

Alberta Pensions Services Corporation
Annual Report

VISION

20

17



Contents

Who We Are and What We Do	... 3
Who We Serve	... 4
Board Chair Message	... 6
CEO Message	... 9
Management's Discussion & Analysis	... 10
Overview	... 10
Stewardship and Service	... 12
Navigating Future Decisions Through Data	... 15
LAPP Website Goes Live	... 15
Community Involvement	... 17
Strategies	... 20
SOAR – Future Outlook	... 23
Financial Statements	... 25
Appendices	... 42
<i>Public Interest Disclosure (Whistleblower Protection) Act</i>	... 51
Corporate Information	... 51



MISSION AND VALUES

Our vision

Relentlessly pursuing excellence in pension benefits administration, to serve those who serve Albertans.

Our mission

As a pension benefits administrator serving Albertans, we are knowledgeable, caring professionals committed to guiding the pension experience, delivering the highest standard of accurate, cost-effective service.

2

WHO WE ARE

WHAT WE DO

Who we are

APS was incorporated in 1995 under Alberta's *Business Corporations Act* with the Government of Alberta as the sole Shareholder.

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
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan
- Members of the Legislative Assembly Pension Plan (MLAPP)

What we do

We provide administrative services to more than 500 participating employers across Alberta. We also provide pension-related services to over 365,000 members and pensioners. We manage over \$6 billion in pension plan funds annually through receipts and disbursements to and from employers, members and other pension plans.

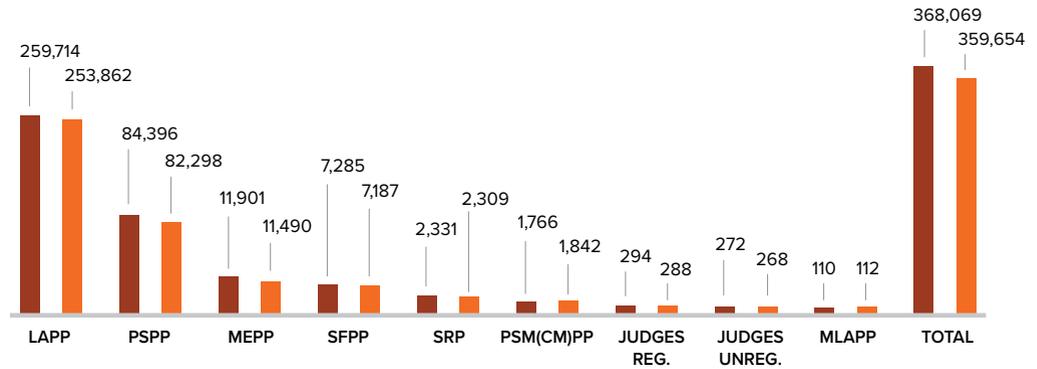
Just a few of the trusted pension services we provide include:

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

WHO WE SERVE

Members and Pensioners by Plan

■ 2017 ■ 2016



Number of Employers

2017 2016
505 502

Members of the Plans by Sector

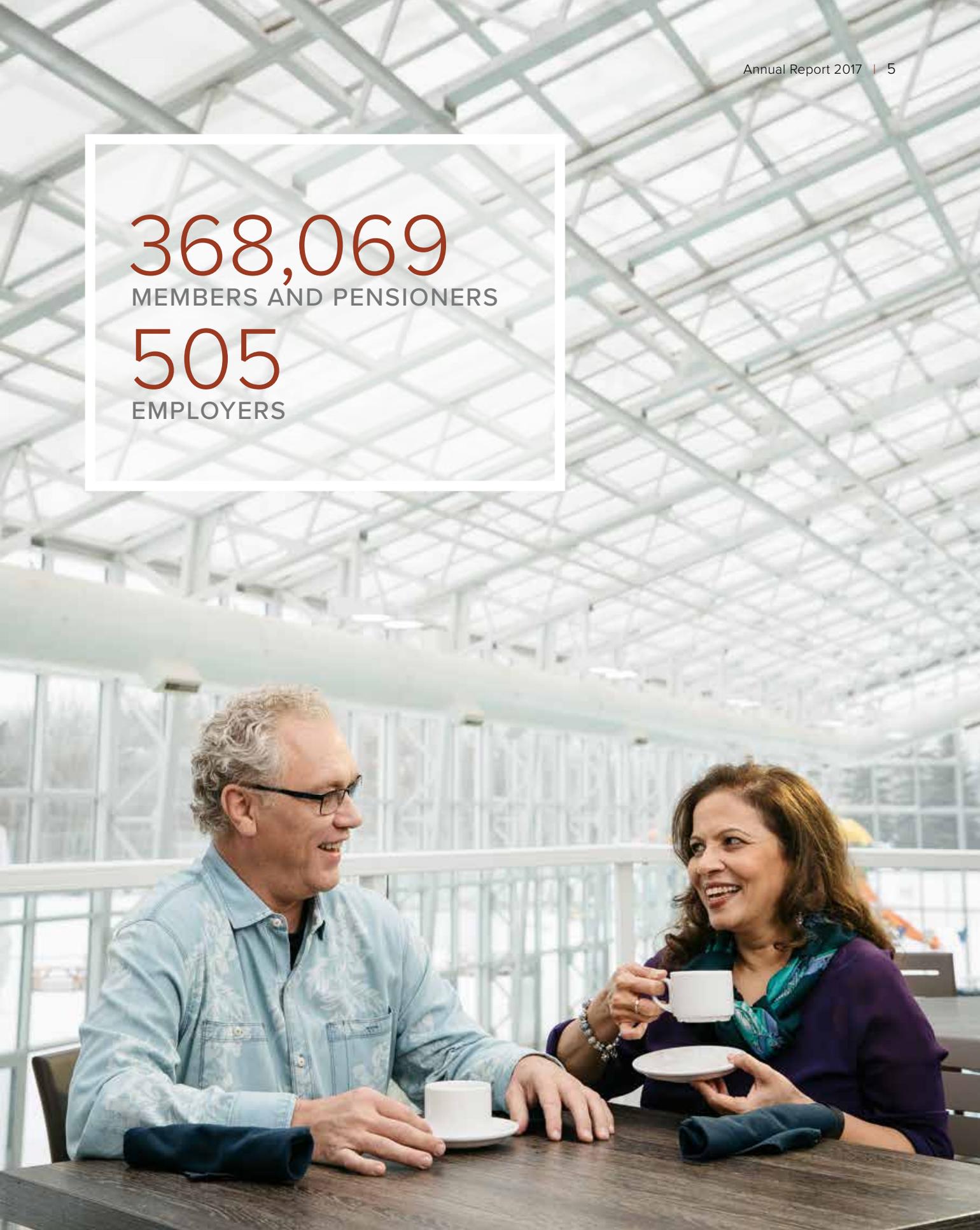
Health 38.4% 37.9% in 2016	Municipal 24.7% 22.1% in 2016	Education 19.0% 19.1% in 2016	Government 13.9% 13.8% in 2016
Agency Association 2.6% 5.0% in 2016	Board 0.9% 1.5% in 2016	Commission 0.5% 0.6% in 2016	GRAND TOTAL 100%

