



Hitting the **Mark**

••••• Alberta Pensions Services Corporation **2016 Annual Report**

Taking Aim

Alberta Pensions Services Corporation (APS) was incorporated in 1995 under Alberta's *Business Corporations Act*, with the Government of Alberta as the sole Shareholder. We pay pensions in compliance with federal and provincial legislation. We are committed to delivering prompt quality service and our sights are set high to continually improve the services we provide to our clients and Shareholder.



Our Vision

APS is highly valued and trusted to:

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

Guided by shared values, our employees make it possible.

Our 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 Values

All employees at APS take pride in doing the right thing through embracing our organizational values of:

SERVICE - we make every interaction count

QUALITY - what we do, we do well

ACCOUNTABILITY - we take responsibility

We are driven by our values to always *do the right thing*.

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clients & services

Setting our clients on the right path with peace of mind. That is our commitment.



What We Do

APS guides the pension experience on behalf of seven public sector pension plans and two supplementary 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)

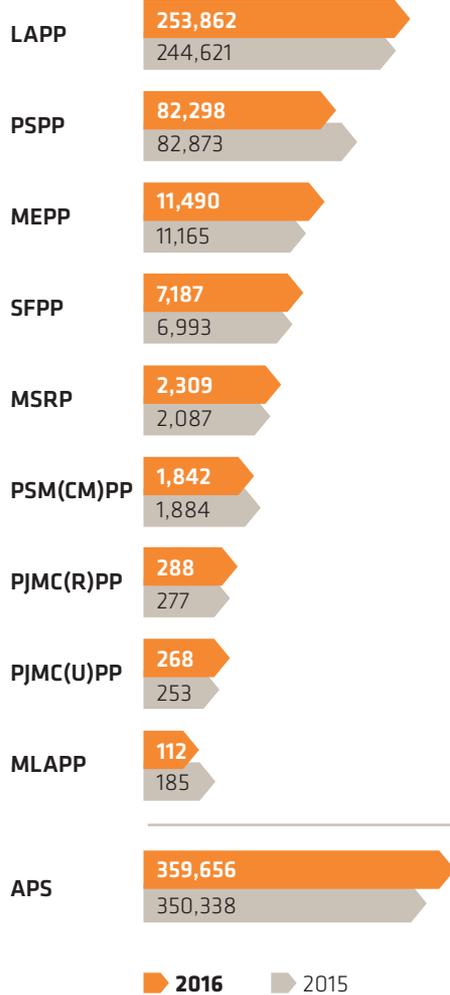
Our Services

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

Who We Serve

359,656 members and pensioners and 502 employers across Alberta.

MEMBERS BY PLAN



EMPLOYER BY SECTOR

	2016	2015
Agency Association	5.0%	5.2%
Board	1.5%	1.6%
City	16.7%	16.6%
College	3.3%	3.3%
Commission	0.6%	0.7%
County	2.1%	2.1%
Government of Alberta Departments	13.7%	13.5%
Health Services	37.7%	37.3%
Hospital	0.2%	0.5%
Library	0.2%	0.2%
Municipal District	1.4%	1.4%
School District	10.0%	9.9%
Technical Institute	1.8%	1.9%
Town	1.7%	1.7%
University	4.0%	4.0%
Village	0.1%	0.1%





“The Board will continue to seize opportunities to support innovative strategies which advance services for APS’ members and stakeholders.”

– Al Mondor
Chair

Success Through Governance & Oversight

Message from the Board Chair

On behalf of the Corporate Board, I am pleased to present the APS Annual Report for the year ended December 31, 2016.

This was an exciting year for APS which saw the completion of its new pension administration system launched on May 30, 2016. This strategic initiative was five years in the making, and APS now has the technological foundation to secure its place as a leader in the pension administration industry. Although the Board maintained governance and risk oversight of this extensive project, it was an implementation made possible by APS’ workforce and Senior Leadership Team led by President and CEO, Karen Adams, who managed the risks, challenges, budget, and timeline to fulfilment. The Board would like to recognize APS’ commitment and exceptional efforts toward this project which was accomplished in the same year that APS staff and leadership launched and achieved improved service delivery targets for its pensioners.

On behalf of its Shareholder, the Board continuously reviews and enhances its risk oversight framework, while providing guidance, and monitoring the Business Plan and balanced Corporate Scorecard performance measures. The Board will continue to seize opportunities to support innovative strategies which advance services for APS’ members and stakeholders. The annual Board Retreat continues to be an excellent forum for discussing strategies and ensuring collaboration.

In 2016, the Board education program promoted individual director development, along with a schedule of internal APS sessions to further the Board’s knowledge of pension administration, and to provide updates on exciting internal developments in pension technology initiatives.

The Board thanks departing directors Garth Sherwin, Bonnie Andriachuk, Chris Archibald, and George Walker for their commitment of time and expertise to the governance of APS. The Board welcomes James Fleming as the representative for the Management Employees Pension Board. As I will be retiring from the Board in 2017, I also wish to thank the remaining directors for their dedication, insights and counsel during this time of board transition.

The APS Board will continue to guide a sustainable and efficient pension administration for its stakeholders, while embracing strategic opportunities ahead to enrich the pension experience for its membership.

Sincerely,

[Original signed]

AL MONDOR, FCPA, FCA, ICD.D
Chair

A Year of Milestones

Message from the President & CEO

APS made significant progress on our strategic priorities in 2016. These priorities are: Focus on Clients, Invest in Talent, Demonstrate our Value, and Engage & Educate.

Our focus on clients at APS led us to concentrate on paying pensions faster. While we've always complied with pension regulations, we'd fallen behind on speed. In 2016, we committed to paying pensions within 30 days of a member's stated retirement date. I am proud of the incredible team of people at APS who, during an otherwise busy year, committed to this target and then delivered. What a great example of our Focus on Clients.

