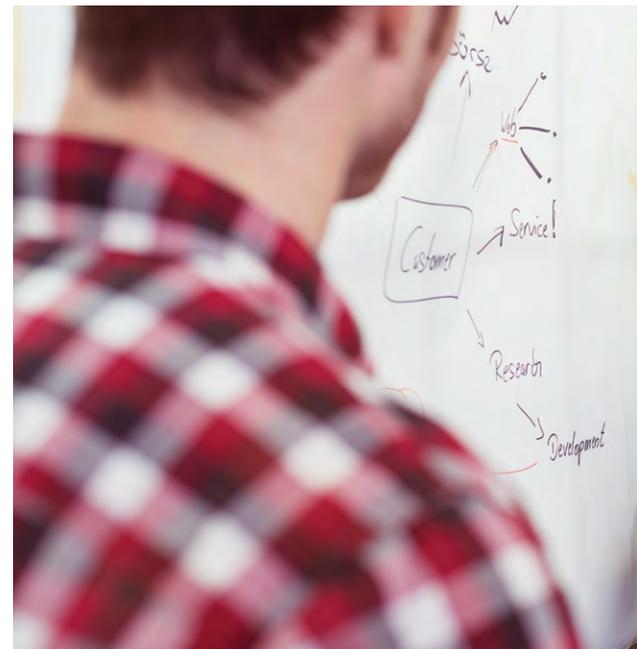
- People launching public service careers
- People starting or expanding their family
- People switching employers or changing careers
- People experiencing health issues or personal loss
- People embarking on retirement

Making pensions part of the planning process helps people get the most from their pensions, so they can get the most from retirement. That's why we work to offer the information, expertise, guidance and service clients need to plan ahead with confidence.

## OUR CLIENTS DRIVE EVERYTHING WE DO

Everything we do is done with the same goal – to deliver better service to our clients. Whether it's improving our efficiencies, streamlining our processes or investing in our people and technology, every action, every initiative and every project is intended to help us anticipate, meet and exceed the needs of our clients.

Our \$62 million multi-year, multi-system Next Generation business transformation project, which achieved phase one implementation in 2014, will do exactly that. Once complete, it will transform the way APS works, allowing us to work faster, smarter and more efficiently, while making sure we're ready to meet the ever-growing demand for our services. But its most important impact will be on how it improves what we can do for clients. It will automate many tasks, freeing our staff to spend more time working with clients – listening to their needs and helping them realize the retirement they've spent a lifetime planning towards. We are pension experts, and the Next Generation Project will allow us to put our expertise to better use for clients.



# PLANNING FOR A BETTER PENSION EXPERIENCE

APS offers pension administration services for seven public sector pension plans and two supplementary retirement plans, encompassing more than 342,400 members and pensioners, as well as 499 employers.

Our services for clients include:

- Benefit calculations and payments
- Information and education
- Employer remittances and reconciliations management
- Regulatory, financial and reporting compliance
- Policy consultation, support and development
- Accurate and reliable information to support plan governors' respective obligations and mandates
- Records management

We guide the pension experience for the following seven public sector pension plans and two supplementary retirement plans:

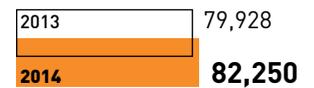
- Local Authorities Pension Plan (LAPP)
- Public Service Pension Plan (PSPP)
- Management Employees Pension Plan (MEPP)
- Special Forces Pension Plan (SFPP)
- Supplementary Retirement Plan for Public Service Managers (MSRP)
- Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP)
- Provincial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

## WHO WE SERVE

### LAPP



### PSPP



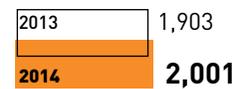
### MEPP



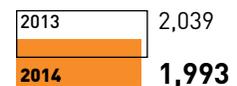
### SFPP



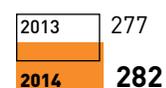
### MSRP



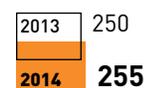
### PSM(CM)PP



### PJMC(R)PP



### PJMC(U)PP



### MLAPP



### TOTAL



A photograph of two men in business attire sitting at a table in a modern office. The man on the left is wearing a grey shirt and a blue patterned tie, smiling at the camera. The man on the right is wearing a teal shirt and a watch, looking at a laptop. The background is a bright, modern office with large windows and a wooden ceiling.

OUR CLIENTS DRIVE  
EVERYTHING WE DO.

# ENHANCING SERVICES AND EMBRACING CHANGE

On behalf of the Board of Directors, I am pleased to present the APS Annual Report for the year ended December 31, 2014.



## MESSAGE FROM THE BOARD CHAIR

I am proud of the commitment to excellence that our Board of Directors (Board) continues to make. The Board continues to develop best practices in corporate governance to ensure the Corporation is managed responsibly for the benefit of its members, the Trustee, our stakeholders and the public. In 2014, the Board established a Governance Committee to ensure the Board fulfils its legal, ethical and functional responsibilities through adequate governance policy development, recruitment strategies, director development and training programs and monitoring of Board activities. Board professional development included a policy governance workshop, fraud and risk education, and a presentation by the vice president of CEM Benchmarking Inc. on the pension industry standards of APS and our peers.

The Board held a retreat in June 2014 to develop APS' *Five-Year Strategic Plan: 2015-2019*, and to look beyond the five-year framework to envision the future of APS. We approved a strategy that involves demonstrating our value with a continued focus on our clients and enhancement of client services, while exercising prudent risk management.

This year, the Board scheduled an on-site visit at APS to see first-hand the scope of the Next Generation business transformation project and the benefits it will bring to our clients. The Board members remain actively involved in governance of this great initiative. The coming year will bring exciting changes in our journey toward our vision.

The Board thanks departing directors Scott Kashuba and Mike Mahar for their service and representation of the Management Employees Pension Board (MEPB) and the Local Authorities Pension Plan (LAPP) Board of Trustees, respectively. The Board welcomes two new directors – George Walker as the LAPP Board representative and Darlene Halwas as the MEPB representative, both appointed in January 2015.

On behalf of the Board, I wish to thank the management team and all APS employees for another great year, recognizing their efforts, and whose great work is a key contributor to our success in the delivery of great pension service.

With our strong framework for success, APS will embrace the challenges ahead in 2015, staying true to our mission, vision and values as we grow and change. We look forward to guiding APS in playing an exceptional role in your pension planning future.

Sincerely,

[Original signed by Al Mondor]

**Al Mondor, FCA, ICD.D**  
Chair

.....  
*We approved a strategy that involves demonstrating our value with a continued focus on our clients and enhancement of client services, while exercising prudent risk management.*  
.....

# DOING PENSIONS BETTER

It's my pleasure to present you with our 2014 annual report.



## MESSAGE FROM THE PRESIDENT AND CEO

.....  
*We never lose sight of how important pensions are to our members or that the reason we're here is to serve them.*  
.....

This past year saw APS embark on one of the most ambitious initiatives in our history – the implementation of the first phase of our multi-year, multi-system Next Generation business transformation project.

We knew at the outset that it would be a huge undertaking and that it would require immense effort and dedication from everyone at APS in order to succeed. We also knew that it was essential if we were going to be able to meet the changing needs of our clients and the increasing demand for pension administration services. Once complete, the Next Generation Project will transform everything about how we work, allowing us to do what we already do well, and do it faster and more efficiently for more clients than ever before.

Even with meticulous planning and preparation, there was no way to predict the challenges we would encounter during implementation. The way our people responded to those unknowns was awe-inspiring. When workloads increased or shifted, our staff rose to the challenge, willingly taking on extra duties and learning new tasks. It wasn't always easy, but, through it all, they made certain our clients came first. It was that dedication that allowed us to exceed all our 2014 service targets. And

at the end of the year, despite the hard work and long hours, our employee satisfaction rate was at a record high 73 per cent.

Even though change can be frightening, APS staff embraced it with an enthusiasm and fearlessness that inspired me to face my own fears. That's why, this past December, I led a team of APS staff to make a donation to Canadian Blood Services. Giving blood is something I have always been afraid to do, but I realized if I was asking employees to face their fear of change, I needed to do the same. For me, the experience proved that facing our fears helps us overcome them and everything is less frightening when we do it as a team. That's a lesson the Next Generation Project taught us, too.

We never lose sight of how important pensions are to our members or that the reason we're here is to serve them. As we look to 2015, our commitment to serving clients, and doing it well, will continue to guide everything we do. APS does pensions, and the Next Generation Project is helping us plan ahead to do pensions better.

Sincerely,

[Original signed by Karen Adams]

**Karen Adams**

President and Chief Executive Officer



# RESULTS

HIGHLIGHTS OF WHAT  
WAS ACCOMPLISHED  
IN 2014.

# WHAT PLANNING MADE POSSIBLE

Our commitment to service and our ongoing efforts to improve our processes and efficiencies resulted in several successes this past year. Here's a look at what planning and hard work made possible.

.....  
*We provided more than 34 educational webinars to more than 840 clients on topics such as retirement options and how to increase benefits.*  
.....

## BUSINESS TRANSFORMATION

- We completed the successful implementation of the first phase of our Next Generation business transformation project and paid more than 85,000 pensioners successfully, every month, for the last four months of 2014.

## CLIENT SATISFACTION

- Our client satisfaction rate remained at 86 per cent for the second year in a row – once again surpassing our goal of 82 per cent.
- Employer satisfaction increased to 85 per cent, up one percentage point from the previous year.
- Our employer engagement score rose to 89 per cent, up from 88 per cent in 2013. This reflects our strong relationship with employers and demonstrates the impact of improved information sharing processes.
- We provided more than 34 educational webinars to more than 840 clients on topics such as retirement options and how to increase benefits.
- We provided more than 2,379 member counselling sessions, including 1,453 in-house, one-on-one counselling sessions.
- More than 4,184 members attended education sessions, down 20 per cent from 2013. We attribute this drop to members having access to more information on our website and utilizing other communication channels such as webinars.
- Our employer compliance score increased by one per cent again this year to 92 per cent.

## EMPLOYEE SATISFACTION

- Our employee engagement climbed to 73 per cent, significantly exceeding our goal of 64 per cent.
- At just 2.62 per cent, our employee turnover rate is one of the lowest in Canada.

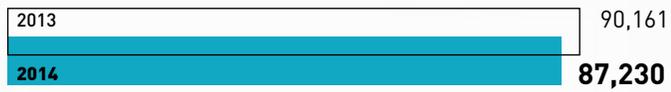
## IMPROVED PROCESSES AND EFFICIENCIES

- We introduced a new Fraud Risk Management Program and switched providers for our compliance hotline, which now also allows for anonymous online reporting and better tracks issues.
- We broadened our long-standing ethics policy, creating a new Whistleblower Policy that makes it easier for employees and the public to report on concerns related to APS, further enhancing our commitment to accountability.
- More proactive communication between APS and our members saw our incoming member calls drop by 3.3 per cent, going from 90,161 calls in 2013 to 87,230 in 2014.

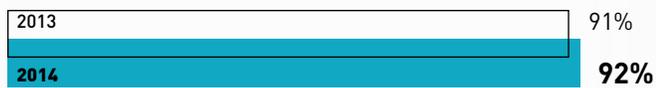
## INCREASED DEMAND

- We managed approximately \$5.6 billion in pension plan transactions, including \$3.5 billion in receipts and \$2.1 billion in disbursements – up from \$5.1 billion in transactions in 2013.
- We completed 134,860 pension administration transactions, up 2.4 per cent from the 131,660 transactions completed in 2013.

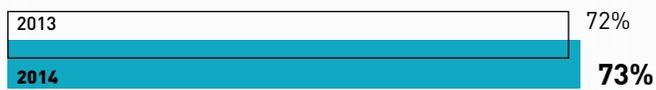
#### INCOMING MEMBER CALLS



#### EMPLOYER COMPLIANCE SCORE



#### EMPLOYEE ENGAGEMENT SCORE



#### CLIENT SATISFACTION SCORE





# REALITIES

WE'RE INFLUENCED  
BY OUR CONSTANTLY  
CHANGING WORLD.

# PLANNING IN THE MIDST OF CHANGE

The pension industry, like any other industry, is influenced by a variety of demographic, economic and societal factors.

## PENSION INDUSTRY OVERVIEW

As a pension administrator, two of the factors that have the most impact on our work are demographic trends and labour market dynamics. An aging population, where more people are moving toward retirement, and economic changes that increase or decrease labour mobility, all increase demand for our services. Here's a look at some of the factors that influenced our industry in 2014.