368,069

MEMBERS AND PENSIONERS

505

EMPLOYERS



Message from the Board Chair

ROSEMARIE McCLEAN

I am pleased to present the APS Annual Report for the year ended December 31, 2017.

On behalf of the Shareholder, the Board continued its role in overseeing the corporation's mandate and strategic direction by monitoring the performance measures of the corporation and ensuring APS demonstrates that its administration costs align with its peers, support the Government of Alberta cost constraints, and provide the best value for its clients. The Board also provided ongoing monitoring and oversight strategies for APS' robust and proactive risk management program.

This past year was a year of great change for the APS Board.

The Board would like to recognize the contributions of departed Board Chair Al Mondor for his strategic guidance and governance expertise for the past eight years. The Board welcomed new independent directors Colin MacDonald and Claudia Roszell, and returning director Bonnie Andriachuk. New pension Plan Board representatives appointed to the APS Board include Peter Marsden from the Local Authorities Pension Board and Elaine Noel-Bentley from the Public Service Pension Board. The Board would also like to thank departed CEO Karen Adams for her leadership over the past several years.

The Board would like to acknowledge the dedicated service of James Fleming, former representative from the Management Employees Pension Board. Sadly, we recently learned that James passed away. He will be remembered as an insightful and passionate member of the Board.

The APS Board welcomed new President and CEO Darwin Bozek to APS in August 2017. Darwin brings a renewed focus on APS' clients and has already initiated many service level enhancements. We look forward to 2018 and the progress to be made with his advancements in combining technology with service. The Board acknowledges that all of its strategies are made possible with the hard work, creativity and enthusiasm of APS' management and employees.

In the coming year, the Board and management will work together to ensure that our strategy aligns with the refreshed vision and mission statements, and defines us as a service leader in the pension industry.

Sincerely,

[Original Signed]

ROSEMARIE McCLEAN

Chair

...all of its [the Board] strategies are made possible with the hard work, creativity and enthusiasm of APS' management and employees.





It's our people on the front lines who are paramount to our continuing success.

Message from the CEO

DARWIN BOZEK

OUR VISION LEADS THE WAY

A vision is about something bigger than us. It's about providing a common purpose, keeping us inspired, helping us understand why we're here. In APS we are focused on serving our clients to deliver the best pension service and experience to the members, pensioners and employers.

OUR VISION

Relentlessly pursuing excellence in pension benefits administration, to serve those who serve Albertans.

I continue to be impressed by the dedication at all levels of APS since stepping into my CEO role. The company went through five years of a significant system implementation and is beginning to successfully navigate the road ahead. Our use of business intelligence and analytics is at the leading edge in the industry and our Risk Management Program is advancing steadily to a high state of maturity. I am impressed by the relentless motivation and energy of APS employees. We are continually looking for ways to serve our clients more effectively and efficiently with the end goal of providing better service to their plan members.

We've accomplished much at APS this past year, including advances made on Plan Board websites, client relations and responsiveness, which all serve to enhance our clients' experience. Success is about the whole suite of services that APS provides. A successful client relationship is built on more than focusing only on their needs. It's about building trust and collaborating with our clients, which creates confidence in our ability to be a strategic partner working to achieve common goals. Striving to be the pension administration provider of choice, we will instill confidence and comfort that we 'get it.'

Over the next year, I look forward to supporting our employees, understanding their strengths, their needs, and what motivates them. We have our five-year strategic plan in place and APS leadership will enable employees to make sure they have the support and tools to reach our goals—and even go beyond them. Investing in our people is key moving forward into 2018.

As we strive to be the pension administration provider of choice, our people on the front lines are paramount to our continuing success. Without them, our vision will be unattainable. It is about collaborating with our clients and working with our people to deliver the best service experience. Our teams provide the foundations for our success, so that we can aspire to our vision of "Relentlessly pursuing excellence in pension benefits administration."

My sincere thanks to our hard working teams, for what has been a remarkable year.

Sincerely,

[Original Signed]

DARWIN BOZEK

President and Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS

Photography courtesy of @elrocckkk702

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, 2017. 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.



Our teams provide us with the foundation for success, so that we can believe in, and aspire to, our company vision in the first place.

Stewardship and service

APS is committed to providing pension benefit administration services to over 365,000 members and pensioners, as well as over 500 employers, on behalf of our nine client pension plans. This means working with our client pension plans to ensure that members, pensioners and employers have the tools they need to understand their benefits. It means working as a team to deliver all services, from calculations and benefit payments to employer reconciliation and remittances at the highest level possible. Each and every action made by our teams has resulted in the highest possible standard of service and we take absolute accountability in all that we do. We are also held accountable to providing good stewardship of resources and we have achieved clear and demonstrable success in this regard throughout 2017.