Investing in talent is always important, and there was no shortage of investing in 2016. With a completely new pension administration system going live mid-year, our team had to learn many new processes and ways of serving our clients. Even if a change has the benefit of turning a complex process into a simple one, it's still a change – and that means training. From face-to-face internal training to our new online knowledge portal to gamification of learning, 2016 was a key year for APS to Invest in Talent.

We demonstrated our value to all of our stakeholders by successfully delivering on a multi-year technology project. Our new Compass system allows us to serve members with greater accuracy and speed than ever before while also reducing cost and risk. Employers also benefited from the extensive communication and training they received from APS, another way we Demonstrate our Value.

We also made great strides engaging and educating members. The new, easier to understand LAPP website is the result of remarkable collaboration between APS and Alberta Local Authorities Pension Plan Corp. (ALAPP). The new Compass system allows us to issue our most comprehensive Pensioner Annual Statements yet. And our secure member website (mypensionplan) is now easier to use, helping us to Engage & Educate members so they better understand the value of their defined benefit pension plans.

I would like to thank the hard-working team of people at APS for an excellent year. We achieved 100% of our corporate scorecard. We made it easier for members to understand their pensions. We made it simpler for people to retire. We made decisions based on our values of Service, Quality and Accountability. We supported one another through difficult times and celebrated our successes together. Thank you all for a remarkably successful year.

Sincerely,

[Original signed]

KAREN ADAMS

President and Chief Executive Officer



“We demonstrated our value to all of our stakeholders by successfully delivering on a multi-year technology project.”

– Karen Adams
President and CEO



management's
discussion & analysis



Overview



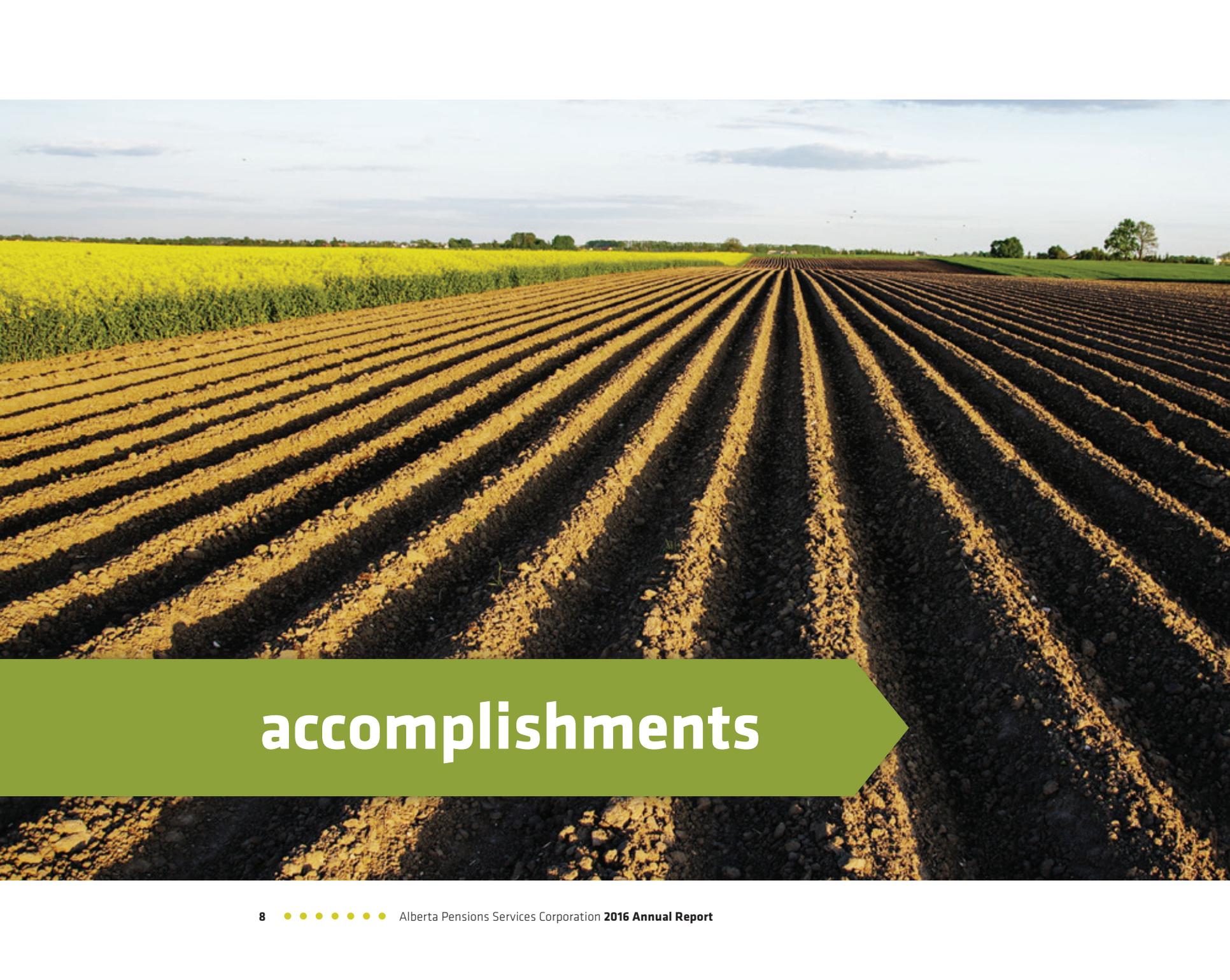
This management's discussion and analysis (MD&A) section reports on the financial condition and results of APS for the year ended December 31, 2016. The MD&A presents APS as viewed through the eyes of management by interpreting material trends and uncertainties affecting the results and financial condition 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 endeavor to be vigilant in setting measurable results targets 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 financial statements are the Canadian public sector accounting standards (PSAS). All amounts are in Canadian dollars.