### WE'RE GETTING OLDER AND LIVING LONGER

Canada's population, like much of North America's, continues to get older. Statistics Canada notes that by 2031, when the last of the baby boomers reach age 65, seniors could account for between 23 and 25 per cent of the total population. Not only are we getting older, but we're also living longer than ever before. Rising living standards and advancements in healthcare have led to a steady increase in our life expectancy. Here in Canada, by 2036 the number of people aged 80 and older is expected to reach 3.3 million. At the same time, fertility rates are falling, resulting in a declining population growth rate.

So what does that mean for the pension industry? It means that just as the baby boomers are entering their retirement years, there are relatively few people to replace them in the workforce. Statistics Canada reports that the Canadian median age is 40.2 years, and Alberta's is 36 years. Although Alberta has a slightly younger demographic makeup than the Canadian average, the trend is similar in that a growing proportion of the population is entering its retirement years.

Alberta's aging population is even more pronounced in the public sector, where members of APS-administered plans are employed. An analysis of APS member demographics shows that at the end of 2014, over 20 per cent of our members are in the pre-retirement to early retirement years (i.e., 55 to 64 years of age), compared to 18 per cent in 2008. Figure One on page 13 shows a steady increase in the average age of APS members in the last five years. It's a trend that is expected to continue for at least the next 10 to 15 years, and our Next Generation business transformation project is helping us plan now for how we handle the increased demand for our services. We're already seeing an increase in the number of retirement transactions we process. Over the last three years, we've processed an average of 25,126 retirement transactions per year. The annual number of retirement transactions is expected to grow by 31 per cent by 2028, as shown in Figure Two on page 13.

.....  
*The annual number of retirement transactions is expected to grow by 31 per cent by 2028.*  
.....



.....  
*We anticipate the number of new retirees under our administered plans will grow by 31 per cent by 2028.*  
.....

## PLAN MATURITY AND SUSTAINABILITY

Our aging population has significant implications for APS-administered plans – both in terms of increased service demand and plan maturity. Plan maturity is a term that refers to the fact there will be more pensioners drawing benefits and fewer active members making contributions to the plan. We anticipate the number of new retirees under our administered plans will grow by 31 per cent by 2028 (see Figure Three). It's a situation that has compelled governments around the world to begin examining the sustainability of existing pension plans and begin exploring how to make sure pensions are able to fulfil their obligation to pensioners for many years to come.

In 2014, APS spent considerable time preparing for the proposed introduction of the *Public Sector Plans Amendment Act*, which was intended to address sustainability issues for Alberta's public sector pension plans. APS focused our efforts on informing our members and pensioners about the impact the legislation might have on them and on preparing our processes and systems to address any necessary changes. Although the proposed legislation was withdrawn in September 2014, the process of preparing for its introduction taught us much about the issues underlying pension sustainability and about how to guide and support our clients through any future changes.

## THE ECONOMY IS IN FLUX

The dramatic decline in oil prices that occurred throughout the latter half of 2014 is expected to have a profound impact on Alberta's economy and on Canada's national economic outlook. By the end of 2014, the price of oil had dropped to a five and a half year low, inching closer to \$50 a barrel. This sharp drop in oil prices will undoubtedly affect the provincial employment rate, which will have a corresponding impact on the pension industry. Employment rates influence both enrolment in and termination from plan memberships as members pursue other employment opportunities.

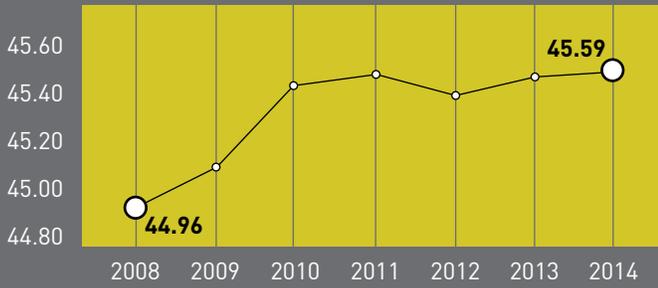
Figure Four on page 13 shows that the proportion of terminations in comparison to active members has been on the rise since 2012, following three years of continuing decline that bottomed out in 2011. This turnover in membership due to terminations leads to an increase in the service levels that APS must provide to the outgoing members. An average of 5.51 termination transactions per active member was processed in the last four years. In general, stable, long-term membership is more cost-effective and less labour intensive than transient or short-term membership.

## WE'RE DOING MORE ONLINE

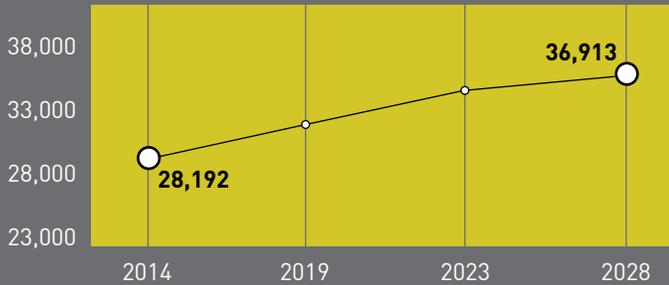
According to the Canadian Internet Registration Authority (CIRA), Canadians spend an average of 45 hours per month online, an amount that is almost double the global average. Not only does this make us sophisticated users, it also creates expectations around technology's availability and capability. Over the last several years, most major financial institutions have expanded their online capabilities to meet these demands. Other service providers, such as insurance companies and telecommunication corporations, are following that lead, offering alternative, online communications channels.

As technology-savvy baby boomers continue to move into retirement, their preferences will drive changes to how pension services are delivered. The response of APS' clients to [mypensionplan.ca](http://mypensionplan.ca) – our online business channel for members – demonstrates their interest in more online options. Figure Five on page 13 shows that as of December 31, 2014, 33 per cent of APS members have signed up for online services, a number that is expected to increase over the coming years.

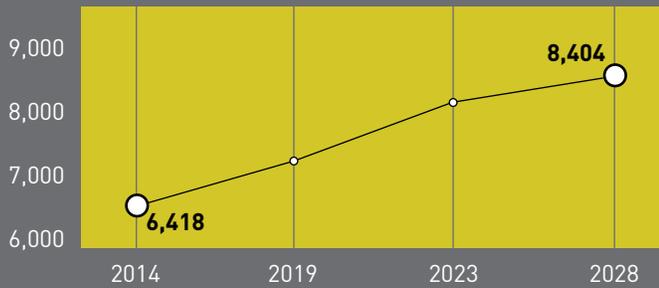
**FIGURE ONE: AVERAGE AGE OF MEMBERS**



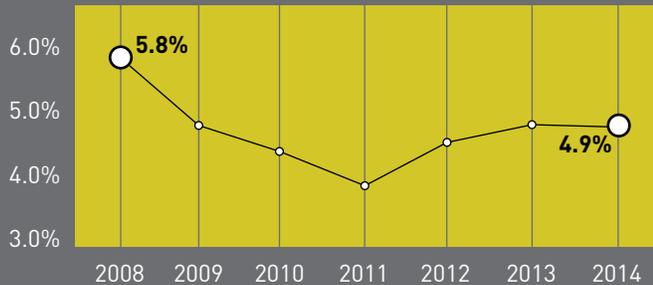
**FIGURE TWO: PROJECTED NUMBER OF RETIREMENT TRANSACTIONS**



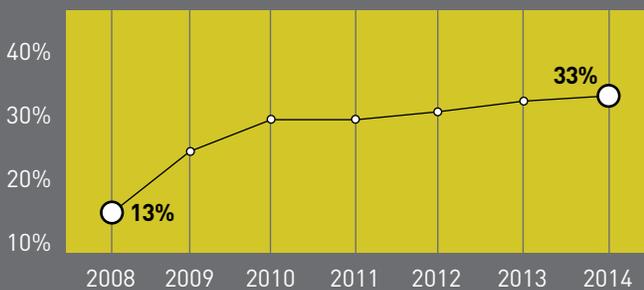
**FIGURE THREE: PROJECTED NUMBER OF NEW RETIREMENTS**



**FIGURE FOUR: TERMINATION AS A PER CENT OF ACTIVE MEMBERS**



**FIGURE FIVE: MEMBER ONLINE REGISTRATIONS (%)**



WE ANTICIPATE THE NUMBER OF NEW RETIREES UNDER OUR ADMINISTERED PLANS WILL GROW BY 31 PER CENT BY 2028.

An aerial photograph of a road intersection with white dashed and solid lines. A large, bright green circle is centered over the intersection. The word "STRATEGY" is written in white, bold, uppercase letters inside the circle.

# STRATEGY

OUR STRATEGIC PLANNING  
GUIDES OUR WORK AND  
HELPS US DO IT BETTER.

# THE IMPACT OF OUR STRATEGIC PLANNING

As a pension administrator, we understand the importance of planning ahead. We also know it's important to set ambitious, but achievable, goals for our organization so that we can measure our progress and identify areas for improvement.

## STRATEGIC DIRECTION

This past year marked the third year of our *Five-Year Strategic Plan: 2012–2016* and saw us realize several important milestones that are integral to our ongoing efforts to better serve clients.

Our strategic plan includes four strategic priorities that guide our work:

- Deliver value-added pension services
- Build APS' organizational capabilities in responding and adapting more effectively to ongoing changes
- Be adaptable and responsive to opportunities and risks
- Governance alignment

Our strategic plan is focused on helping us realize our vision of doing things right and improving the pension experience for members, pensioners and employers. It helps us streamline our business processes and increase our efficiencies so we can better meet the evolving needs and expectations of our clients. And it guides our ongoing investment in our people so they can expand their ability to assist clients and continue delivering the outstanding service we are relentlessly committed to providing.

	2013	TARGET 2014	2014
<b>STRATEGIC PRIORITY ONE: DELIVER VALUE-ADDED PENSION SERVICES</b>			
Client Satisfaction	86%	82%	<b>86%</b>
Employer Engagement	88%	79%	<b>89%</b>
<b>STRATEGIC PRIORITY TWO: BUILD APS' ORGANIZATIONAL CAPABILITIES IN RESPONDING AND ADAPTING MORE EFFECTIVELY TO ONGOING CHANGES</b>			
Employee Engagement	72%	64%	<b>73%</b>
Employee Development	97%	96%	<b>100%</b>
<b>STRATEGIC PRIORITY THREE: BE ADAPTABLE AND RESPONSIVE TO OPPORTUNITIES AND RISKS</b>			
Cost Per Member	\$148	\$168	<b>\$165</b>
Risk Management Maturity	73%	73%	<b>80%</b>
<b>STRATEGIC PRIORITY FOUR: GOVERNANCE ALIGNMENT</b>			
Corporate Obligations	MET	MET	<b>MET</b>

An aerial photograph of a two-lane asphalt road winding through a dense forest. The road has white lane markings and a central grassy median. The surrounding trees are mostly green, with some showing early autumn colors. A large orange graphic, consisting of a thick orange border forming a square with a smaller square inside, is centered over the road. The word "SERVICE" is written in white, bold, sans-serif capital letters across the top part of the orange graphic.

# SERVICE

WE'RE CONSTANTLY  
WORKING TO SURPASS  
SERVICE TARGETS AND  
EXCEED EXPECTATIONS.

## PRIORITY ONE

# DELIVER VALUE-ADDED PENSION SERVICES

Delivering outstanding client service has always driven everything we do.

Our strategic plan recognizes the importance of constantly looking to improve the way we do what we do, so that we can continue to provide the service clients expect and need. Throughout 2014, our work related to strategic priority one focused on how we can continue to improve the level and quality of the service we provide to all our clients.

### EXPANDING ONLINE CAPABILITIES

APS' [mypensionplan.ca](http://mypensionplan.ca) already offers our members the 24/7 convenience of being able to view and update their personal information, and use pension calculators to help plan their retirement.

Effective spring 2015, retired members will be able to continue enjoying the same convenience thanks to the introduction of a new pensioner online service. Once complete, people receiving APS-administered pensions will have the option of going online to see their pension payments and deductions, download their T4A slips and make changes to personal information.

APS' online services will continue to evolve to meet the changing needs of members and pensioners, helping to guide their pension experience from their first day of public service employment right through to the end of their retirement.

Our new employer portal will also meet our employers' need for greater control of their information, offering increased flexibility and choice of data submission formats.

The system will immediately flag entry errors or questions to the employer, providing the opportunity to address any issues. This opportunity for immediate corrections will help improve service turnaround times by eliminating the need for APS to review employer data and then call employers to address issues.

System training on the new portal is being provided later in the year in 2015.

.....  
*Effective spring 2015, retired members will be able to continue enjoying the same convenience thanks to the introduction of a new pensioner online service.*  
.....



THE NEXT GENERATION  
PROJECT IS HELPING PLAN  
FOR WHAT COMES NEXT.

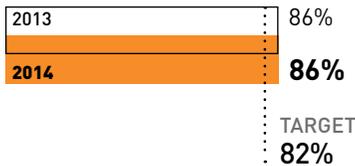


## SURPASSING SERVICE GOALS

As part of our strategic planning, each year we set ambitious, but achievable, targets for our member and employer services. It's one of the many ways we push ourselves to strive for excellence in delivering value-added pension services. In 2014, we exceeded all our service targets.