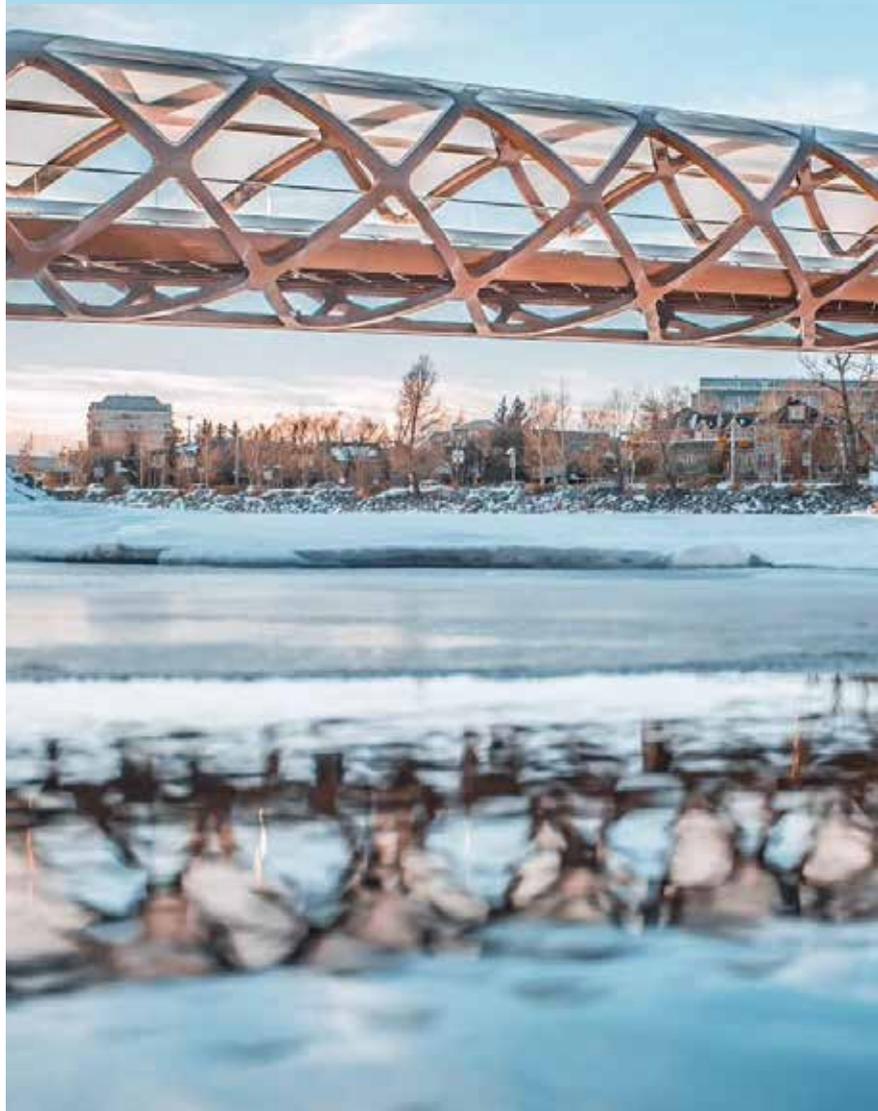
Funds administered

APS administered \$6.4 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 2016.



Photography courtesy of @domingo_cz

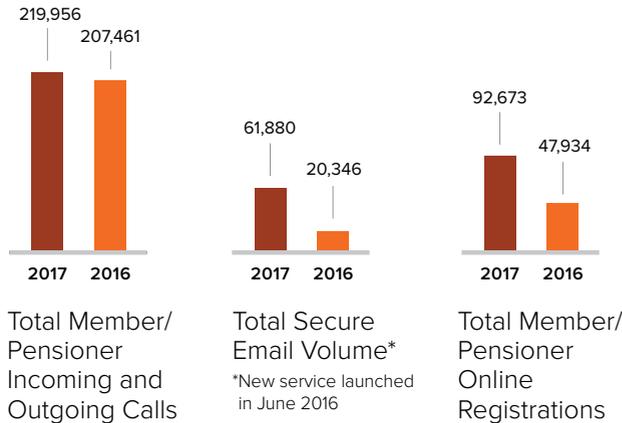
Each and every action made by our teams has resulted in the highest possible standard of service and we take absolute accountability in all that we do.



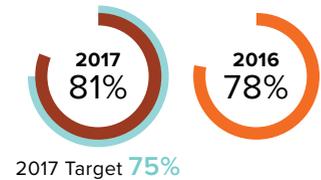
Results

APS is dedicated to exceeding expectations and providing quality results, year after year.

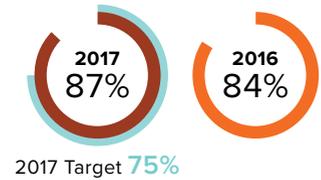
By prioritizing communications channels for our clients, both secure email volume and our online registrations grew exponentially, allowing us to have more opportunities to engage with members and pensioners.



Client Satisfaction



Employer Engagement

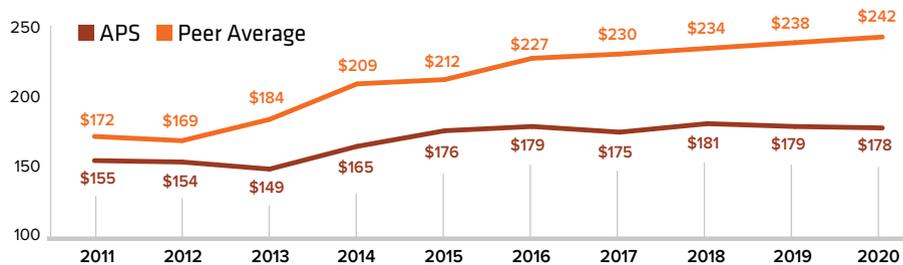


Cost Per Member

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.

Our Cost Per Member was reduced in 2017, from \$179 per member in 2016, to \$175 per member.