APS focuses on effective and efficient management of resources.





accomplishments



Outperform



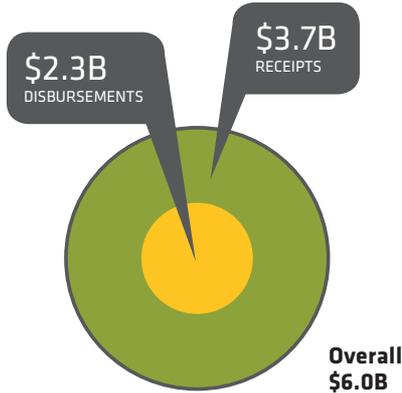
On Time & Under Budget

Our multi-year, multi-system business transformation project completed in 2016 as planned and under budget. This project delivered the new system internally known as Compass, which brings an increase to our administration speed and accuracy as well as automation of once manual calculations, allowing us to focus on providing our members and pensioners with additional channels and services. This new era of technological advancement provides many exciting opportunities for us to build on our already established position as a leading low cost pension administrator.

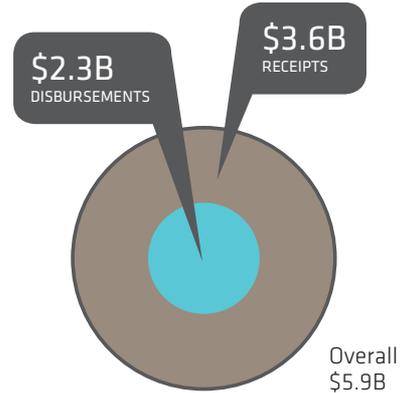
Funds Administered

APS administered \$6.0 billion of funds across the nine pension plans we administer. That amount includes receipts and disbursements to and from employers, members, pensioners, and other pension plans and represents a small increase from 2015.

2016 (\$ billions)



2015 (\$ billions)



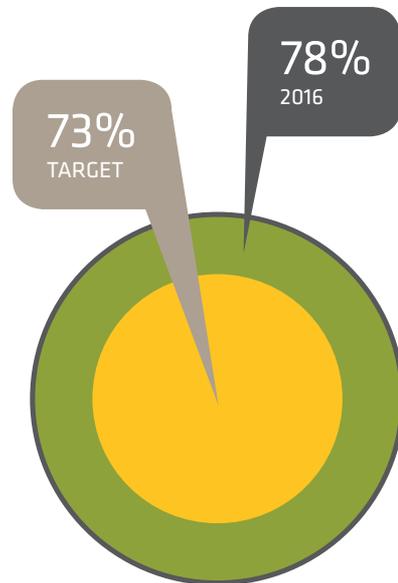
accomplishments.

Results

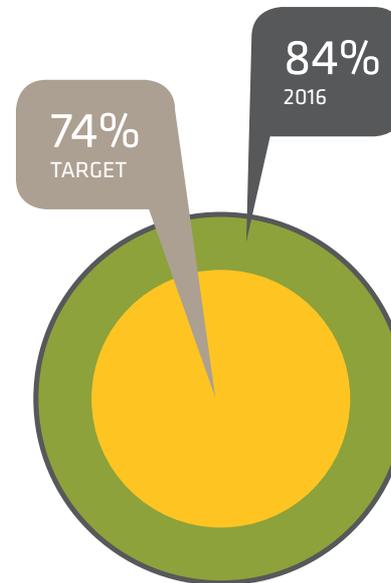
Providing our stakeholders with quality service and the results to prove it.

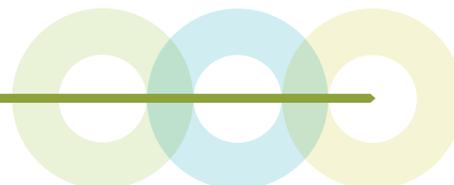


CLIENT SATISFACTION



EMPLOYER ENGAGEMENT



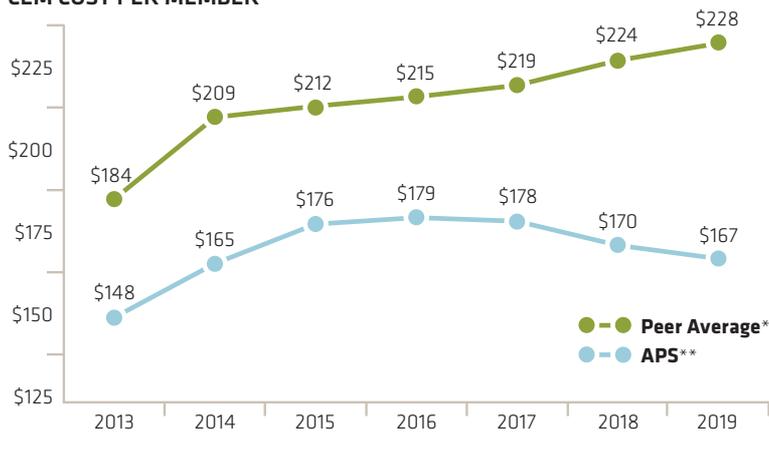


Cost Per Member

APS participates in an annual benchmarking process conducted by a third party to ensure we are delivering on our commitment to provide pension administration services at a reasonable cost. APS' operating costs and membership numbers are submitted annually to Cost Effectiveness Measurement (CEM) Benchmarking Inc. for comparison to our peer group. Our peer group includes Canadian public sector pension administrators of a similar size to APS. Our cost per member has been consistently below the peer average, demonstrating our success in providing pension administration at a reasonable cost.

The slight increase in our cost per member from \$176 in 2015 to \$179 in 2016 reflects our investment in systems and processes. The recently completed Next Generation project will allow us to meet the changing needs of our members now and into the future.

CEM COST PER MEMBER



* 2013-2015 peer average figures based on actuals and 2016-2019 peer average projection based on forecasted Alberta Consumer Price Index ranging 1.7-2.1%.