Not only did we surpass our employer engagement target of 79 per cent – achieving a score of 89 per cent – but we also exceeded our target for client satisfaction of 82 per cent, achieving a client satisfaction score of 86 per cent for the second year in a row. We credit this to our employees' professionalism and dedication to guiding clients through the pension experience. We continued to answer calls in less than a minute, on average, and to expand our information sessions, webinars and online service offerings. No matter how workloads or roles changed this past year, our people never lost sight of the fact that clients always come first.

### CLIENT SATISFACTION



### PENSIONER SATISFACTION



### MEMBER SATISFACTION



## PLANNING FOR INCREASED DEMAND

Our strategic planning includes several strategies to meet the growing demand for our services. This past year, we processed 134,860 pension administration transactions – up from 131,660 in 2013. At the same time, we saw a five per cent increase in the number of pensioners we serve, rising to 89,409 from 84,919. We expect this trend to continue over the next 10 to 15 years as more members transition into their retirement years.

The work that took place in 2014 will ensure we're ready to meet the increasing demand and continue to deliver value-added pension services. Upon its completion in 2016, the Next Generation Project will assist us in:

- Increasing automation and streamlining current manual processes, freeing staff to provide more personalized guidance and planning to clients.
- Providing more detailed communications, such as member statements, that contain information that will assist clients in taking a more active role in their retirement planning at every stage of their lives.
- Automating tasks, so that staff can concentrate on creating more value-added services such as webinars and individual counselling sessions.
- Giving staff more time to engage with members and educate them on how major life events and changing circumstances impact their pension plan and affect their retirement goals.

Our efforts and investment this past year will allow us to do more for our clients, so we can deliver the value-added services they need to achieve the retirement they've spent their careers working towards.

.....  
*At the same time, we saw a five per cent increase in the number of pensioners we serve, rising to 89,409 from 84,919.*  
 .....

# SERVING MEMBERS

Throughout 2014, our Member Services Centre handled a total of 87,230 incoming member calls and made 15,965 outgoing member calls to manage requests relating to terminations, retirements, enrolments, marriage payouts and reciprocal transfers. Our skilled, experienced pension experts receive ongoing training to ensure they have the advanced knowledge our members need, when our members need it.

A full breakdown of the member transactions we handled can be found on the chart to the right.

## TOTAL COUNSELLING SESSIONS



## TOTAL TRANSACTIONS



## TOTAL MEMBER INCOMING CALLS

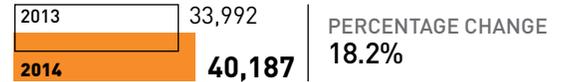


## TRANSACTIONS

### TERMINATIONS



### PURCHASE OF SERVICE



### RETIREMENTS



### ENROLMENT



### RE-ENROLMENT



### RECIPROCAL TRANSFERS



### MARRIAGE PAYOUT



### DEATH



### MARRIAGE BREAKDOWN



### DISABILITY



## TOTAL TRANSACTIONS

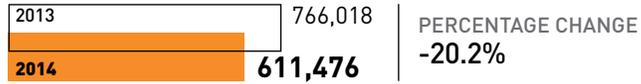


# SERVING EMPLOYERS

In an effort to better serve our 499 employers, in 2014 we introduced a new Client Services Coaching program that ensures employers receive the best possible service when they call into the service centre. We also offered 76 employer training sessions and 39 employer webinars on a variety of topics geared specifically to the needs of employers.

Our commitment to engaging with employers and proactively sharing important information helped us reduce our incoming employer call volume from 6,844 calls in 2013 to 6,495 calls in 2014. This improved communication with employers also led to an increase in our employer engagement score, seeing it rise to 89 per cent in 2014. At the same time, we saw a reduction in the need for outgoing calls to employers – dropping from 5,117 calls in 2013 to 3,513 calls in 2014 – which speaks to our success in helping employers understand what we need from them to do our work.

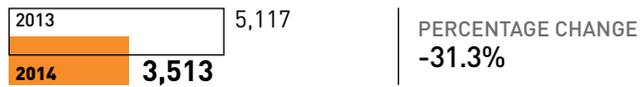
## EMPLOYER TRANSACTIONS



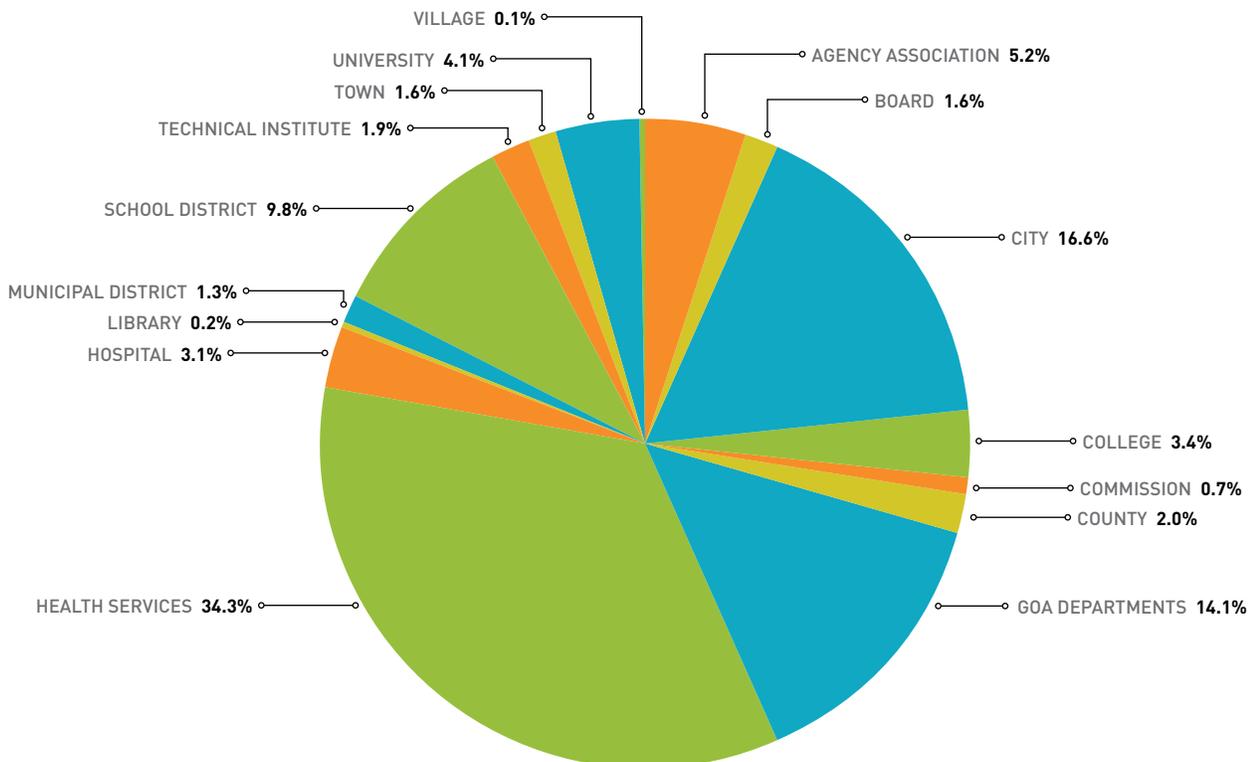
## EMPLOYER INCOMING CALL VOLUME



## EMPLOYER OUTGOING CALL VOLUME



## MEMBERS BY SECTOR



An aerial photograph of a forest with a dirt path winding through it. The trees on the left are green, while those on the right are brown, suggesting a fire or seasonal change. A large teal diamond graphic is overlaid on the image, containing the text.

# DEDICATION

OUR EMPLOYEES  
EMBRACED CHANGE  
TO BETTER SERVE  
OUR CLIENTS.

## PRIORITY TWO

# BUILD APS' ORGANIZATIONAL CAPABILITIES IN RESPONDING AND ADAPTING MORE EFFECTIVELY TO ONGOING CHANGES

The adage “change is the only constant,” has never been truer than it was this past year at APS.

The implementation of the first phase of our Next Generation Project touched every corner and every individual in the organization, and asked them to not only respond and adapt to change, but to embrace it. Throughout 2014, APS worked to build our organizational capabilities and support our staff as we transformed how we work and improved how we serve clients.

### MANAGING CHANGE

In 2013, we introduced a comprehensive change management process that set out to guide employees through the change process and demonstrate that change can offer opportunity. During 2014, our Change Management team continued to work on supporting employees through the implementation of the first phase of our business transformation project, offering training, resources and regular opportunities to interact and communicate with managers and colleagues. As part of this, the Change

Management team organized a managers' series to help support employees, and a change awareness series that focused on employee readiness and explained what was changing and why.

In addition to being offered focused training, people were encouraged to bring forward any questions or concerns, and managers had regular, one-on-one conversations with their people to help them transition to new roles and responsibilities. APS organized several fun activities, including a fear-factor challenge that asked people what they were most afraid of, to demonstrate the importance of facing and overcoming fears. APS also hosted demonstration sessions – organized like a science fair with different booths – so people could see and experience how processes and procedures were changing.

.....  
*Throughout 2014, APS worked to build our organizational capabilities and support our staff as we transformed how we work and improved how we serve clients.*  
.....



.....  
*Despite organization-wide changes and increased workloads, our employee engagement score rose to 73 per cent in 2014, up from 72 per cent in 2013 and 54 per cent in 2012.*  
.....

## INVESTING IN OUR PEOPLE

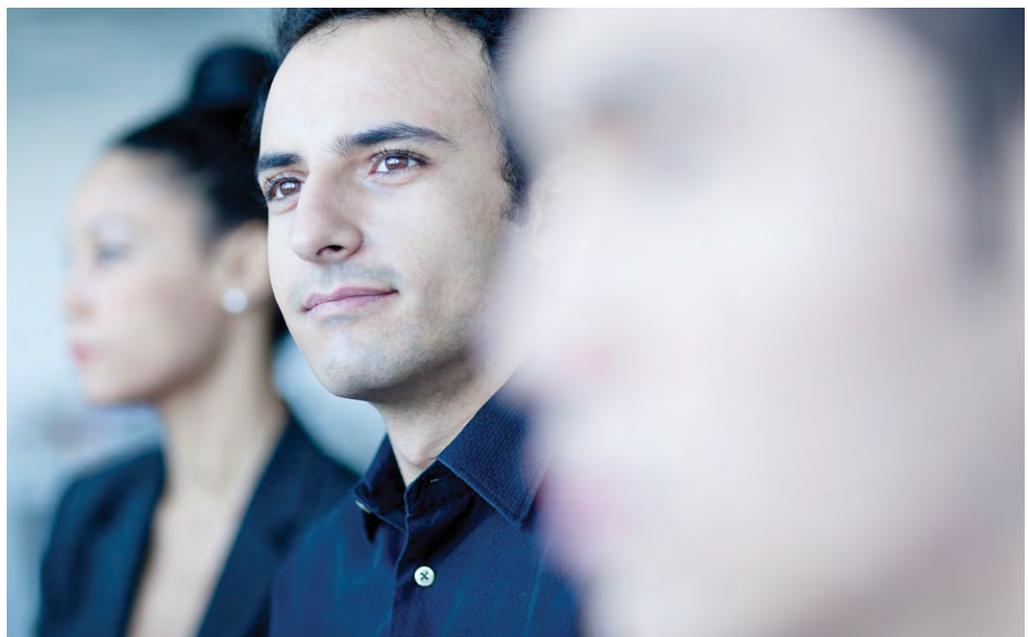
In 2014, we continued to invest in our employees' training and growth, offering a variety of learning and development opportunities that help them realize their professional and personal potential. We offered Pension Plan Administration Certificate (PPAC) sessions, developed by the Centre for Employee Benefits, for all our employees. Offered through three, one-week seminars, the sessions focus on helping employees develop the advanced pension knowledge and practical skills they need to deliver the best possible service to clients. We also conducted Values-Based Performance Management sessions that provided information about our new values-based performance management process, including values-based decision-making and how employees can take an active role in the process.

This past year, we launched a Leadership Training program for managers based on the leadership model developed by The Ken Blanchard Companies – one of the world's most respected management training and consulting firms. Blanchard's Situational Leadership model focuses on teaching leaders to identify the needs of their

people and then use the right leadership style to meet those needs. Employees also participated in employee workshops that centred on that model, which helped ensure employees and managers were using a common language and measuring performance in the same way.