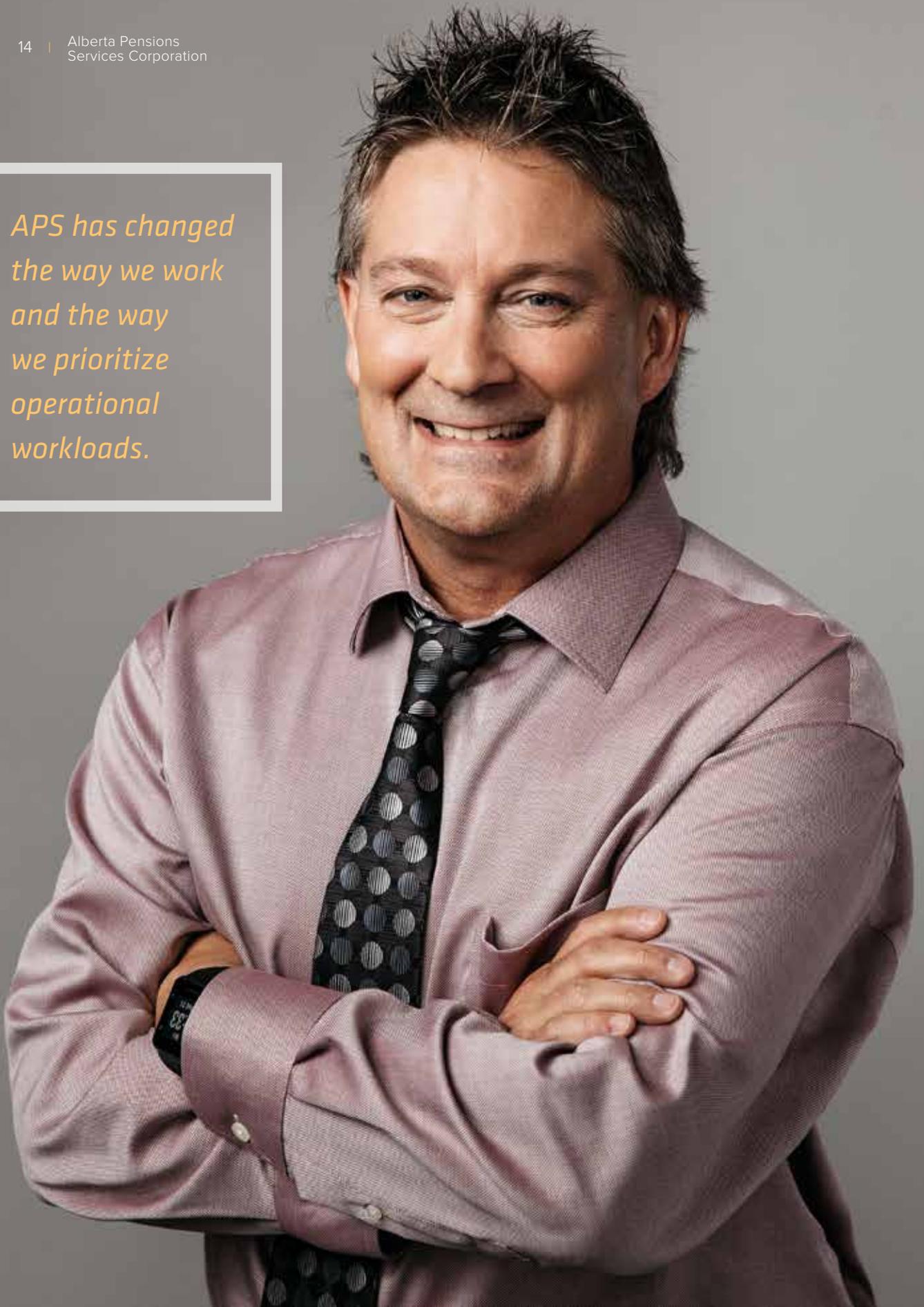
CEM Cost Per Member



*2011-2016 peer average figures based on actuals and 2017-2020 peer average projection based on forecasted Alberta Consumer Price Index ranging 1.4-1.7%.

**2011-2017 APS figures based on actuals and 2018-2020 figures based on budget approved by APS Board.

*APS has changed
the way we work
and the way
we prioritize
operational
workloads.*



Navigating future decisions through data

The Business Intelligence & Analytics (BIA) team had a very impactful year at APS in 2017. BIA is leading APS into a world where accurate timely information and analytics are only a click away. Throughout 2017, the development of new analytical products that provide the entire organization with efficient and timely access to enterprise data has enabled APS to change the way we work and the way we prioritize operational workloads. In addition to powerful dashboards that are seen to be industry leading, analytical data models that provide self-serve access to the entire enterprise have now been developed and deployed. This has resulted in the empowerment of business users to use data to derive their own insights. These powerful insights have changed the way APS prioritizes work and is reducing call volumes by enabling us to focus our efforts on where they will most benefit the members and pensioners we serve. The BIA team at APS continues to work to improve models and enhance the data available so that we can provide the best possible information to our clients and the members of their plans.



Photography courtesy of Bench Accounting on Unsplash

LAPP website goes live

In early 2017, the new Lapp.ca website was launched. This website was the product of a cooperative effort between the Alberta Local Authorities Pension Plan Corp. (ALAPP Corp.) and the digital media team at APS. With simplified language and information flow, the website took a complex subject and made it easier to understand and to navigate, using custom illustrated artwork to ensure an enjoyable experience for LAPP's members. In an effort to provide LAPP members, pensioners and employers with more engagement tools and self-service information, the Lapp.ca redesign and rebrand was one major step in this process. The new site is mobile friendly and responsive, giving visitors the information they need, when they need it. It is organized in bite-sized pieces, allowing them to dig deeper for more in-depth learning if they wish. This fun and illustrative site is engaging while providing reassurance that pensions are in safe hands. Surveying told us that **89%** of users found what they were looking for, that **95%** liked the look of the new site, with a **100%** increase in plan traffic six weeks post launch.



*Our APS team has
given the gift of life
to more than 400
individuals.*

Community involvement

Charity of Choice

Increased usage of Alberta food banks throughout recent years made supporting the Edmonton Food Bank as our Charity of Choice the natural selection for 2017. Through weekly and seasonal casual days, as well as internal competitions, we were able to tap into the strong sense of community at APS and raise more than \$22,000 in cash, along with 2,568 kilograms (5,661 pounds) of food donations.