** 2013-2016 APS figures based on actuals and 2017-2019 figures based on budget approved by APS Board.



community
involvement



#AlbertaStrong

A devastating wildfire tore through Fort McMurray, Alberta in May of 2016, causing the evacuation of almost 90,000 residents – the largest evacuation in Alberta’s history.

APS responded to the call for support with multiple fundraising activities and service initiatives for displaced members. Through campaigns such as Jeans in June for Fort McMurray, our staff contributed funds to the concerted efforts of the Canadian Red Cross and Edmonton’s Food Bank for disaster relief efforts. As some of our employees, members, and pensioners were directly affected by the wildfires, APS took special measures to provide services to those displaced, including alternative contact and pension payment delivery methods. APS is always committed to supporting our members and their communities.

Charity of Choice

In recent times of economic uncertainty, the use of food banks by Albertans has increased. APS continues to choose Edmonton’s Food Bank as its charity of choice in its efforts to support those in need. In 2016, 2,535 kilograms (5,589 pounds) of food and \$23,020 was donated by our staff.

“I’m always inspired by the giving spirit at APS.”

– Caitlin Guse
Charity Committee Chair

Canadian Blood Services

Canadian Blood Services’ Partners for Life program gives businesses another opportunity to give back to individuals within Canada by partnering together to maintain Canada’s blood supply. APS joined this worthwhile program in the fall of 2014 and hasn’t looked back.

In 2016 we surpassed our goal of 35 donations with a year-end total of 41. As of the end of 2016 APS employees contributed a cumulative total of 88 donations. Did you know that each donation can save the lives of up to three people? That means to date APS employees have given the gift of life to up to 264 individuals! We are proud of our employees and look forward to them continuing to donate this crucial gift in the coming years.





strategy

Forward Thinking

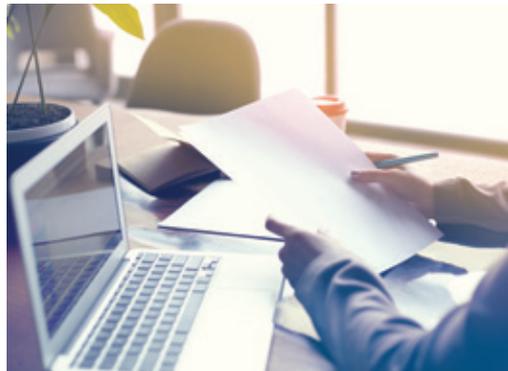


APS continuously monitors trends in the pension industry and is proactive in identifying and addressing challenges and opportunities. Factors such as increased life expectancy and aging demographics translate into an increased need for pension and retirement planning services. In addition to the increased volume of required services, client preferences are also changing. In today's environment, clients expect more personalized services, access to self-serve technology, and expedited and streamlined interactions.

The sustained low price of oil continues to weaken Alberta's economic environment, compelling Alberta's government to enact new policies and constraints on its available resources and services. APS is proud of its fiscally responsible business plan and budget which balances constraints with quality and timely service delivery on behalf of the pension plans.

The multi-year effort to modernize our processes and systems is now complete. This puts us in a stronger position to handle the rising demand for our services, while allowing us to develop opportunities in our dynamic environment.

Our actions in the years ahead are marked by our strategic priorities – summarized within – which were inspired by our guiding principles. The complete APS strategy can be found in the 2017-2019 Business Plan online at www.apsc.ca.



strategy.

Forward Thinking

Our focus is to satisfy the changing needs of our clients and the increasing demand for our services in a prudent way.

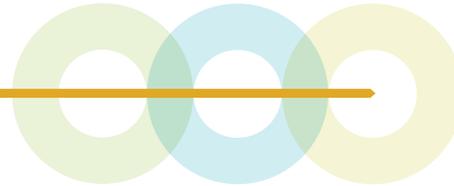


Focus on Clients

Our client focus drives a never ending effort to enhance existing services and bring new ways to improve the pension experience. Self-service online tools will make it quicker and easier for members to navigate the retirement process from start to finish. Improving system and process capabilities will allow new pensioners to be paid faster. Strategies for tailoring to the needs of different segments will translate into higher client engagement.

Invest in Talent

When the business environment changes, we need to be ready with the answers. We continue to adapt our organization to be flexible in addressing current and future requirements. Our commitment to the continuous development of our knowledgeable team of pension experts ensures our staff are equipped to provide quality client service, even in the face of change.



Demonstrate our Value

With the new pension administration system in place, APS will harness its capabilities to deliver enhanced services in cost effective ways. Our renewed long-term vision of organizational effectiveness will center on business optimization, capitalizing on post implementation success. 2017 is the perfect year for APS to develop a new strategic plan that will guide us through to 2022. We will also be refocusing efforts on setting new Service Level Agreements to ensure we continue to aim higher with measurable results.



Engage and Educate

We work closely with our clients to ensure they have a deep understanding of the value of their participation in public sector pension plans.

APS supports the policy initiatives of the Trustee, plan governors, and employers through developing and implementing strategies to promote the benefit of public service pension plans to members and beneficiaries.





risk management

In the Sightlines



Risk is always changing and we at APS make it part of our mission to minimize the exposure we have to the risks that affect us.

Our clients and stakeholders are our main focus and we continually evolve strategic and operational processes to mitigate risk. We review key corporate risks annually to capture changes in the business environment that could potentially impact our ability to meet corporate goals and objectives.

APS recently went through one of the biggest technological transformations in the history of our organization, bringing forth new challenges to the way we manage risk. Our enterprise-wide Risk Management Program was refreshed to address areas of potential risk associated with the vast opportunities that the new pension administration system brings with it.