Despite organization-wide changes and increased workloads, our employee engagement score rose to 73 per cent in 2014, up from 72 per cent in 2013 and 54 per cent in 2012. We attribute this to our ongoing employee engagement program – which includes quarterly company-wide information summits and weekly blog posts from our President and CEO – and to the fact that we are united by our commitment to delivering the best possible service to clients.

In an effort to meet the increased demand for our services, our staffing numbers increased from 255 in 2013 to 271 in 2014. Because we want our employees to plan their future with us, we invest in cultivating their talents and expanding their skills. In 2014, we promoted 28 existing staff members into new positions within the organization. Our turnover rate of just 2.62 per cent (including retirements), and the fact that we have 25 employees with 15 or more years of service, shows that our people are invested in us, too.



# OUR VALUES-BASED CULTURE IS AN INTEGRAL PART OF WHO WE ARE AND EVERYTHING WE DO.

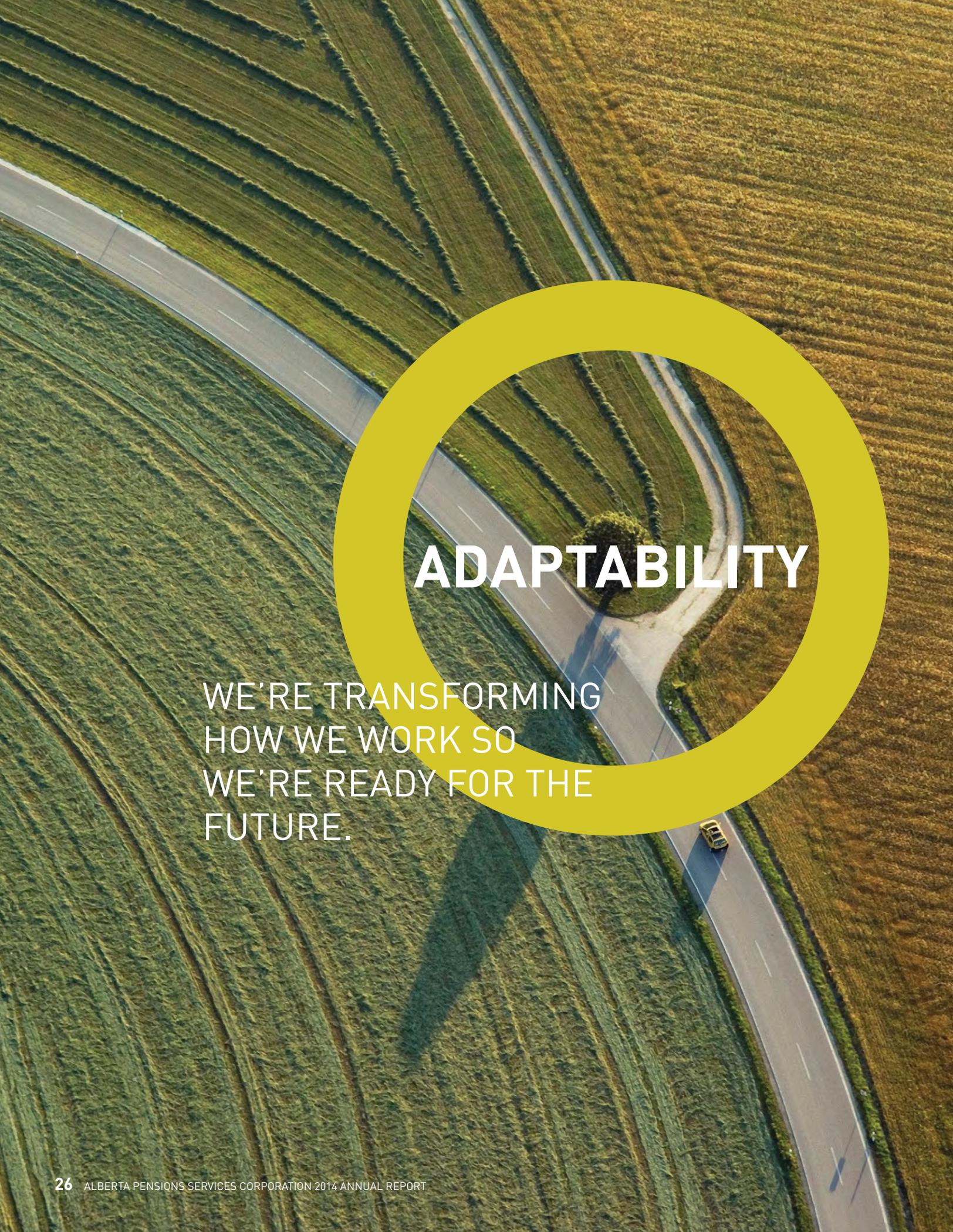
## DOING THE RIGHT THING

Everyone at APS lives our corporate values of service, quality and accountability in their day-to-day activities. We strive for ethical excellence and integrity, and to doing the right thing in everything we do. Our values-based culture is such an integral part of who we are and what we do, that we recently began incorporating values-based questions into our recruitment process.

Our VALUEables program was launched in 2013 to allow employees to recognize colleagues who personify our corporate values. In 2014, 1,207 VALUEables certificates were handed out to individuals or teams – with recipients being able to redeem certificates for prizes such as grocery gift cards and movie passes. Many of our VALUEables recipients then generously donated their prizes to the Edmonton Food Bank, our charity of choice.

Each year, APS also invites employees to nominate an employee and a leader who consistently demonstrate the APS Values. Our Senior Leadership Team selects three candidates for each category and employees are asked to vote based on a description of the person's actions without knowing whom they are voting for. The winners were recognized at our employee recognition luncheon.

As part of our commitment to working with integrity, in 2014 employees took part in a new fraud risk management online training program to help them better understand what fraud is and isn't, and to help them know what to watch for and when to share concerns. We also revamped our existing compliance hotline, adding an online reporting function that makes it easier for employees and the general public to anonymously report any concerns related to APS. This is an extension of our code of conduct and ethics training, which all APS employees take annually.



# ADAPTABILITY

WE'RE TRANSFORMING  
HOW WE WORK SO  
WE'RE READY FOR THE  
FUTURE.

## PRIORITY THREE

# BE ADAPTIVE AND RESPONSIVE TO OPPORTUNITIES AND RISKS

Our Next Generation business transformation project will play a critical role in helping us respond and adapt to emerging opportunities and risks.

It will help make us flexible and nimble, which makes it easier to respond to change – even the ones that are beyond our control.

### **SIMPLER. FASTER. BETTER.**

Streamlined, less complicated processes allow us to work faster and more efficiently, doing more in less time. Once complete, our corporate-wide, business transformation project will streamline processes, improve efficiencies, increase our speed and accuracy, and allow us to focus more energy on addressing the individual needs of clients.

It is also expected to automate dozens of manual calculations, reducing the risk of human error and improving consistency and accuracy. Reducing the risk of error also helps ensure we are in compliance with our pension legislative requirements and are adhering to provincial privacy legislation.

We've already seen how the Next Generation Project can help simplify our processes. To date, it has spurred 29 rule amendments to simplify administration and fill gaps and 23 improvements to transfer agreements.



.....  
*APS knows that pension plan sustainability remains an important issue for governments around the world.*  
.....

### PLANNING FOR SUSTAINABILITY

In early 2014, the Government of Alberta announced plans to introduce the *Public Sector Plans Amendment Act*, which sought to make several amendments to Alberta's public sector pension plans to ensure plan sustainability. In anticipation of this new legislation, APS began planning for how to accommodate these changes and shared information with employers and members on our website. Although the proposed legislation has since been withdrawn, APS knows that pension plan sustainability remains an important issue for governments around the world. The lessons we learned this past year, together with the expanded capabilities the Next Generation Project delivers, will ensure we're ready to guide clients through whatever the future holds.

### REDUCING OUR RISKS

Our Risk Management Program constantly assesses our processes and procedures to determine possible risks and then creates strategies and initiatives to mitigate those risks. The program looks at both internal and external factors and events that create risks for APS, and includes any required improvements in our governance and

control processes. The program, which is overseen by the Audit Committee of the Board of Directors, provides annual reports on our risk profile to the plan governors and our Shareholder.

As part of our risk mitigation efforts, in 2014 we completed work on our comprehensive Records Management Strategy Project. This project developed policies, standards and processes for how to better secure and manage sensitive client information, with the goal of reducing the risks associated with managing these important records.

This past year also saw the introduction of a new Fraud Risk Management Program that helps define what fraud means and provides guidance on our responsibilities and ethical obligations. In conjunction with this new program, we refined our existing compliance policy to better conform to provincial whistleblower legislation, broadening its' scope, defining wrongdoing, and ensuring the anonymity and protection of anyone who reports a concern. We also revamped our existing compliance hotline to include an online reporting function. Now anyone – employees or the general public – can report any concerns relating to APS by anonymously calling our hotline (1-844-282-9638) or logging on to [apsc.ethicspoint.ca](http://apsc.ethicspoint.ca). Both of these initiatives support APS' commitment to accountability, integrity and ethical behaviour.





WE'RE COMMITTED  
TO DEMONSTRATING  
ACCOUNTABILITY,  
INTEGRITY AND ETHICAL  
BEHAVIOUR IN EVERYTHING  
WE DO.

An aerial photograph of a rural landscape featuring various agricultural fields. A large green L-shaped graphic is overlaid on the image, framing the text. The fields are in different stages of growth, with some appearing as golden-brown stubble and others as vibrant green crops. A paved road winds through the fields, and several trees are scattered throughout the scene.

# DUTY

WE TAKE OUR  
OBLIGATIONS AND  
RESPONSIBILITIES  
TO CLIENTS AND  
SHAREHOLDERS  
SERIOUSLY.

# PRIORITY FOUR

## GOVERNANCE ALIGNMENT

In keeping with Alberta's *Business Corporations Act*, APS is accountable to our Shareholder, the Government of Alberta, and our Trustee, the President of Treasury Board and Minister of Finance.

We have a duty and an obligation to demonstrate timely, quality services, through risk-managed processes and compliance to all legislative requirements. It is an obligation and a responsibility we take seriously.

### COMPLIANCE AND ACCOUNTABILITY

Our compliance efforts are driven by our requirements to adhere to regulations and legislative requirements and by our commitment to our clients. Compliance offers clients the peace of mind that comes with knowing we are doing things right and offers our Shareholder evidence that we are meeting our obligations.

In 2013, the Government of Alberta established the *Alberta Public Agencies Governance Act*, which required all public agencies to have a Mandate and Roles Document. Our document, which is available on our website, spells out the roles and responsibilities of our Board and each of its members, as well as the Minister and the Department of Finance. It also outlines the various accountability documents we must provide each year, including:

- A multi-year strategic plan
- A three-year business plan with financial forecast
- An annual budget
- An annual report, with financial statements and management's discussion and analysis
- An auditor's report prepared by the Auditor General of Alberta

In June 2014, APS' Board held a retreat to develop our *Five-Year Strategic Plan: 2015–2019*, which sets the stage for the future of APS. The Board also completed a three-year

business plan that supports the strategic plan and sets out priorities for the next three years, beginning January 2015. The business plan focuses on leading APS through full implementation of our Next Generation business transformation project and on what this transformation will make possible. Both plans are available on our website.

In 2014, APS' Board of Directors created a Governance Committee that is focused specifically on making sure the Board fulfils its legal, ethical and functional responsibilities. We also worked to create a framework for ensuring compliance with our Mandate and Roles Document, completing our first corporate assessment and report to the Minister and beginning work on a calendar that will specify which business area is responsible for which compliance item.

### PROTECTING PRIVACY

Our long-standing Privacy Program works to make sure everyone at APS understands how to protect the privacy of our clients. All employees complete mandatory privacy education, which involves initial general awareness training delivered by the Privacy Manager and an annual internal e-learning course that addresses specific items or emerging issues. In 2014, our commitment to privacy and to reducing our corporate risk led to the creation of our comprehensive Records Management Strategy Project, which will help us better secure and manage sensitive client records. Our privacy efforts were also supported by the introduction of our new Fraud Risk Management Program, our updated Whistleblower Policy and our revamped compliance hotline, which now includes an online reporting function for employees and external stakeholders to report any misconduct they observe.

.....  
*Compliance offers clients the peace of mind that comes with knowing we are doing things right and offers our Shareholder evidence that we are meeting our obligations.*  
.....



# PLANNING

CHANGE IS CONSTANT.  
PLANNING FOR  
IT IS GOOD BUSINESS.

# PLAN AHEAD

APS is in the midst of transforming everything about the way we work, to ensure we're ready to meet the evolving expectations of our clients and the increasing demand for our services.

## FUTURE OUTLOOK

We are investing now in our processes and our people to ensure we can continue to deliver the service our clients deserve.