...we were able to tap into the strong sense of community at APS...

Canadian Blood Services

Blood. It's in us all to give, and give we did in 2017. Twenty-three individual APS employees volunteered their time throughout the year, donating 47 units of blood. We have been a dedicated member of Canadian Blood Services' Partners for Life program since 2014, having made 135 donations. Each donation can save the lives of up to three people, which means our APS team has given the gift of life to more than 400 individuals. We are honoured to have such selfless people working amongst us.

We are honoured to have such selfless people working amongst us.

APS ToastMasters Club

Formed in 2013, ToastmAPSters now boasts 30 members. Having reached seven out of 10 growth milestones since inception, we have reached "Select Distinguished" status and our high achieving club has been represented several times in both Area and Division level speech competitions. One of our members is closing in on her Distinguished Toastmaster status because of the long list of awards of achievement she has received. The importance of leadership through communication is an art our club continues to excel at.

Having reached seven out of 10 growth milestones since inception, we have reached "Select Distinguished" status...



Photography courtesy of @domingo_cz

Foresight and vision are the foundations for success

The passion and energy that APS' team put into executing the 2015-2018 strategic planning cycle produced incredible results. With evolving demographic trends and labour market dynamics, future planning was paramount. Large sweeping changes were made to our technologies with the implementation of our new pension administration system in 2016. This transformational project touched every part of the way APS and our clients would approach business and allowed us to prepare for the oncoming demographic shift. In a rapidly changing environment, we ensured that we continually evaluated our priorities to remain flexible to opportunities, risks and our clients' objectives. Our strategic priorities were directly tied to achieving key outcomes for our clients, the plan governors, and their members, pensioners and employers as well as the Shareholder and Trustee.



We continually evaluated our priorities to remain flexible to opportunities, risks and our clients' objectives.

Strategies

Focus on Clients

This year there has been a continued emphasis on serving members, pensioners and employers. An increase in the number of staff that directly answer calls from members and pensioners means that they receive service quicker and more efficiently. In addition, staff members have more time to help members, pensioners and employers to learn the new system and become more efficient themselves.

Invest in Talent

Work progressed on building the organization's structure to predict and facilitate the challenges of the future. As the new system was implemented, we understood where resource deployment was needed and where we could change systems and implementation. All management staff received training in Management Tools, a structured format for ensuring consistency across the management team, encouraging feedback and constant communication between management and staff. Talent management and investment aligns capabilities with the strategic environment, and makes for an increasingly proficient and efficient team structure.

Demonstrate our Value

Work began on reviewing Service Level Agreements with the Plan Boards, and our CEM measure showing a relatively low cost per participant continues to indicate our value. APS continues to invest heavily in system security, to prepare for potential cyber-criminal focus on our organization. All of this year's dedication to adaptation and tightening of accountability clearly illustrates the value of APS and the services that it provides to our stakeholders.

Engage and Educate

This year, APS continued to work with the Plan Boards and their management teams to enhance on-line services to members. These included the launch of the new LAPP website, and development of new websites for SFPP, PSPP and MEPP. Each website was customized to respond to the needs of the members and pensioners as defined by their boards. By responding directly to individual requirements, APS demonstrated a deeper understanding of stakeholder needs, and increased overall value of the administration of public sector pension plans.



This year there has been a continued emphasis on serving members, pensioners and employers.



*A vision is about
something bigger
than us.*

Success: When vision becomes a reality 2018-2022

With a revitalized vision and mission guiding the way, APS embarks on the next five years with relentless drive to be the pension provider of choice. We are dedicated to public service and guiding our clients' members through the ages and stages of their pension plan. Over the next five years, we will make huge strides on our service delivery as we transform our communication methods, elevate pension benefit education and enhance our stakeholder relationships.

To help lead us into the future, we evolved our strategic planning process and used the SOAR methodology to drive our research. We gathered Strengths, Opportunities, Aspirations and Results feedback from employees, Plan Board members and staff, members, pensioners and employers, as well as staff from our Shareholder, the Ministry of Treasury Board and Finance. The most salient findings from the research were used to form our latest strategic plan that will guide us successfully into the future.