We made enhancements to our risk rating criteria and initiated changes to the risk assessment and monitoring processes that will allow us to pulse check corporate risks more effectively. More changes will be coming to the Risk Management Program to further integrate and align with our strategic and performance management initiatives.





future outlook



Calculated Precision



Demographics

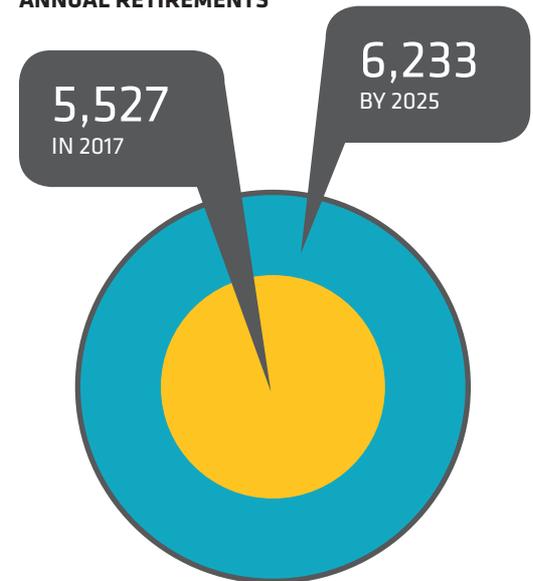
As Alberta led the country with some of the highest yearly population growth in the last decade, public sector jobs in the province have naturally increased to support the added populace with the required infrastructure and services.

Alberta continues to be the youngest Canadian province with a median age of 36.3 years, compared to the nationwide median of 40.6 years¹. The growth rate of Alberta's 65 years and older population however has been approximately half a percent higher than the nation's growth rate in the same segment in each of the last four years¹.

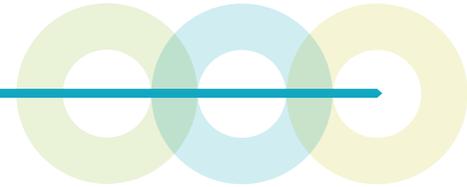
Demand for APS' services will continue to grow as Alberta ages. The technological innovations made to the way we administer pensions purposefully addresses this trend and puts APS in an advantageous position to deal with the increases in memberships and retirements.

¹ Statistics Canada. CANSIM. Table 051-0001 – Estimates of population by age, group and sex for July 1, Canada, provinces and territories, annual. Released September 28, 2016.

PROJECTED NEW ANNUAL RETIREMENTS



future outlook.



Calculated Precision

With an aging population and economic shifts in recent years, APS is focused on building for the future in a responsible way, to meet growing demand on the pension system.

Economic Outlook

Wildfires in Northern Alberta destroyed parts of Fort McMurray in May of 2016 - disrupting oil sands operations, adding to the province's already uncertain economic outlook. The Alberta government followed with announcing the largest forecasted deficit in the province's history at nearly \$10.9 billion² in August.

With the rebuilding of Fort McMurray spurring activity in construction and with oil prices trending upwards from the lows tested in 2015 and 2016, analysts forecast positive GDP growth in 2017³.

Through these tough economic times, APS remains committed to quality service delivery, with a focus on cost. By building our strategy around evolving long term needs, APS has been able to adapt to economic trends. Despite the increasing transaction volumes and need for our pension, retirement and planning services, we continue to innovate and capitalize on further opportunities to keep us operating as one of the lowest cost pension administrators amongst our peers.



² Alberta Treasury Board & Finance 2016-17 First Quarter Fiscal Update and Economic Statement.

³ ATB Financial, Economics & Research. Alberta Economic Outlook Winter 2016/17.



financial statements

December 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2016 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 2016 Annual Report that relates to the operations and financial position of APS is consistent with that in the financial statements.

To discharge its responsibility for the integrity and objectivity of financial reporting, APS maintains a system of internal accounting controls comprised of written policies, standards and procedures, and a formal authorization structure. These systems are designed to provide management with reasonable assurance that transactions are properly authorized, that reliable financial records are maintained and that assets are adequately accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee (Committee). As part of this responsibility, the Committee reviews the financial statements, 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]

KAREN ADAMS
President and Chief Executive Officer

[Original signed]

DOUG WOLOSHYN, CPA, 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, 2016, and the statements of operations, change in net debt, 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, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

AUDITOR GENERAL

April 26, 2017

Edmonton, Alberta

ALBERTA PENSIONS SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31

(in thousands)

	2016		2015
	Budget	Actual	Actual
Expenses			
Staff and related expenses	\$ 30,714	\$ 31,581	\$ 30,274
Contract services	4,964	5,453	7,472
Materials and supplies	5,209	5,050	5,230
Amortization	4,145	3,811	2,180
Data processing and maintenance	6,514	6,753	4,957
Total before plan specific and employer specific services	51,546	52,648	50,113
Plan specific services (Note 5)	4,043	2,795	3,433
Employer specific services (Note 6)	82	80	81
Total operating expenses	\$ 55,671	\$ 55,523	\$ 53,627
Recovery of costs (Note 7)	\$ 55,671	\$ 55,523	\$ 53,627
Annual surplus (deficit)	-	-	-
Net assets at beginning of year	-	-	-
Net assets at end of year	\$ -	\$ -	\$ -

Contractual obligations (Note 12)

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

Approved by the Board:

[Original signed]

ROSEMARIE MCCLEAN

Vice Chair, *Board of Directors*

ALBERTA PENSIONS SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

<i>(in thousands)</i>	2016	2015
Financial assets		
Cash	\$ 298	\$ 288
Accounts receivable	19	9
Due from pension plans (Note 7)	6,681	6,447
	6,998	6,744
Liabilities		
Accounts payable and accrued liabilities	\$ 4,700	\$ 4,460
Accrued salaries and benefits	2,634	2,480
Accrued vacation pay	415	308
Deferred lease inducement (Note 12)	485	672
Capital lease obligation (Note 12)	159	-
	8,393	7,920
Net debt	\$ (1,395)	\$ (1,176)
Non-financial assets		
Tangible capital assets (Note 8)	\$ 49,358	\$ 46,471
Prepaid expenses	1,395	1,176
	50,753	47,647
Net assets before spent deferred capital contributions	49,358	46,471
Spent deferred capital contributions (Note 8)	49,358	46,471
Net assets (Note 9)	\$ -	\$ -