The first phase of the Next Generation Project, our corporate-wide business transformation project, was successfully implemented on September 8, 2014 and introduced an enhanced and interactive pensioner payroll system that will be integrated with our main pension administration system. The next two phases, which are scheduled for implementation throughout 2015, will address the needs of members and employers. Clients will have more options for how they engage with us, and a better understanding of how to get the most from their pension.

This business transformation will also create opportunities for employees to fully utilize their pension experience and expertise, and offer more personal guidance to members as they plan their pension future. Our continued investment in our employees' growth and

development gives them a reason to stay invested in us, so together we can continue delivering exceptional service to our clients.

In 2014, APS' Board and Senior Leadership Team finalized our *Five-Year Strategic Plan: 2015-2019*, which sets out our ambitious goals for the future. It speaks to our commitment to focusing on our clients, investing in talent, demonstrating our value, and engaging with and educating our clients about what their pension plans make possible. It will guide our work and our focus throughout the coming years, as will the feedback we receive from our clients, our stakeholders and our employees.

Although it's impossible to know exactly what the future holds, we know change will be part of the plan. We also know that the work that took place in 2014 and our ongoing investment in our people and our processes will help us be ready to adapt to those changes. No matter what the future holds, we'll never lose sight of what we do and why we do it. We pay pensions. And we're planning today to do it better tomorrow.

.....  
*The first phase of the Next Generation Project, our corporate-wide business transformation project, was successfully implemented on September 8, 2014.*  
.....





# GIVING

WE BELIEVE IN  
GIVING BACK TO  
THE COMMUNITY  
WE CALL HOME.

# PLANNING FOR A STRONGER COMMUNITY

Giving back to the community we call home has always been a priority for APS and this past year, we dedicated ourselves to several charitable groups and initiatives.

## EDMONTON FOOD BANK

In 2013, APS employees chose the Edmonton Food Bank to be our charity of choice. The Edmonton Food Bank serves more than 14,000 people each month through its hamper program and provides more than 350,000 monthly meals and snacks through its affiliated programs. Everyone at APS was moved by the incredible need in our community and by the fact that almost 40 per cent of the Edmonton Food Bank's clients are children under 18. Since 2008, food bank use across Alberta has increased more than 48 per cent.

That first year, staff organized a Christmas food and money drive that raised \$9,000 and over 6,600 food items. We increased our efforts in 2014, organizing a variety of events throughout the year. In March 2014,

staff donated the equivalent of an entire pallet of peanut butter that weighed 337 kilograms. A pallet of peanut butter, one of the Food Bank's most needed items, costs the Food Bank \$5,000 to purchase. Staff also participated in golf tournaments and cake walks, brought food items in exchange for the chance to shred personal papers, and made donations to dress casual during Rodeo Week. Many employees supported the Food Bank through monthly payroll deductions. In December 2014, the Hungry Hungry Holidays event saw teams competing to bring in the most food items, earning higher points for the Food Bank's most-needed items. The holiday event alone generated over 2,967 kilograms in food, bringing total donations for 2014 to 3,765 kilograms of food and \$12,305 in cash. The Edmonton Food Bank remains our charity of choice for 2015.



.....  
*Our staff was so enthusiastic, we actually had a waiting list of people who wanted to donate. Local Canadian Blood Services representatives told us it was the single largest corporate group donation they had ever seen!*  
.....

### CANADIAN BLOOD SERVICES

In late 2014, APS joined Canadian Blood Services' *Partners for Life* program, a partnership program that sees teams of donors from corporations, community groups or other organizations donate together. Led by our President and CEO Karen Adams, we made our first group donation on December 4, 2014 when 18 staff members travelled in two lifeblood buses to the Canadian Blood Services blood clinic. Our staff was so enthusiastic, we actually had a waiting list of people who wanted to donate. Local Canadian Blood Services representatives told us it was the single largest corporate group donation they had ever seen!

It takes approximately one hour to make a blood donation, and the blood that is collected on each visit is used within days to save untold lives. Looking ahead, we plan to continue making group donations each quarter and to encourage more staff to consider joining in this important community activity.

### LITTLE WARRIORS BE BRAVE RANCH

Little Warriors is a national organization committed to increasing awareness, prevention and treatment of child sexual abuse. In early 2014, Little Warriors sent out a call for volunteers to help get its 60,000-square-foot *Be Brave Ranch* treatment facility ready for its September opening. APS was quick to respond.

In April 2014, a team of 38 APS volunteers spent a Saturday working at the ranch just outside of Edmonton, helping organizers complete various construction and finishing tasks. In addition to lending more than 200 hours of volunteer time, APS donated several pieces of office equipment and staff contributed \$2,620 to purchase 13 computer tablets for the ranch. Several of

our vendors pitched in, donating snacks for our volunteers, lending us a truck and driver to transport the donated furniture, and even providing a full set of reclaimed kitchen cabinets that were installed at the ranch. A smaller group of APS volunteers went back to participate in three other work events in May and June, in order to ensure the ranch was ready to welcome kids.

### REDUCING OUR ENVIRONMENTAL FOOTPRINT

Our state-of-the-art building makes use of energy efficient geothermal technology to heat our building in the winter and cool it during the summer, without burning fossil fuels on-site. Using these interconnected Ground Sourced Heat Pumps, we are able to balance the heating and cooling load within the building during the spring and fall. All APS employees are given porcelain mugs when they join the organization to reduce the need for disposables, and we offer a Rainfresh drinking water system in five locations throughout the building so that staff can use refillable water bottles.

In April 2014, we introduced the ETS@Work Program to encourage our staff to use public transit for their daily commute. ETS@Work offers a savings of approximately 37 per cent off the cost of a regular adult monthly pass and, as of December 31, 2014, there were 14 APS staff members enrolled in the program. APS also encourages employees to carpool to work, a strategy that reduces fuel and emissions and lessens parking congestion at our office. There are five designated parking spots reserved until 9 a.m. each morning specifically for carpoolers.

In April 2014, we launched our first ever Green Challenge. Over a three-month period, the three floors of the APS offices competed against each other to use less paper. At the end of the three-month challenge, each floor had reduced its paper consumption and APS had saved 20 boxes of paper – the equivalent of 12.15 trees.



MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Profile and Strategy

Alberta Pensions Services Corporation (APS) provides pension administration services to 499 employers and more than 342,400 members and pensioners across Alberta. APS was incorporated in 1995 under the Alberta *Business Corporations Act* with the Government of Alberta as the sole Shareholder. We provide a full range of pension services, including benefit calculations and payments, employer remittances and reconciliations, management and policy consultation, support and development to seven public sector pension plans and two supplementary retirement plans. We also provide information and education that help guide the pension experience for our clients.

Our mission is to provide risk-managed, efficient, effective pension services while meeting the needs of plan beneficiaries, employers and plan governors in a way that demonstrates good stewardship of resources. This mission is supported by the four strategic priorities that were established in our *Five-Year Strategic Plan: 2012–2016*:

- Deliver value-added pension services
- Build APS' organizational capabilities in responding and adapting more effectively to ongoing changes
- Be adaptable and responsive to opportunities and risks
- Governance alignment

The following pages contain information on governance, management's discussion of financial results and an overview of our risk management activities throughout 2014.

## Corporate Governance

Alberta Pensions Services Corporation is governed by a Board of Directors that operates in accordance with a charter that outlines its governing policies and operating practices (see Appendix B on page 60). The Board has adopted a governance framework that defines accountability between the Board and management, and operates four committees that support it in fulfilling its oversight responsibilities:

- Audit Committee – oversees the President and CEO's compliance with Board policies; monitors execution of the business plan; and oversees the Risk Management Program and the Internal Audit function
- Human Resources Committee – oversees plans for managing workforce risks, compensation and benefits; reviews President and CEO's performance and compensation; and monitors management of employment conditions
- Next Generation Board Project Governance Committee – oversees governance of the Next Generation Project; communicates project status to stakeholders; and manages the independent project risk assessment
- Governance Committee – new committee launched in 2014, oversees governance policy development; develops and updates plan for Board compensation, recruitment, education and development

Day-to-day management of APS is delegated to the President and CEO, whose performance is reviewed annually by the Board.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Plan Boards

The Plan Board Secretariat (PBS) provides the Public Service Pension Plan (PSPP) Board, the Management Employees Pension Plan (MEPP) Board, the Special Forces Pension Plan (SFPP) Board and the committees of the other APS-administered pension plans with the support and advisory services necessary to ensure their responsibilities are met. PBS liaises with the Ministry of Treasury Board and Finance, Alberta Investment Management Corporation, legal counsel, actuaries and other external vendors serving the plans. PBS also documents board policies and ensures board decisions are consistent with those policies.

## Management's Discussion and Analysis (MD&A) Overview

This MD&A section reports on the financial condition and results of APS for the year ended December 31, 2014. The MD&A presents APS as viewed through the eyes of management by interpreting material trends and uncertainties affecting the results and financial condition of the Corporation. As APS is a service organization operating on a cost-recovery basis, the focus is on effective and efficient management of resources rather than income producing activities. We endeavour to be vigilant in setting measurable results to ensure we remain accountable to our Shareholder and our clients.

The MD&A contains forward-looking statements about expected future events and financial operations. By their nature, forward-looking statements are subject to inherent risks and uncertainties, and require assumptions, which may not prove to be accurate. The MD&A should be read in conjunction with the financial statements and accompanying notes. The accounting standards used in the preparation of our statements are the Canadian Public Sector Accounting Standards (PSAS). All amounts are in Canadian dollars.

Our per member pension costs reflect our commitment to providing excellent service at a reasonable cost. The increase in our cost per member from \$148 in 2013 to \$165 in 2014 as measured by the CEM Benchmarking Inc. methodology reflects our investment in resources that will allow us to meet the future needs of our members.

## Summary of Business Plan Results

During 2014, APS processed and was accountable for over \$5.6 billion in pension plan funds for the nine plans that APS administers. This represents an additional \$500 million over 2013 and includes receipts and disbursements to and from employers, members, pensioners and other pension plans.

Three Year Total Receipts (\$billions)		Three Year Total Disbursements (\$billions)	
2012	\$2.9	2012	\$1.8
2013	\$3.1	2013	\$2.0
<b>2014</b>	<b>\$3.5</b>	<b>2014</b>	<b>\$2.1</b>

Although operating costs increased by \$5.9 million over 2013, operating efficiencies resulted in a savings of \$4.0 million compared to the planned budget. This reflects our ongoing commitment to improve efficiencies and demonstrate a good use of resources.

Total Operating Expenses Three Year Actuals and 2014 Budget (\$millions)	
2012	\$43.1
2013	\$43.2
<b>2014</b>	<b>\$49.1</b> (2014 Budget - \$53.1)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Staff and Related Expenses

APS invests in talent to support the changing needs of our growing client population. In 2014, APS invested an additional \$1.7 million from 2013 in staff and related expenses to support current service levels and allow for the continued development and implementation of the Next Generation Project. The actual staffing level required to support our operations during the implementation of the Next Generation Project was less than expected and final costs were \$2.5 million lower than budgeted.

### Staff and Related Expenses

Three Year Actuals and 2014 Budget (\$millions)

2012	\$26.4
2013	\$29.2
2014	<b>\$30.9</b> (2014 Budget - \$33.4)

## Contract Services

APS engages external resources and support as needed to further our business goals and objectives. During 2014, this included a \$2.8 million increase over 2013, primarily due to the need for additional contractor expertise to support the development and implementation of the Next Generation Project.

### Contract Services

Three Year Actuals and 2014 Budget (\$millions)

2012	\$5.8
2013	\$3.7
2014	<b>\$6.5</b> (2014 Budget - \$6.9)

## Materials and Supplies

Materials and supplies include overhead-related expenses such as rent, utilities, building maintenance, mailing and printing costs. Pension plan sustainability-related mail outs and various Next Generation Project communications were not required to the extent anticipated, resulting in lower costs than planned.

### Materials and Supplies

Three Year Actuals and 2014 Budget (\$millions)

2012	\$4.7
2013	\$4.7
2014	<b>\$5.0</b> (2014 Budget - \$5.8)

# ALBERTA PENSIONS SERVICES CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

## Amortization

Amortization represents the portion of capital expenditures that were expensed during the year. Capital expenditures are amortized on a straight-line basis over the estimated useful life of each type of asset. Our 2014 amortization was lower than budgeted by \$0.4 million, primarily due to the deferral of the first phase of the Next Generation Project implementation to September 2014.

### Amortization

Three Year Actuals and 2014 budget (\$millions)



## Data Processing and Maintenance

Data processing and maintenance includes hardware and software maintenance and pension payment processing fees. The \$1.0 million increase in 2014 was primarily due to the transitory period to support the new pension administration system and legacy applications.