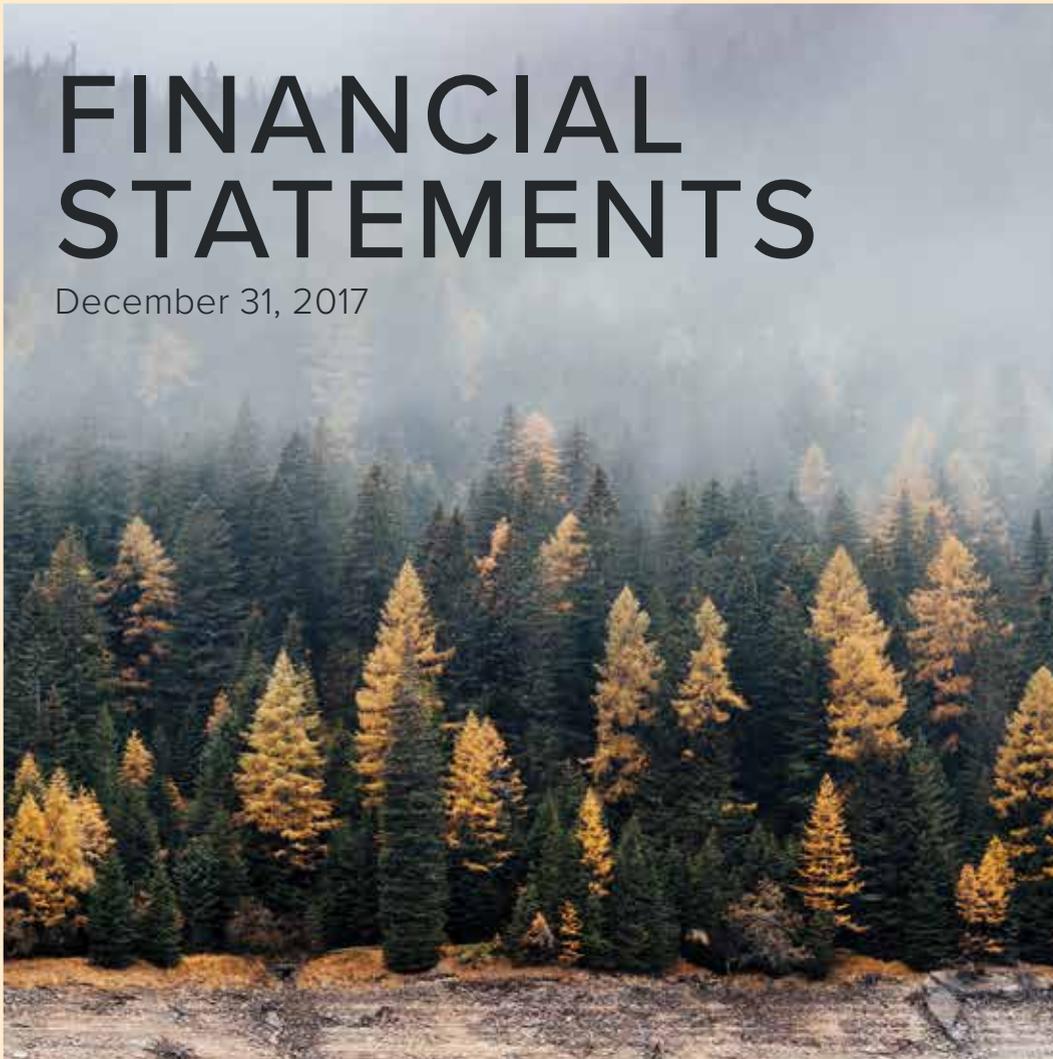
Our vision is bold: with focused determination and clearly defined priorities, we will provide the best possible service and earn the reputation of pension provider of choice.



*We are dedicated
to public service.*

FINANCIAL STATEMENTS

December 31, 2017



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2017 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 2017 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]

DARWIN BOZEK, CPA, CGA
President and Chief Executive Officer

[Original Signed]

DOUG WOLOSHYN, CPA, CA
Vice President, Finance and 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, 2017, 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, 2017, 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 25, 2018

Edmonton, Alberta

Alberta Pensions Services Corporation
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31

(in thousands)

	2017		2016
	Budget	Actual	Actual
Expenses			
Staff and related expenses	\$ 34,305	\$ 33,721	\$ 31,581
Contract services	2,764	2,664	5,453
Materials and supplies	5,055	4,323	5,050
Amortization	6,018	5,596	3,811
Data processing and maintenance	5,262	6,041	6,753
Total before plan specific and employer specific services	53,404	52,345	52,648
Plan specific services (Note 5)	3,663	3,110	2,795
Employer specific services (Note 6)	79	39	80
Total operating expenses	\$ 57,146	\$ 55,494	\$ 55,523
Recovery of costs (Note 7)	\$ 57,146	\$ 55,494	\$ 55,523
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
Chair, Board of Directors

[Original Signed]

ROGER ROSYCHUK
Chair, Audit Committee

Alberta Pensions Services Corporation
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(in thousands)

	2017	2016
Financial assets		
Cash	\$ 357	\$ 298
Accounts receivable	8	19
Due from pension plans (Note 7)	4,945	6,681
	5,310	6,998
Liabilities		
Accounts payable and accrued liabilities	\$ 2,658	\$ 4,700
Accrued salaries and benefits	2,710	2,634
Accrued vacation pay	402	415
Deferred lease inducement (Note 12)	298	485
Capital lease obligation (Note 12)	119	159
	6,187	8,393
Net debt	\$ (877)	\$ (1,395)
Non-financial assets		
Tangible capital assets (Note 8)	\$ 45,212	\$ 49,358
Prepaid expenses	877	1,395
	46,089	50,753
Net assets before spent deferred capital contributions	45,212	49,358
Spent deferred capital contributions (Note 8)	45,212	49,358
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

YEAR ENDED DECEMBER 31

(in thousands)

	2017		2016
	Budget	Actual	Actual
Annual surplus (deficit)	\$ -	\$ -	\$ -
Acquisition of tangible capital assets (Note 8)	(1,944)	(1,450)	(6,698)
Amortization of tangible capital assets (Note 8)	6,018	5,596	3,811
Change in spent deferred capital contributions	(4,074)	(4,146)	2,887
Change in prepaid expenses	-	518	(219)
Decrease (Increase) in net debt	-	518	(219)
Net debt at beginning of year	(1,395)	(1,395)	(1,176)
Net debt at end of year	\$ (1,395)	\$ (877)	\$ (1,395)

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

Alberta Pensions Services Corporation
STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31

(in thousands)

	2017	2016
Operating transactions		
Annual surplus (deficit)	\$ -	\$ -
Non-cash items:		
Amortization of tangible capital assets (Note 8)	5,596	3,811
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)	(5,596)	(3,811)
	(187)	12
Decrease (increase) in accounts receivable	11	(10)
Decrease (increase) in prepaid expenses	518	(219)
Decrease (increase) in due from pension plans	1,736	(234)
(Decrease) increase in accounts payable and accrued liabilities	(2,042)	240
Increase in accrued salaries and benefits	76	154
(Decrease) increase in accrued vacation pay	(13)	107
Cash provided by operating transactions	99	50
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(1,450)	(6,698)
Cash applied to capital transactions	(1,450)	(6,698)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	1,450	6,698
Repayment of capital lease obligation (Note 12)	(40)	(40)
Cash provided by financing transactions	1,410	6,658
Increase in cash	59	10
Cash at beginning of year	298	288
Cash at end of year	\$ 357	\$ 298

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

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

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 (Judges Registered Pension Plan)
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Judges Unregistered Pension Plan)

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 (SRP)

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.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

Expenses

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

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.

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 are not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

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.

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

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

(a) Amortization is over the term of lease, up to a maximum of five years.