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

ALBERTA PENSIONS SERVICES CORPORATION

STATEMENT OF CHANGE IN NET DEBT

AS AT DECEMBER 31

(in thousands)

	2016		2015
	Budget	Actual	Actual
Annual surplus (deficit)	\$ -	\$ -	\$ -
Acquisition of tangible capital assets (Note 8)	(8,271)	(6,698)	(12,785)
Amortization of tangible capital assets (Note 8)	4,145	3,811	2,180
Change in spent deferred capital contributions	4,126	2,887	10,605
Change in prepaid expenses	-	(219)	(311)
(Increase) in net debt	-	(219)	(311)
Net debt at beginning of year	(1,176)	(1,176)	(865)
Net debt at end of year	\$ (1,176)	\$ (1,395)	\$ (1,176)

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>	2016	2015
Operating transactions		
Annual surplus (deficit)	\$ -	\$ -
Non-cash items:		
Amortization of tangible capital assets (Note 8)	3,811	2,180
Decrease in deferred lease inducement (Note 12)	(187)	(187)
Increase in capital lease obligation (Note 12)	199	-
Amortization of spent deferred capital contributions (Note 8)	(3,811)	(2,180)
	12	(187)
(Increase) decrease in accounts receivable	(10)	42
(Increase) in prepaid expenses	(219)	(311)
(Increase) in due from pension plans	(234)	(1,126)
Increase in accounts payable and accrued liabilities	240	1,503
Increase in accrued salaries and benefits	154	74
Increase in accrued vacation pay	107	20
Cash provided by operating transactions	50	15
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(6,698)	(12,785)
Cash applied to capital transactions	(6,698)	(12,785)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	6,698	12,785
Repayment of capital lease obligation (Note 12)	(40)	-
Cash provided by financing transactions	6,658	12,785
Increase in cash	10	15
Cash at beginning of year	288	273
Cash at end of year	\$ 298	\$ 288

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

ALBERTA PENSIONS SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 taxes under the *Income Tax Act*. 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)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

2. NATURE OF OPERATIONS (CONTINUED)

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 pensions 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, 2018. 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 6).

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 recognized as the related expenses are incurred.

Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

FINANCIAL STATEMENT COMPONENT	MEASUREMENT
Cash and cash equivalents	Cost
Accounts receivable and due from pension plans	Lower of cost or net recoverable value
Accounts payable and accrued liabilities, salaries and benefits	Cost

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

CASH AND CASH EQUIVALENTS

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

ACCOUNTS RECEIVABLE

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the Corporation at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

Non-financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and overhead directly attributable to construction and development.

Assets under construction, which include development of information systems, are not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Capital lease liabilities are recognized at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Corporation's rate for incremental borrowing or the interest rate implicit in the lease. Note 12 provides a schedule of repayments and amount of interest on the leases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Assets under construction	Refer to (a) below
Leasehold improvements	Refer to (b) below
Compass system (c)	12 years
Furniture and equipment	5 years
Computer hardware and software	3 years
Telephone system	3 years

- (a) Assets under construction, which include the replacement of the current pension administration system and the development of its applications, are not amortized.
- (b) Amortization is over the term of lease, up to a maximum of five years.
- (c) The 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. The Corporation changed its estimated useful life of the Compass system from 10 to 12 years. This change in accounting estimate has been accounted for prospectively, effective January 1, 2016.

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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAID EXPENSES

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

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.

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 recognized in future periods. The significant area requiring the use of management estimates relates to the estimated useful lives of tangible capital assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

4. FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

Financial Instruments

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**

PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

5. 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	2016	2015
PSPP	\$ 972	\$ 1,189
SFPP	863	1,300
MEPP	772	714
MSRP	61	37
LAPP	55	64
PSM(CM)PP	30	48
MLAPP	21	36
PJMC(R)PP	15	22
PJMC(U)PP	6	23
	\$ 2,795	\$ 3,433

ALBERTA PENSIONS SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

6. 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	2016	2015
Alberta Health Services	\$ 1	\$ -
City of Edmonton	1	2
EPCOR	1	2
Government of Alberta	1	2
Legislative Assembly	1	-
	5	6
Alberta Investment Management Corporation ¹	75	75
	\$ 80	\$ 81

¹ 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, 2016

7. 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, 2016, \$6,681 (2015 - \$6,447) is receivable from the plans. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

Plan	2016		2015
LAPP	\$ 36,466	\$	34,599
PSPP	13,308		13,040
MEPP	2,471		2,330
SFPP	1,929		2,327
MSRP	703		622
PSM(CM)PP	301		325
PJMC(R)PP	90		97
PJMC(U)PP	81		98
MLAPP	71		87
	55,420		53,525
Interest and other miscellaneous cost recoveries	23		21
Employer specific services (Note 6)	80		81
	\$ 55,523	\$	53,627

ALBERTA PENSIONS SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

8. TANGIBLE CAPITAL ASSETS

(in thousands)

	2016					2015	
	Compass system	Computer hardware & software ²	Leasehold improvements	Furniture & equipment	Telephone system	Total	Total
Estimated useful life	12 years	3 years	Note 3(b)	5 years	3 years		
Historical Cost¹							
Beginning of year	\$ 44,971	\$ 23,633	\$ 7,930	\$ 1,734	\$ 45	\$ 78,313	\$ 65,968
Additions	4,229	2,410	59	-	-	6,698	12,785
Disposals, including write-downs	-	(19,042)	(1,654)	(250)	-	(20,946)	(440)
	49,200	7,001	6,335	1,484	45	64,065	78,313
Accumulated Amortization							
Beginning of year	1,369	21,178	7,739	1,511	45	31,842	30,102
Amortization expense	2,450	1,189	94	78	-	3,811	2,180
Effect of disposals, including write-downs	-	(19,042)	(1,654)	(250)	-	(20,946)	(440)
	3,819	3,325	6,179	1,339	45	14,707	31,842
Net Book Value at December 31, 2016	\$ 45,381	\$ 3,676	\$ 156	\$ 145	\$ -	\$ 49,358	
Net Book Value at December 31, 2015	\$ 43,602	\$ 2,455	\$ 191	\$ 223	\$ -		\$ 46,471

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

¹ Historical cost includes assets under construction at December 31, 2016 totalling \$2,432 (2015 - \$33,978) comprised of Compass system \$1,270 (2015 - \$33,612) and computer hardware and software \$1,162 (2015 - \$366).