### Data Processing and Maintenance

Three Year Actuals and 2014 Budget (\$millions)



## Future Outlook

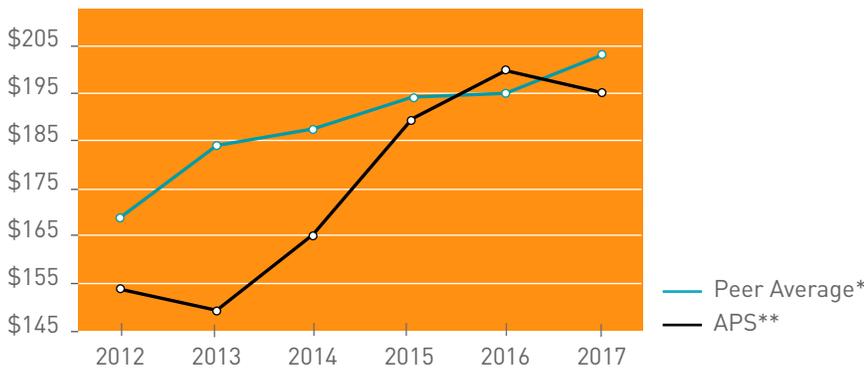
APS plans to invest over \$20 million in the Next Generation Project in 2015 and 2016 to complete the remaining phases of a comprehensive and accurate system that unifies pension information. This will ensure we continue to deliver exceptional service and meet the needs and expectations of our stakeholders.

Although APS is a cost-recovery organization, we are influenced by a variety of economic, social and demographic factors. While we remain committed to the successful implementation of the Next Generation Project, we have reduced our original planned expenditures for 2015 in response to the changing economic environment due to rapidly falling oil prices. We will continue to look for efficiencies that maximize available resources and reduce expenses.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

APS' cost per member has been consistently below the peer average based on the CEM Benchmarking Inc. survey, demonstrating our efficiencies and allowing us to be a low-cost service provider. We expect this cost to increase in future years as a result of increased amortization expenses related to the Next Generation Project, and we will continue to optimize our business processes for maximum efficiency.

**Cost Per Member** (as measured by CEM Benchmarking Inc.)



\*2014-2017 peer average projection based on forecasted Alberta Consumer Price Index of 1.8%.

\*\*2012-2014 figures based on actuals, and 2015-2017 figures based on budget approved by APS Board.

## Risk Management

APS' Risk Management Program was established in November 2007 and is operated in accordance with a formal charter that is approved annually by the Board and the President and CEO. Our enterprise-wide Risk Management Program identifies and assesses corporate risks and develops and implements action plans to mitigate and manage those risks. Risks outside of APS' tolerance are included in the business planning process to ensure we allocate appropriate resources to these risks. We recognize that if not mitigated, these risks can have significant impact on APS and our stakeholders.

Throughout 2014, we continued to manage our risks via mid-year and annual risk assessments, with periodic reviews and quarterly reporting to the Board. We also continued to act on the recommendations made by an external consultant hired in 2013 to perform an independent review of our Risk Management Program. In 2014, this included:

- Refining our risk management process to develop key risk indicators and metrics, and continue strengthening the linkage to strategic planning.
- Refinement of our risk identification process and, as a result, our risk definitions were revised with a focus on risk events, root causes and consequences to APS if the risk was not managed to a tolerable level.
- Making significant improvements in mitigating a high priority risk relating to records and information governance through actions taken by management.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Over the past year, management also implemented key mitigations related to the Next Generation Project risk levels. The Next Generation Project will continue to be a priority focus throughout 2015 and 2016. Although the project bears high risk for APS, we have been managing these risks via strong governance, close monitoring, and a detailed change management strategy and implementation plan to ensure our people are ready for the new systems and processes.

In addition to managing key risks, in 2014 we introduced a Fraud Risk Management Program that helps define what fraud means and provides guidance on our responsibilities and ethical obligations. We also refined our existing compliance policy to align with provincial Whistleblower legislation and revamped our existing compliance hotline to include an online reporting function. These initiatives support our commitment to working with integrity and to demonstrating accountability and ethical behaviour.

APS' Risk Management Program achieved a maturity rating of 80 per cent by the end of 2014, exceeding our target of 73 per cent (see Appendix D - Key Performance Measures: Risk Management Maturity). We provide annual risk management reports on our risk profile to our Board and Audit Committee, as well as to the plan governors and our Shareholder.

### **Business Continuity and Disaster Recovery**

APS remained committed to the continuous improvement of its Business Continuity, Disaster Recovery and Crisis Management strategies throughout 2014. The annual business continuity exercises were performed successfully with all business areas. In addition, a successful disaster recovery exercise was performed for all critical business applications, including an exercise tied specifically to the Next Generation Project. This exercise was completed prior to the September 2014 phase one implementation. All plans were reviewed and updated with a focus on effective and timely response to incidents. A consistent approach to training, document management and exercise methodologies was also reinforced throughout the year.



FINANCIAL  
STATEMENTS



# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2014 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 Public Sector Accounting Standards and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2014 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 fulfils 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, the Management's Discussion and Analysis, and the Compensation Discussion and Analysis in the Annual Report, and, once satisfied, recommends them to the Board for approval. The Committee also meets with management and the external auditor 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 Karen Adams]

**KAREN ADAMS**  
President and Chief Executive Officer

[Original signed by Doug Woloshyn]

**DOUG WOLOSHYN, CA**  
Chief Financial Officer

# 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 statement of financial position as at December 31, 2014, and the statements of operations and cash flows 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 public sector accounting standards, 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, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

**AUDITOR GENERAL**

April 22, 2015

Edmonton, Alberta

ALBERTA PENSIONS SERVICES CORPORATION  
**STATEMENT OF OPERATIONS**  
 Year ended December 31

<i>(in thousands)</i>	2014		2013
	Budget	Actual	Actual
<b>EXPENSES</b>			
Staff and related expenses	\$ 33,427	\$ 30,944	\$ 29,244
Contract services	6,878	6,546	3,732
Materials and supplies	5,762	4,993	4,694
Amortization	2,465	2,085	2,179
Data processing and maintenance	2,501	2,845	1,796
<b>Total before plan specific and employer specific services</b>	<b>51,033</b>	<b>47,413</b>	<b>41,645</b>
Plan specific services (Note 6)	1,968	1,563	1,449
Employer specific services (Note 7)	99	92	99
<b>Total operating expenses</b>	<b>53,100</b>	<b>49,068</b>	<b>43,193</b>
<b>Recovery of costs (Note 8)</b>	<b>\$ 53,100</b>	<b>\$ 49,068</b>	<b>\$ 43,193</b>

**Contractual obligations (Note 12)**

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

Approved by the Board:

[Original signed by Al Mondor]

**AL MONDOR, FCA**  
 Chair  
 Board of Directors

[Original signed by Garth Sherwin]

**GARTH SHERWIN, FCA**  
 Chair  
 Audit Committee

**STATEMENT OF FINANCIAL POSITION**

As at December 31

<i>(in thousands)</i>	2014	2013
<b>ASSETS</b>		
Cash	\$ 273	\$ 234
Accounts receivable	51	51
Prepaid expenses	865	878
Due from pension plans (Note 8)	5,321	3,967
Tangible capital assets (Note 4)	35,866	23,236
	<b>\$ 42,376</b>	<b>\$ 28,366</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 2,957	\$ 1,592
Accrued salaries and benefits	2,406	2,204
Accrued vacation pay	288	289
Deferred lease inducement (Note 12)	859	1,045
Unamortized deferred capital contributions (Note 4)	35,866	23,236
	<b>42,376</b>	<b>28,366</b>
<b>NET ASSETS</b>		
Net assets (Note 5)	-	-
	<b>\$ 42,376</b>	<b>\$ 28,366</b>

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

ALBERTA PENSIONS SERVICES CORPORATION  
**STATEMENT OF CASH FLOWS**  
 Year ended December 31

<i>(in thousands)</i>	2014	2013
<b>OPERATING TRANSACTIONS</b>		
<b>Non-cash items:</b>		
Amortization of tangible capital assets	\$ 2,085	\$ 2,179
Decrease in deferred lease inducement (Note 12)	(186)	(187)
Amortization of unamortized deferred capital contributions	(2,085)	(2,179)
	(186)	(187)
Decrease in accounts receivable	-	9
Decrease (increase) in prepaid expenses	13	(209)
(Increase) decrease in due from pension plans	(1,354)	918
Increase (decrease) in accounts payable and accrued liabilities	1,365	(865)
Increase in accrued salaries and benefits	202	321
(Decrease) increase in accrued vacation pay	(1)	44
Cash provided by operating transactions	39	31
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	(14,715)	(14,466)
<b>FINANCING TRANSACTIONS</b>		
Increase in unamortized deferred capital contributions	14,715	14,466
<b>Increase in cash</b>	<b>39</b>	<b>31</b>
<b>Cash at beginning of year</b>	<b>234</b>	<b>203</b>
<b>Cash at end of year</b>	<b>\$ 273</b>	<b>\$ 234</b>

The accompanying notes are an integral part of these 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 President of Treasury Board and Minister of Finance (the Minister) on behalf of the Government of Alberta and, accordingly, the Corporation is exempt from income and other taxes. APS is referred to as “the Corporation” throughout the Notes to the Financial Statements.

## 2. NATURE OF OPERATIONS

The Minister, 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)

The Minister, operating under the authority of the *Provincial Court Act* and the *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)

The Minister, operating under the authority of the *Members of the Legislative Assembly Pension Plan Act, Chapter M-12, Revised Statutes of Alberta 2000*, is responsible for administering the following public sector pension plan:

- Members of the Legislative Assembly Pension Plan (MLAPP)

The Minister, operating under the authority of the *Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000* and the *Supplementary Retirement Plan – Retirement Compensation Arrangement Directive (Treasury Board Directive 01/06)*, is responsible for administering the following public sector pension plan:

- Supplementary Retirement Plan for Public Service Managers (MSRP)

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, 2015. 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).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

### Recovery of Costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for the recovery of costs are recorded as the related expenses are incurred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

#### Tangible Capital Assets

Tangible capital 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:

Assets under construction	Refer to (a) below
Leasehold improvements	Refer to (b) below
Compass system (c)	10 years
Furniture and equipment	5 years
Computer hardware	3 years
Computer software	3 years
Telephone system	3 years

Amortization will commence the month immediately after the tangible capital asset has been deemed substantially complete and ready for productive use.

(a) Assets under construction, which include the replacement of the current pension services systems and the development of its applications, are not amortized.

(b) Amortization is over the term of lease plus one optional renewal period, to a maximum of five years.

(c) Compass system includes the portion of costs transferred from assets under construction as the asset becomes available for productive use. The Compass system is the replacement for the existing pension administration system.

#### Capital Contributions

All externally restricted contributions received for the acquisition or construction of depreciable tangible capital assets are recognized as revenue when the assets are used for the purposes specified. All external restricted contributions received before meeting these criteria are recorded as a liability until the assets are used.

#### Use of Estimates

The preparation of financial statements in conformity with Canadian PSAS 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 tangible capital assets.

#### 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.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and, therefore, a statement of remeasurement gains and losses has not been presented.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2014

**4. TANGIBLE CAPITAL ASSETS***(in thousands)*

	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Assets under construction	\$ 23,043	\$ –	\$ 23,043	\$ 20,840
Compass system	10,694	255	10,439	–
Computer hardware	9,556	7,816	1,740	1,012
Leasehold improvements	7,933	7,650	283	1,064
Furniture and equipment	1,682	1,434	248	315
Computer software	12,654	12,541	113	–
Telephone system	406	406	–	5
	<b>\$ 65,968</b>	<b>\$ 30,102</b>	<b>\$ 35,866</b>	<b>\$ 23,236</b>

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

**5. SHARE CAPITAL**

	2014	2013
Issued:		
1 common share	\$ 1	\$ 1

An unlimited number of common and preferred shares are authorized with a single common share issued (Note 1).