(b) The Compass system is the Corporation's pension administration system.

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.

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.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

4. FUTURE ACCOUNTING CHANGES

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

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective for years beginning on or after 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 for years beginning on or after 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 for years beginning on or after 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.

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	2017	2016
SFPP	\$ 1,068	\$ 863
PSPP	988	972
MEPP	781	772
SRP	100	61
LAPP	73	55
Judges Registered Pension Plan	44	15
PSM(CM)PP	27	30
Judges Unregistered Pension Plan	21	6
MLAPP	8	21
	\$ 3,110	\$ 2,795

Alberta Pensions Services Corporation**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31

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	2017	2016
City of Edmonton	\$ 1	\$ 1
EPCOR	1	1
Government of Alberta	1	1
Legislative Assembly / Alberta Health Services	1	2
	4	5
Alberta Investment Management Corporation ¹	35	75
	\$ 39	\$ 80

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.

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, 2017, \$4,945 (2016 - \$6,681) is receivable from the plans. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

Plan	2017	2016
LAPP	\$ 36,482	\$ 36,466
PSPP	13,038	13,308
MEPP	2,479	2,471
SFPP	2,121	1,929
SRP	756	703
PSM(CM)PP	282	301
Judges Registered Pension Plan	119	90
Judges Unregistered Pension Plan	96	81
MLAPP	58	71
	55,431	55,420
Interest and other miscellaneous cost recoveries	24	23
Employer specific services (Note 6)	39	80
	\$ 55,494	\$ 55,523

Alberta Pensions Services Corporation
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

8. TANGIBLE CAPITAL ASSETS
(in thousands)

						2017	2016
	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	\$ 49,200	\$ 7,001	\$ 6,335	\$ 1,484	\$ 45	\$ 64,065	\$ 78,313
Additions	-	1,406	-	44	-	1,450	6,698
Disposals, including write-downs	-	(205)	-	-	-	(205)	(20,946)
	49,200	8,202	6,335	1,528	45	65,310	64,065
Accumulated Amortization							
Beginning of year	3,819	3,325	6,179	1,339	45	14,707	31,842
Amortization expense	4,018	1,417	86	75	-	5,596	3,811
Effect of disposals, including write-downs	-	(205)	-	-	-	(205)	(20,946)
	7,837	4,537	6,265	1,414	45	20,098	14,707
Net Book Value at December 31, 2017	\$ 41,363	\$ 3,665	\$ 70	\$ 114	\$ -	\$ 45,212	
Net Book Value at December 31, 2016	\$ 45,381	\$ 3,676	\$ 156	\$ 145	\$ -		\$ 49,358

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, 2017 totalling \$1,385 (2016 - \$2,432) comprised of computer hardware and software \$1,385 (2016 - \$1,162) and Compass system \$nil (2016 - \$1,270).

² Cost of computer hardware under capital lease is \$199 and related accumulated amortization is \$77.

Alberta Pensions Services Corporation**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31

9. SHARE CAPITAL

	2017	2016
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 SRP. 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 \$3,611 for the year ended December 31, 2017 (2016 - \$3,714). 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, 2016, PSPP reported a surplus of \$302,975 (2015 - deficiency of \$133,188), MEPP reported a surplus of \$402,033 (2015 - surplus of \$299,051) and SRP had a deficiency of \$50,020 (2015 - deficiency of \$16,305).

11. RELATED PARTY TRANSACTIONS*(in thousands)*

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

	2017	2016
SERVICE ALBERTA	\$ 678	\$ 1,114
Data processing, software licences, printing, postage and training		
TREASURY BOARD AND FINANCE	142	114
Risk management and insurance		
UNIVERSITY OF ALBERTA	7	6
Management training		
	\$ 827	\$ 1,234

At year end, \$263 (2016 - \$307) 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.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

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:

	Operating ¹	Capital ²	Total
2018	\$ 3,066	\$ 40	\$ 3,106
2019	1,379	40	1,419
2020	31	39	70
2021	-	-	-
2022	-	-	-
Thereafter	-	-	-
	\$ 4,476	\$ 119	\$ 4,595

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 \$970.

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.

13. CONTINGENT LIABILITIES

APS is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at December 31, 2017 accruals totalling \$nil (2016: \$270) have been recognized as a liability.

APS has been named in 13 (2016: 11) claims, the outcomes of which are not determinable. In most cases these claims have been filed jointly and severally against APS, one of the Pension Plans and in some cases involve third parties. Of these claims, 1 (2016: 1) has a specified amount totalling \$800 (2016: \$800). The remaining 12 (2016 - 10) claims have no specified amounts. Management estimates that any potential liability relating to these claims would be to the Pension Plan(s) named for any benefit related costs and any potential damages would be covered by the insurance provided by the Alberta Risk Management Fund.

The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

14. SALARIES AND BENEFITS DISCLOSURE

Details of Executive and Board member remuneration are presented in the Compensation Discussion and Analysis section of the Corporation's 2017 Annual Report.

15. 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.

16. 2017 BUDGET

The Corporation's 2017 budget was approved by the Board of Directors on November 29, 2016.

17. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of the Corporation.



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* (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*, APAGA, 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.

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.

APPENDIX A

CORPORATE GOVERNANCE

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 nine 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
- 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.

Shareholder's Representative

The person holding the office of Assistant Deputy Minister of the Division and Department of the Shareholder that is responsible for the Shareholder's relationship with the Corporation is authorized to receive all materials provided to the directors and attend meetings of the directors. This person is entitled to participate in all discussions of the directors at such meetings, but not permitted to vote on any motion or resolution considered by the directors. In 2017 this Shareholder's Representative position was held by the Assistant Deputy Minister, Financial Sector Regulation and Policy, Treasury Board and Finance.