² Cost of computer hardware under capital lease is \$199 and related accumulated amortization is \$11.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

9. SHARE CAPITAL

	2016	2015
Issued:		
1 common share	\$ 1	\$ 1

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

10. EMPLOYEE FUTURE BENEFITS

(in thousands)

The Corporation participates in three multi-employer, defined benefit public sector pension plans: PSPP, MEPP and MSRP. 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 \$3,714 for the year ended December 31, 2016 (2015 - \$3,607). This amount is included in staff and related expenses.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2015, PSPP reported a deficiency of \$133,188 (2014 - deficiency of \$803,299), MEPP reported a surplus of \$299,051 (2014 - surplus of \$75,805) and MSRP had a deficiency of \$16,305 (2014 - deficiency of \$17,203).

ALBERTA PENSIONS SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

11. RELATED PARTY TRANSACTIONS

(in thousands)

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

	2016	2015
SERVICE ALBERTA	\$ 1,114	\$ 1,128
Data processing, software licences, printing, postage and training		
TREASURY BOARD AND FINANCE	114	103
Risk management and insurance		
UNIVERSITY OF ALBERTA	6	18
Management training		
	\$ 1,234	\$ 1,249

At year end, \$307 (2015 - \$308) is payable to Service Alberta.

The Corporation also provided services to the pension plans and pension plan boards and committees as disclosed in Notes 5 and 7. These transactions are in the normal course of operations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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	Operating ¹	Capital ²	Total
2017	\$ 3,129	\$ 40	\$ 3,169
2018	2,053	40	2,093
2019	1,336	40	1,376
2020	19	39	58
2021	-	-	-
Thereafter	-	-	-
	\$ 6,537	\$ 159	\$ 6,696

¹ 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 which was substantially completed by December 2016. Contractual obligations over the next year total \$1,056.

² The Corporation has entered into a lease agreement for computer hardware. The capital payments are fixed, equal annual payments at zero percent interest. The present value of these capital payments is recognized as a liability on the Statement of Financial Position.



ALBERTA PENSIONS SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

13. SALARIES AND BENEFITS DISCLOSURE

Details of Executive and Board member remuneration are presented in the Compensation Discussion and Analysis section of the Corporation's 2016 Annual Report.

14. 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 7).

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

15. 2016 BUDGET

The Corporation's 2016 budget was approved by the Board of Directors on January 27, 2016.

16. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of the Corporation.

17. COMPARATIVE FIGURES

Certain 2015 comparative figures have been reclassified to conform to the current year's presentation.



appendices

APPENDIX A

CORPORATE GOVERNANCE

Regulatory Framework

Alberta Pensions Services Corporation (APS) was incorporated in 1995 under Alberta's *Business Corporations Act* with the Government of Alberta as the sole shareholder. On behalf of the shareholder, APS provides cost-effective and efficient pension administration of the public sector pension plans, and related services, as set out in a Pension Services Agreement.

The *Alberta Public Agencies Governance Act* 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*.

Governance Practices

The Mandate and Roles Document outlines the roles and responsibilities of the Minister, the APS Board and the President and Chief Executive Officer (CEO).

In addition, the Board has adopted a governance model that defines accountability between the Board and management. The Board delegates operational responsibilities and authority to the CEO with clear expectations for results. The Board rigorously monitors the Corporation's results against the Strategic Plan and Business Plan budget and initiatives, and the Corporate Scorecard performance measures and targets, to ensure these expectations have been achieved within APS' risk and compliance framework.

APPENDIX A

CORPORATE GOVERNANCE

The Board of Directors follows its Board Terms of Reference which describes its purpose and authority, operating rules and procedures, and includes 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 also adopted specific Governance Policies and practices respecting Board orientation, education and interactions with the CEO and management, and board meeting conduct. The Board conducts an annual self-evaluation to assess the performance and effectiveness of the Board and its committees.

The Board provides the Minister with an annual assessment of its corporate obligations, in addition to a disclosure report of its corporate governance practices, consistent with the Canadian Securities Administrators National Policy 58-201 – Corporate Governance Guidelines, and National Policy 52-210 Audit Committees.

Board Composition

The Articles of Incorporation provide that any vacancy in the Board of Directors shall be filled by the Shareholder appointing an individual as director, and the Unanimous Shareholder Agreement provides that ten directors shall be appointed by the Shareholder, 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 representative of 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 director term expiries, composition and competency matrix, and follows the Government of Alberta's transparent and competency-based recruitment process for director appointments for public agencies.