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2014

**6. PLAN SPECIFIC SERVICES***(in thousands)*

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:

Plan	2014				2013
	Contract Services	Other	Board and Committee Remuneration	Total	Total
SFPP	\$ 600	\$ 65	\$ 55	\$ 720	\$ 445
PSPP	298	96	31	425	408
MEPP	261	50	43	354	524
MSRP	20	1	–	21	43
PJMC(R)PP	12	4	–	16	4
PJMC(U)PP	13	–	–	13	3
PSM(CM)PP	9	–	–	9	7
MLAPP	5	–	–	5	15
	\$ 1,218	\$ 216	\$ 129	\$ 1,563	\$ 1,449

**7. EMPLOYER SPECIFIC SERVICES***(in thousands)*

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

Employer	2014	2013
City of Edmonton	\$ 6	\$ 7
EPCOR	5	5
City of Calgary	3	9
Government of Alberta	2	2
Legislative Assembly	1	1
	17	24
Alberta Investment Management Corporation <sup>1</sup>	75	75
	\$ 92	\$ 99

<sup>1</sup>The Corporation entered into an agreement to provide certain administration services on a cost-recovery basis to Alberta Investment Management Corporation (AIMCo), a related Crown Corporation, in respect of an AIMCo supplementary retirement plan.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2014

**8. RECOVERY OF COSTS***(in thousands)*

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. At December 31, 2014, \$5,321 (2013 – \$3,967) is receivable from the plans. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

<b>Plan</b>	<b>2014</b>	<b>2013</b>
LAPP	\$ 30,913	\$ 26,919
PSPP	12,000	10,618
MEPP	2,494	2,398
SFPP	2,332	2,007
MSRP	592	549
PSM(CM)PP	298	281
PJMC(R)PP	130	99
PJMC(U)PP	112	98
MLAPP	79	93
	<b>48,950</b>	<b>43,062</b>
Interest and other miscellaneous cost recoveries	26	32
Employer specific services (Note 7)	92	99
	<b>\$ 49,068</b>	<b>\$ 43,193</b>

**9. EMPLOYEE FUTURE BENEFITS***(in thousands)*

The Corporation participates in three multi-employer, defined benefit public sector pension plans: PSPP, MEPP and MSRP. The Trustee of the plans is the Minister. 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 \$3,577 for the year ended December 31, 2014 (2013 – \$3,315). This amount is included in staff and related expenses.

An actuarial valuation is performed to assess the financial position of each plan and adequacy of the plan funding. At December 31, 2013, PSPP reported a deficiency of \$1,254,678 (2012 – deficiency of \$1,645,141), MEPP reported a surplus of \$50,457 (2012 – deficiency of \$303,423) and MSRP had a deficiency of \$12,384 (2012 – deficiency of \$51,870).

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2014

**10. RELATED PARTY TRANSACTIONS***(in thousands)*

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

	2014	2013
<b>Service Alberta</b>	\$ 1,165	\$ 1,125
Data processing, software licences, printing, postage and training		
<b>Treasury Board and Finance</b>	62	45
Risk management and insurance		
<b>University of Alberta</b>	8	3
Management training		
	<b>\$ 1,235</b>	<b>\$ 1,173</b>

At year end, \$214 (2013 – \$151) is payable to Service Alberta.

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 the 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 2014 Annual Report.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2014

**12. CONTRACTUAL OBLIGATIONS***(in thousands)*

The Corporation has entered into some multi-year agreements whereby the Corporation will be obligated to make future payments when the goods or services are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

Year	Obligations
2015	\$ 9,483
2016	2,294
2017	2,044
2018	2,044
2019	1,321
Thereafter	-
	\$ 17,186

The Corporation entered into a lease agreement for a new facility commencing on September 1, 2009. This agreement is for 10 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 10-year term of the lease.

In 2012, the Corporation entered into an agreement for consulting services related to a major pension services systems replacement project with expected completion by March 2016, and total contractual obligations over the next two years totalling \$7,667.

**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).

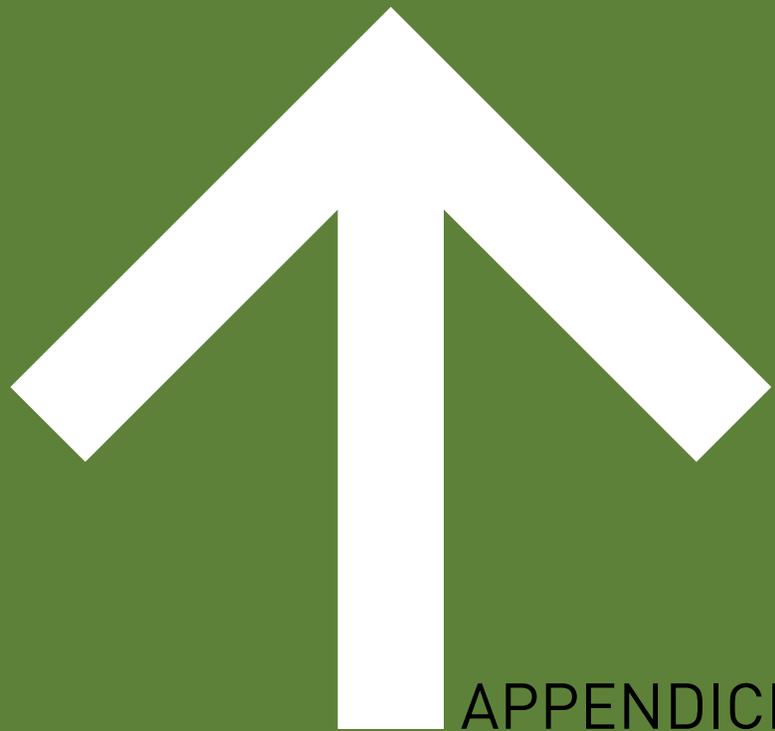
It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

**14. 2014 BUDGET**

The Corporation's 2014 budget was approved by the Board of Directors on November 20, 2013.

**15. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors.



# APPENDICES

## APPENDIX A: BOARD OF DIRECTORS GOVERNANCE

### Regulatory Framework and Mandate

Alberta Pensions Services Corporation (APS) was incorporated in 1995 under the Alberta *Business Corporations Act* with the Government of Alberta as the sole Shareholder. The *Alberta Public Agencies Governance Act* (APAGA) requires that public agencies have a Mandate and Roles Document outlining the roles of both the agency and the Minister responsible for the agency, the President of Treasury Board and Minister of Finance (Minister).

APS has responsibilities under, and is subject to, the *Public Sector Pension Plans Act*. APS follows a compliance framework for all applicable legislation, regulations, policies and standards, such as the *Business Corporations Act*, the *Alberta Public Agencies Governance Act*, the *Freedom of Information and Protection of Privacy Act*, and the *Public Interest Disclosure (Whistleblower Protection) Act*.

The purpose of the Board, on behalf of the sole Shareholder, is to ensure the Corporation provides cost-effective and efficient pension administration of the public sector pension plans and related services, as set out in a Pension Services Agreement.

### Structure

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 10 directors shall be appointed by the Shareholder, comprised of the following:

- One director recommended by the Local Authorities Pension Plan Board of Trustees
- One director recommended by the Public Service Pension Board
- One director recommended by the Management Employees Pension Board
- One director recommended by the Special Forces Pension Board
- One director representing the President of Treasury Board and Minister of Finance
- Five independent directors, none of whom may be employees of the Ministry of Treasury Board and Finance

The Board annually reviews its composition and competency matrix. The Board leads recruitment and provides recommendations to the Minister for the appointment of Board members other than those recommended by the Boards of the pension plans or the Minister's representative.

The President of Treasury Board and Minister of Finance appoints the President and CEO after consultation with the Board.

## APPENDIX A: BOARD OF DIRECTORS GOVERNANCE

### **Governance Practices and Operations**

The Mandate and Roles Document outlines the roles and responsibilities of the Minister, the APS Board and the CEO.

To achieve greater efficiency across the Corporation, the Board has adopted a governance framework that defines accountability between the Board and management. The Board delegates authority to the President and CEO with its Ends Policies, specifying clear expectations for results with corresponding responsibilities in the operations of APS. The Board has also established CEO Limitations Policies which give clear expectations regarding how the results will be achieved by defining unacceptable actions and situations. The Board then systematically monitors APS' performance to ensure these expectations have been met.

To fulfil its obligations, the Board develops and approves a five-year strategic plan which is reviewed and updated annually, and a three-year Business Plan which is monitored quarterly and reviewed and updated annually. Regular reporting on APS' performance and financial results is provided to the Minister.

The Board of Directors follows a Board Charter which describes its purpose and authority, operating rules and procedures, and job descriptions for the Chair, Directors and Committee Chairs. 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 and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care).

The Board has four committees: Audit Committee, Human Resources Committee, Governance Committee and Next Generation Board Project Governance Committee. All meet as Committees of the whole with unique agendas and meeting times, on a quarterly basis in conjunction with the Board meetings. In-camera sessions are included as a component of all meetings. Quorum and voting are determined by agreement with the Shareholder.

The Board has also adopted specific governance policies and practices respecting Board orientation, education and interactions with the President and CEO as well as management, and Board meeting conduct. The Board conducts an annual self-evaluation to assess the performance and effectiveness of the Board and its committees.

## APPENDIX B: BOARD AND COMMITTEE ROLES

### **Duties and Responsibilities of the Board of Directors**

The Board performs its stewardship responsibilities either directly or through the committees of the Board to fulfil its responsibilities for the strategic governance of APS, risk management and oversight of APS operations, in compliance with all relevant policies, applicable laws and regulations.

The Board is responsible for reviewing and approving all accountability documents and reporting to the Minister as outlined in the Mandate and Roles Document. The Board provides the Minister with an annual assessment of its corporate obligations in accordance with relevant corporate governance disclosure practices.

The Board fosters a culture of ethics in the operations of the Corporation with its oversight of robust fraud risk management, code of conduct and ethics education programs. An annual certification of compliance with these policies is conducted for Board members and all APS staff.

### **Board Committees**

The Board has four committees: Audit Committee, Human Resources Committee, Governance Committee and Next Generation Board Project Governance Committee. The committees each review their terms of reference annually.

The committees perform the following duties to assist the Board in discharging its oversight responsibilities:

#### **Audit Committee**

- Oversees the President and CEO's compliance with Board policies respecting asset protection and liabilities and losses;
- Monitors the execution of the business plan;
- Recommends approval or other Board action for all financial statements and reports requiring approval of the Board (annual and quarterly reports);
- Oversees the Corporation's Risk Management Program;
- Oversees the Whistleblower Policy and the Fraud Prevention Policy; and
- Works with the independent auditor.

#### **Human Resources Committee**

- Oversees and monitors plans for identifying and managing workforce risks;
- Monitors APS' practices for managing workforce compensation and benefits;
- Reviews and recommends approval for the President and CEO's appointment, performance evaluation and compensation;
- Oversees succession planning for the President and CEO and Executive positions; and
- Monitors the Corporation's management of workforce employment conditions.

#### **Governance Committee**

- Oversees governance matters to enhance Board performance, including agenda planning, policy development, recruitment strategies, Board composition and succession planning, and director development and training;
- Assesses and makes recommendations regarding Board effectiveness; and
- Ensures the Board fulfils its legal, ethical and functional responsibilities.

## APPENDIX B: BOARD AND COMMITTEE ROLES

### Next Generation Board Project Governance Committee

- Oversees the governance of APS' Next Generation Project, including adopting a monitoring framework;
- Oversees the President and CEO's compliance with the Next Generation Project charter; and
- Engages and manages an independent resource to provide ongoing project risk assessments.

### Board Meetings

In 2014, the Board and the Committees each met quarterly. The Board also held special meetings to review the year-end corporate scorecard, Next Generation implementation scheduling and compliance matters. The Board participated in a policy governance workshop, and an orientation session was held for a new director.

### Additional information

The APS Board Code of Conduct, APS Staff Code of Conduct and Ethics, Mandate and Roles Document, and Board Charter are available on our website, [www.apsc.ca](http://www.apsc.ca) under the *About APS* section.

### 2014 APS Board of Directors

NAME	NOMINEE	TERM OF SERVICE	BOARD POSITION
Al Mondor	Independent	April 2009 – present	Chair Governance Committee Chair
Rosemarie McClean	Independent	January 2009 – present	Vice Chair Human Resources Committee Chair
Ward Chapin	Independent	January 2013 – present	Next Generation Board Project Governance Committee Chair
Bonnie Andriachuk	Independent	January 2013 – present	
Garth Sherwin	Independent	January 2010 – present	Audit Committee Chair
Mark Prefontaine	Alberta Treasury Board and Finance	May 2011 – present	
Chris Archibald	Public Service Pension Board	November 2010 – present	Human Resources Committee Vice Chair
Roger Rosychuk	Special Forces Pension Board	February 2013 – present	Audit Committee Vice Chair
Scott Kashuba <i>(resigned)*</i>	Management Employees Pension Board	January 2012 – June 2014	Next Generation Board Project Governance Committee Vice Chair
Mike Mahar <i>(resigned)*</i>	Local Authorities Pension Plan Board of Trustees	November 2013 – September 2014	

*\*The Annual Shareholder agreement signed January 31, 2015 by the President of Treasury Board and Minister of Finance appointed Darlene Halwas as the Management Employees Pension Board representative, and George Walker as the Local Authorities Pension Plan Board of Trustees representative.*



To the Shareholder of Alberta Pensions Services Corporation (APS)

I have reviewed three of eight performance measures in the Alberta Pensions Services Corporation 2014 Annual Report. The reviewed performance measures are the responsibility of APS and are prepared based on the following criteria:

- *Reliability* – The information used in applying performance measure methodologies agrees with the underlying source data for the current and prior year’s results.
- *Understandability* – The performance measure methodologies and results are presented clearly.
- *Comparability* – The methodologies for performance measure preparation are applied consistently for the current and prior year’s results.
- *Completeness* – The performance measures and related targets match those included in the Alberta Pensions Services Corporation 2014-2016 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 me by APS.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating APS progress towards the related targets.