APPENDIX A

CORPORATE GOVERNANCE

2017 APS BOARD OF DIRECTORS

NAME	NOMINEE	TERM OF SERVICE	BOARD POSITION
Rosemarie McClean	Independent	January 2009 – present	<ul style="list-style-type: none"> • Board Chair (<i>as of June 2017</i>) • Board Vice Chair (<i>to June 2017</i>) • Governance Committee Chair (<i>as of June 2017</i>) • Human Resources Committee Chair (<i>to September 2017</i>)
Al Mondor	Independent	April 2009 – March 2017	<ul style="list-style-type: none"> • Board Chair (<i>to March 2017</i>) • Governance Committee Chair (<i>to March 2017</i>) • Operational Risk Committee Vice Chair (<i>to March 2017</i>)
Ward Chapin	Independent	January 2013 – present	<ul style="list-style-type: none"> • Operational Risk Committee Chair
Bonnie Andriachuk	Independent	January 2013 – April 2016 June 2017 – present	<ul style="list-style-type: none"> • Human Resources Committee Chair (<i>as of September 2017</i>)
Colin P. MacDonald	Independent	June 2017 – present	<ul style="list-style-type: none"> • Board Vice Chair (<i>as of September 2017</i>) • Governance Committee Vice Chair (<i>as of September 2017</i>)
Claudia Roszell	Independent	June 2017 – present	<ul style="list-style-type: none"> • Audit Committee Vice Chair (<i>as of September 2017</i>)
Peter Marsden	Local Authorities Pension Plan Board of Trustees	March 2017 – present	<ul style="list-style-type: none"> • Human Resources Committee Vice Chair (<i>as of September 2017</i>)
Elaine Noel-Bentley	Public Service Pension Board	March 2017 – present	<ul style="list-style-type: none"> • Operational Risk Committee Vice Chair (<i>as of September 2017</i>)
James Fleming	Management Employees Pension Board	April 2016 – December 2017	
Roger Rosychuk	Special Forces Pension Board	February 2013 – present	<ul style="list-style-type: none"> • Audit Committee Chair

SHAREHOLDER'S REPRESENTATIVE

Nilam Jetha, Assistant Deputy Minister, Financial Sector Regulation and Policy, Treasury Board and Finance
January 2016 – March 2018

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 position, which was held by two different individuals during the year, received remuneration of \$50 (2016: \$38). Al Mondor held the position until March 2017 and Rosemarie McClean became the Board Chair effective June 2017. Eight other board members (seven in 2016) received a combined total remuneration of \$102 (2016: \$98). One board member, who was employed by the Government of Alberta, was not eligible for remuneration in 2016.

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 Operational Risk Committee. 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
 - 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 and Compliance Programs
 - Oversees the Corporation's Whistleblower and Fraud Prevention policies
 - 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
- Monitors the Corporation's management of workforce employment conditions

Governance Committee

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

Operational Risk Committee

- Oversees the operational risk management framework for effective identification and monitoring of operational risk
- Assesses the nature and level of operational risk being taken by the Corporation
- Reviews opportunities and market trends in information technology and makes recommendations for operational strategies
- Reviews and makes recommendations for business continuity and crisis management programs

Board Meetings

In 2017, the Board and the Committees each met quarterly. The Board also held special meetings to review the year-end corporate scorecard and to make recommendations to the Minister for the selection for a new CEO, and CEO Compensation. Orientation sessions were held for five new directors.

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 the 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 comprised of nine members of the APS Board of Directors and the Shareholder's Representative, 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 (SRP). 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, Vice Presidents and Chief Officers.

Position	Base Salary ¹	Variable Pay ²	Pension ³	Other Compensation ⁴	2017 Total	2016 Total ⁵
President and Chief Executive Officer (D.Bozek) ⁶	\$ 96	\$ -	\$ 19	\$ 18	\$ 133	\$ -
President and Chief Executive Officer (K.Adams) ⁶	127	119	25	51	322	429
Vice President, Finance and Chief Financial Officer ⁸	210	46	40	44	340	327
Vice President, Human Resources and Organizational Development ⁹	195	43	37	24	299	288
Chief Operating Officer ^{7,8}	135	50	27	33	245	366

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. Prior year amounts have been restated to align with Government of Alberta disclosure of Other Compensation.
6. Darwin Bozek occupied the position of President and Chief Executive Officer effective August 21, 2017. Karen Adams left the Corporation June 24, 2017.
7. Vladimir Ahmad, Chief Operating Officer, left the Corporation effective August 8, 2017.
8. Effective December 2017, the Corporation restructured the responsibilities and titles for the following corporate officers:

Former Title

Chief Financial Officer
Chief People Officer
Chief Operating Officer

New Title

Vice President, Finance and Chief Financial Officer
Vice President, Human Resources and Organizational Development
Vice President, Pensions Services^a
Vice President, Information Services and Technology^a

- a. Vacant as at December 31, 2017.

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

Supplementary Information Required by Legislation

Public Interest Disclosure (Whistleblower Protection) Act
(Unaudited)

For the year ended December 31, 2017

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 officers of the Corporation, the number of disclosures acted on and the number of disclosures not acted on by the designated officers;
- (b) the number of investigations commenced by the designated officers 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 2017, the Corporation's designated officers did not receive any disclosures of wrongdoing pursuant to the Act.

CORPORATE INFORMATION

CORPORATE DIRECTORY

(as at December 31, 2017)

DARWIN BOZEK

President and Chief Executive Officer

TAMARA JANZEN

Vice President, Human Resources
and Organization Development

DOUG WOLOSHYN

Vice President, Finance and Chief Financial
Officer

VACANT

Vice President, Information Services and
Technology and Chief Information Officer

VACANT

Vice President, Pensions Services

CONTACT INFORMATION

Alberta Pensions Services Corporation
5103 Windermere Blvd. SW
Edmonton, AB T6W 0S9
Toll-free: 1-800-661-8198
E-mail: memberservices@apsc.ca
www.apsc.ca

Everyone at APS would like to thank the fine people included in the 2017 annual report who made this document unique to our organization. A huge thank you to our local Alberta photographers who allowed us to showcase their work and showcase our beautiful province.



5103 Windermere Blvd. SW
Edmonton, AB T6W 0S9
Toll-free: 1-800-661-8198
www.apsc.ca