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

APPENDIX A

CORPORATE GOVERNANCE

2016 APS BOARD OF DIRECTORS

NAME	Nominee	Term of Service	Board Position
Al Mondor	Independent	April 2009 – March 2017	Board Chair Governance Committee Chair
Rosemarie McClean	Independent	January 2009 – present	Board Vice Chair Human Resources Committee Chair
Ward Chapin	Independent	January 2013 – present	Next Generation Board Project Governance Committee Chair
Bonnie Andriachuk	Independent	January 2013 – April 2016	
Garth Sherwin	Independent	January 2010 – April 2016	Audit Committee Chair <i>(to April 2016)</i>
George Walker	Local Authorities Pension Plan Board of Trustees	September 2014 – December 2016	
Chris Archibald	Public Service Pension Board	November 2010 – October 2016	Human Resources Committee Vice Chair <i>(to October 2016)</i>
Roger Rosychuk	Special Forces Pension Board	February 2013 – present	Acting Audit Committee Chair
James Fleming	Management Employees Pension Board	April 2016 – present	

MINISTER'S REPRESENTATIVE AND SHAREHOLDER OBSERVER

Nilam Jetha, Assistant Deputy Minister, Financial Sector Regulation and Policy, Treasury Board and Finance

January 2016 – present

APPENDIX A

CORPORATE GOVERNANCE

Duties and Responsibilities of the Board of Directors

The Board acts in the best interests of the organization to perform its stewardship responsibilities either directly or through the Committees of the Board, to fulfill 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. To fulfill its obligations, the Board develops and approves a five-year strategic plan which is reviewed and updated annually, and a three year Business Plan and budget which is monitored quarterly and reviewed and updated annually. Regular reporting on APS' performance and financial results is provided to the Minister, as well as the auditor's report prepared by the Office of the Auditor General.

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

Board Remuneration (in thousands)

The Board Chair received remuneration of \$38 (2015: \$40). Seven other board members received a combined total remuneration of \$98 (2015: \$114). One board member, who is employed by the Government of Alberta, was not eligible for remuneration.

The remuneration is paid in accordance with the rates approved by the Shareholder and is subject to applicable withholdings.

Board Committees

The Board has four committees: Audit Committee, Human Resources Committee, Governance Committee and Next Generation Board Project Governance Committee (replaced by the Operational Risk Committee in 2017). The committees each review their terms of reference annually. All meet as Committees of the Whole with unique agendas and meeting times, on a quarterly basis in conjunction with the Board meetings.

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 Internal Audit, Risk Management, and Compliance Programs;
- Oversees the Corporation's Whistleblower and Fraud Prevention policies; and
- Works with the independent auditor.

APPENDIX A

CORPORATE GOVERNANCE

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, director development and training;
- Assesses and makes recommendations regarding Board effectiveness; and
- Ensures the Board fulfills its legal, ethical and functional responsibilities.

Next Generation Board Project Governance Committee

(Committee terminated December 31, 2016, and replaced by the Operational Risk Committee effective January 1, 2017)

- 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 2016, the Board and the Committees each met quarterly. The Board also held special meetings to review the year-end corporate scorecard, to review updates on the Next Generation project prior to the launch date, as well as to update the Board on proactive measures taken to provide service to employers, members and pensioners affected by the Fort McMurray wildfire situation. Orientation sessions were held for one new director and for the Minister's new representative.

In-camera sessions are included as a component of all meetings. Quorum and voting are determined by agreement with the Shareholder.

Additional information

The APS Board Code of Conduct, APS Staff Code of Conduct and Ethics, and Mandate and Roles Document are available on our website, www.apsc.ca under the About APS section.

APPENDIX B

COMPENSATION DISCUSSION & 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.



APPENDIX B

COMPENSATION DISCUSSION & ANALYSIS

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, compensation and benefits, employment conditions and related risks;
- Recommendation for the appointment of the President and CEO;
- Evaluation of the performance of the President and CEO; and
- Succession planning related to the President and CEO and Executive positions.

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 end of each meeting, without management present.

The HRC retains external advisors to provide executive compensation advice and other expertise the Committee deems necessary.

Executive Compensation

Part of the HRC's responsibility is to annually review the total compensation structure for the President and CEO and Executives. 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 measures. Payment for the achievement of corporate results is at the discretion of the Board. Effective March 16, 2017, eligibility for payment must comply with the executive compensation framework set by the Government of Alberta, under the Reform of Agencies, Boards and Commissions Compensation Regulation. This regulation allows for variable pay for executives under contract for the next two years subject to the parameters of the regulation. After two years, executives will no longer be eligible for variable pay.

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 B

COMPENSATION DISCUSSION & 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, Chief Officers and Vice Presidents.

POSITION	2016					2015
	Base Salary ¹	Variable Pay ²	Pension ³	Other Compensation ⁴	Total	Total
President and Chief Executive Officer	\$ 265	\$ 73	\$ 59	\$ 41	\$ 438	\$ 431
Chief Operating Officer ⁵	225	46	50	48	369	290
Chief Financial Officer ^{5,6}	210	39	46	39	334	293
Chief People Officer ⁶	195	31	43	27	296	83
Chief Pensions Officer ^{5,6}	-	-	-	-	-	293
Vice President, Member and Employer Services and Plan Operations	-	-	-	-	-	246
Vice President, Plan Board Secretariat	-	-	-	-	-	156

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 individual's pensionable salary.

⁴ Other compensation includes such cash benefits as: automobile allowance, lump sum payments and vacation payouts where applicable. Also included are non-cash benefits and contributions or payments made on their behalf including health care 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 responsibility and 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 The Chief Pensions Officer retired in October 2015. The roles and responsibilities have been assumed by the Chief Financial Officer and the Chief People Officer.



PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

Supplementary Information Required by Legislation

Public Interest Disclosure (Whistleblower Protection) Act
(Unaudited)

For the year ended December 31, 2016

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* requires the Corporation to report annually on the following parts of the Act:

- (a) the number of disclosures received by the designated officer of the Corporation, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of the disclosures;
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2016, the Corporation's designated officer did not receive any disclosures of wrongdoing pursuant to the Act.

CORPORATE INFORMATION

CORPORATE DIRECTORY

(as at December 31, 2016)

KAREN ADAMS

President and Chief Executive Officer

VLADIMIR AHMAD

Chief Operating Officer

TAMARA JANZEN

Chief People Officer

DOUG WOLOSHYN

Chief Financial Officer

CONTACT INFORMATION

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