Based on my review, nothing has come to my attention that causes me to believe that the performance measures identified as reviewed by the Office of the Auditor General in the Alberta Pensions Services Corporation 2014 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

**AUDITOR GENERAL**

April 22, 2015

Edmonton, Alberta

Performance measures reviewed by the Office of the Auditor General are marked as such in Appendix D.

## APPENDIX D: KEY PERFORMANCE MEASURES

The Key Performance Measures in this Appendix are the responsibility of management of APS and are prepared in accordance with the criteria of reliability, understandability, comparability and completeness in relation to the *APS 2014-16 Business Plan*. The performance results of necessity include amounts that are based on estimates and judgments.

### Deliver Valued Pension Services

#### Client Satisfaction

*(Reviewed by Auditor General)*

	2014 Actual 86%	2014 Target 82%	Previous Year Actual 86%
<b>Methodology</b>	<p>Client satisfaction is measured using a composite weighted average score of the degree of satisfaction clients have with services and products provided by APS.</p> <p>Clients are defined as actively contributing members in all plans, members that have initiated the retirement process but have not been finalized as pensioners in the payroll system, and members or their beneficiaries that have completed the retirement process and are receiving final pension payments.</p> <p>An external firm was engaged to develop and conduct the survey of clients in three service areas (members, members in transition and 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 client and also to capture information on overall perceptions of client service.</p> <p>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.</p> <p>The result reported in 2014 is the mean score (multiplied by 10) from all respondents of their ratings of satisfaction on a 10 point scale in three service areas with each service area weighted equally. The survey methods and questions used to calculate the results for each service area remain consistent with those used in the prior year.</p>		
<b>Description of results</b>	Target exceeded.		
<b>Analysis of results</b>	Results exceeded the target of 82% for the measure. Several quality assurance initiatives exist which allow APS to maintain a high degree of client satisfaction.		

# APPENDIX D: KEY PERFORMANCE MEASURES

## Employer Engagement

(Reviewed by Auditor General)

	2014 Actual 89%	2014 Target 79%	Previous Year Actual 88%
<b>Methodology</b>	<p>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.</p> <p><i>Employer Satisfaction Survey</i></p> <p>The survey was designed to evaluate performance specific to the representative and services provided by APS. An external firm was engaged to develop and conduct the survey. The survey evaluated client service for APS and provides an overall client rating that is robust and comprehensive.</p> <p><i>Employer Compliance Measure</i></p> <p>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.</p>		
<b>Description of results</b>	<p>Target exceeded.</p>		
<b>Analysis of results</b>	<p>The annual result of 89% reflects the commitment of APS to provide a high degree of service to our employers through great client satisfaction, education, and information sharing, as well as an increased emphasis on compliance with information requirements by employers.</p>		

# APPENDIX D: KEY PERFORMANCE MEASURES

## Building Organizational Capabilities

### Employee Engagement

*(Reviewed by Auditor General)*

	2014 Actual 73%	2014 Target 64%	Previous Year Actual 72%
<b>Methodology</b>	<p>Aon Hewitt Associates define engagement as a “measurable state of emotional and intellectual involvement and commitment of the workforce to organizational success.”</p> <p>In 2006, APS began participating in the Best Small and Medium Employers in Canada survey conducted by the Queen’s and Hewitt Associates, now Aon Hewitt Associates.</p> <p>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 Aon Hewitt Associates. Aon Hewitt Associates determines the engagement score based on its tested and validated global standards. The score is based on employee views and not the view of outside experts.</p> <p>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:</p> <ol style="list-style-type: none"> <li>1. I would, without hesitation, recommend this organization to a friend seeking employment.</li> <li>2. Given the opportunity, I tell others great things about working here.</li> <li>3. It would take a lot to get me to leave this organization.</li> <li>4. I hardly ever think about leaving this organization to work somewhere else.</li> <li>5. This organization inspires me to do my best work every day.</li> <li>6. This organization motivates me to do more than is normally required to complete my work.</li> </ol> <p>Aon Hewitt Associates 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.</p>		
<b>Description of results</b>	<p>Target exceeded.</p>		
<b>Analysis of results</b>	<p>In 2014, engagement increased from 72% to 73%. The most significant gain was with our bargaining unit employees whose engagement score increased from 64% in 2013 to 72% in 2014.</p>		

## APPENDIX D: KEY PERFORMANCE MEASURES

## Employee Development

	2014 Actual 100%	2014 Target 96%	Previous Year Actual 97%
<b>Methodology</b>	Employee development is a score based on the percentage of employees that have had performance discussions with their manager and have development plans in place. Employees that join APS in the last six months of the year are excluded from this measure. This measure is based on the status indicators set by employees and managers in the performance management application at APS: FOCUS.		
<b>Description of results</b>	Target exceeded.		
<b>Analysis of results</b>	All active employees required to have had performance discussions and development plans in place have met this requirement.		

## Adaptable and Responsive to Opportunities and Risks

## Risk Management Maturity

	2014 Actual 80%	2014 Target 73%	Previous Year Actual 73%
<b>Methodology</b>	<p>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.</p> <p>Each component of the Framework is scored on a scale of five levels of maturity based on internally established criteria:</p> <ul style="list-style-type: none"> <li>• Level 1 (Ad hoc - little or no formal processes);</li> <li>• Level 2 (Repeatable - established practices and processes);</li> <li>• Level 3 (Defined - formally approved and regularly updated policies and practices);</li> <li>• Level 4 (Managed - formally approved and updated and regularly monitored policies and processes); and</li> <li>• Level 5 (Optimized - with fully established and integrated policies and processes, subject to periodic external reviews and/or benchmarking).</li> </ul> <p>The scores for each component are calculated to arrive at a weighted per cent.</p>		
<b>Description of results</b>	Target exceeded.		
<b>Analysis of results</b>	This result reflects management's continued commitment to the Risk Management Program. The most significant increase from the prior year was in the risk identification and assessment and the response and control activities components of the framework.		

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## Next Generation Project Milestones

	2014 Actual Milestones Substantially Met	2014 Target Milestones Met	Previous Year Actual Milestones Met
<b>Methodology</b>	The Next Generation Project is a multi-year initiative that will replace APS' pension administration systems, enhance service delivery and improve business operations, processes and technology. The achievement of milestones serves as demonstrated progress of the initiative. For 2014, the following milestones were measured:		
	Q1: Configuration of the Finance system completed.		
	Q2: Testing of Pensioner system (Delivery #1) completed.		
	Q3: Pensioners migrated to new system (Delivery #1).		
	Q4: Testing of Finance system completed (Delivery #2).		
<b>Description of results</b>	Target substantially met.		
<b>Analysis of results</b>	Q1: Configuration of the Finance system completed.		
	Q2: Testing was completed in alignment with the September delivery date.		
	Q3: September delivery date met and pensioners migrated to new system.		
	Q4: Delivery dates were changed in Q3/Q4 2014. Delivery #2, set to be delivered in January of 2015, was combined with elements of Delivery #3 to become the August 2015 delivery.		

## Process and Policy Simplification

	2014 Actual Milestones Met	2014 Target Milestones Met	Previous Year Actual Milestones Met
<b>Methodology</b>	Targets are established to measure APS' progress towards meeting simplification commitments through simplification plans implemented and reported to the APS Board of Directors. Targets are developed by evaluating current processes and policies, and expect changes through automation, improved tracking controls and reporting, improved issues management, and root cause analysis and resolution.		
<b>Description of results</b>	Target met.		
<b>Analysis of results</b>	Demonstrated progress on simplification commitments has been achieved.		

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## Cost Per Member

	2014 Actual \$165	2014 Target \$168	Previous Year Actual \$148
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**Methodology** The 2014 cost per member target is based upon the budget approved by the APS Board of Directors (adjusted for any pension fund investment related costs) divided by the forecast 2014 year-end active member and pensioner count.

The calculation for APS cost per member is:

$$\frac{\text{Total CEM expenditures}}{\text{Active members + pensioners at year end}}$$

Total CEM expenditures are defined as total operating expenses per the financial statements less any pension fund investment related costs.

**Description of results** Target exceeded.

**Analysis of results** The favourable variance to target is attributed primarily to lower spending offsetting a lower than forecast active and pensioner count.

## APPENDIX E: COMPENSATION DISCUSSION AND ANALYSIS

### **Our People**

APS acknowledges the value of attracting and retaining a qualified workforce. As such, the Corporation strives to reward employees fairly and equitably. 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.

### **Internal Consistency**

APS ensures 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.

### **Market Competitiveness**

APS aligns its market strategy with the private and public sectors, with a weighting of 50 per cent between each market.

### **Goal Achievement**

APS provides an environment where employees can strive for, and achieve, goals at the individual, team and corporate levels.

### **Simplicity**

APS promotes and rewards desired behaviours and results by designing, implementing and communicating compensation policies and practices that are aligned, consistent and understandable.

### **Human Resources Committee**

The Board has a Human Resources Committee (HRC) which 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 fulfil its oversight responsibilities for:

- Workforce Capacity, Workforce Compensation and Benefits, Workforce Employment Conditions and related workforce risks;
- Appointment and evaluation of the performance of the President and CEO;
- Succession planning related to the President and CEO and Vice President positions;
- Compensation, incentives and benefits for the President and CEO; and
- Total compensation structure for the Vice Presidents.

The HRC is composed of 10 members, each of whom is independent of management. The HRC meets a minimum of four times per year and 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.

### **Board Remuneration**

*(in thousands)*

The Board Chair received remuneration of \$48 (2013: \$39). Six Board members received remuneration of \$141 (2013: \$119). 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 Shareholder and is subject to applicable withholdings.

## APPENDIX E: COMPENSATION DISCUSSION AND ANALYSIS

### **Executive Compensation**

Part of the HRC's responsibility is to annually review the total compensation structure for the Executive Team comprising the President and CEO and Vice Presidents. The HRC also makes recommendations to the Board for the President and CEO's compensation.

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.

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 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 the executive compensation consists in any manner of equity instruments.

# APPENDIX E: COMPENSATION DISCUSSION AND ANALYSIS

## SUMMARY COMPENSATION TABLE

(in thousands)

The table below provides complete disclosure of salary, variable pay, employer portion of pension contributions and all other compensation paid during the years ended December 31, to the President and Chief Executive Officer and the Vice Presidents.

Position	2014					2013
	Base Salary <sup>1</sup>	Variable Pay <sup>2</sup>	Pension <sup>3</sup>	Other Compensation <sup>4</sup>	Total	Total
President and Chief Executive Officer	\$ 265	\$ 79	\$ 75	\$ 53	\$ 472	\$ 436
Vice President, Business Technology <sup>5,6</sup>	229	42	56	340	667	318
Vice President, Policy and Research <sup>5</sup>	219	41	59	19	338	340
Vice President, Member and Employer Services and Plan Operations <sup>7</sup>	200	37	52	26	315	279
Vice President, Plan Board Secretariat	228	36	–	22	286	270
Vice President, Finance and Compliance <sup>5</sup>	176	34	44	32	286	269
Vice President, Human Resources and Organizational Development <sup>8</sup>	–	–	–	–	–	225

1. Base salary includes regular 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. 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 lump sum payments and vacation payouts where applicable. Also included are non-cash benefits and contributions or payments made on their behalf, including healthcare and dental coverage, group life insurance, long-term disability insurance, WCB premiums, parking, professional memberships and education expenses.

5. Effective March 2015, the Corporation's restructure resulted in title changes for the following corporate officers:

Former title	New title
Vice President, Business Technology	Chief Operating Officer
Vice President, Policy and Research	Chief Pensions Officer
Vice President, Finance and Compliance	Chief Financial Officer

6. Two incumbents held the position at different times during 2014.

7. The incumbent left the Corporation March 2015. The roles and responsibilities have been assumed by the Chief Operating Officer.

8. The incumbent left the Corporation October 2013.



# ALBERTA PENSIONS SERVICES CORPORATION CORPORATE INFORMATION

## Corporate Directory

(as at December 31, 2014)

### **Karen Adams**

President and Chief Executive Officer

### **Vladimir Ahmad**

Vice President, Business Technology

### **Lesley Bowering**

Vice President, Policy and Research

### **Dennis Gartner**

Vice President, Plan Board Secretariat

### **David Lawrence**

Vice President, Member and Employer  
Services and Plan Operations

### **Doug Woloshyn**

Vice President, Finance and Compliance

## Contact Information

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