aps

RESILIENT.
RESPONSIVE.
RELIABLE.

Alberta Pensions Services Corporation

2019 Annual Report

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RESILIENT. RESPONSIVE. RELIABLE.

We take these three qualities very seriously.

Alberta Pensions Services Corporation (APS) was built on strength. Whether it's economic challenges or growing structural complexities, we never give up. Instead, we explore new ways to make our organization even stronger. And we're always there when you need us. We hold ourselves accountable to ensure our clients' members, pensioners and employers receive the highest level of service. They are the reason we exist. Because when it comes to service, we care.

MISSION, VISION & VALUES

MISSION This is our purpose.

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.

VISION This is what we strive to achieve.

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

VALUES These are what drive us to do the right thing.

SERVICE
We make every interaction count.

QUALITY
What we do, we do well.

ACCOUNTABILITY
We take responsibility.

Who We Are

Alberta Pensions Services Corporation is dedicated to providing an exceptional pension experience to members, pensioners and employers. In collaboration with our clients and the Government of Alberta, we deliver services on behalf of seven public sector pension plans and two supplementary retirement plans:

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

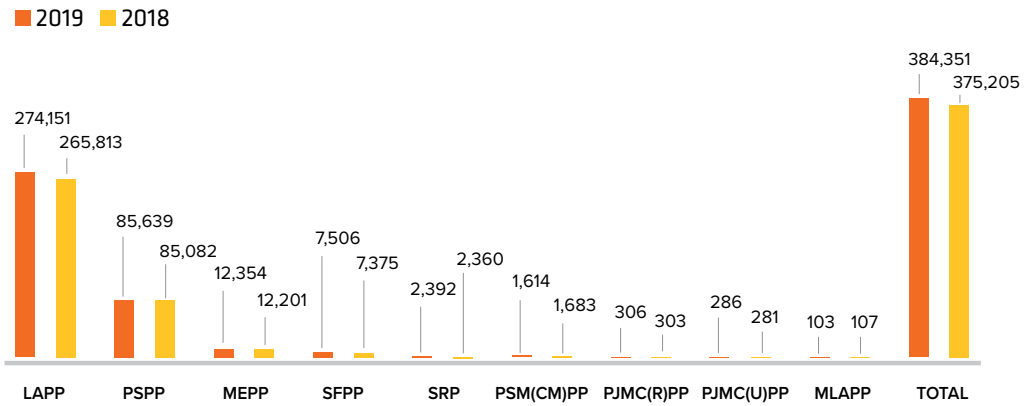
What We Do

APS provides valuable pension benefits administration services to 494 participating employers across Alberta. We also provide trusted pension-related services to over 384,000 members and pensioners around the world, administering pension plan funds annually through receipts and disbursements in excess of six billion dollars. Some of our reliable pension services include:

- Contributions management
- Member, pensioner and employer information management
- Member, pensioner and employer communications
- Benefit calculations
- Disbursements to and from employers, members and other pension plans
- Policy development and implementation
- Communications design and delivery
- Compliance, regulatory and plan financial reporting

Who We Serve

Members and Pensioners by Plan



Number of Employers

2019

494

2018

491

2019 Plan Members by Sector

Health

40.5%

39.5% in 2018

Municipal

21.6%

21.7% in 2018

Education

19.2%

19.3% in 2018

Government

13.0%

13.6% in 2018

Other Public Agencies

5.7%

5.9% in 2018

Number of pensioners:

2019: **111,558**

2018: **106,995**

Average pensionable service at retirement:

21.74 years 2019

20.73 years 2018

Number of pensioners 100 years or older:

2019: **67**

2018: **51**

Message from the Board Chair

COLIN P. MACDONALD

I am pleased to present the Alberta Pensions Services Corporation (APS) annual report for the year ending December 31, 2019.

This was a year of change for APS, particularly because of the legislated changes in pension plan governance. The first shift happened in March 2019 with the implementation of Bill 27: *Joint Governance of Public Sector Pension Plans Act.* This Act introduced significant governance changes for three of our pension plan clients and impacted APS as a service provider. The second shift, in November 2019, was Bill 22: *Reform of Agencies, Boards and Commissions and Government Enterprises* ***Act, 2019,*** and corresponding direction from our sole shareholder, the Government of Alberta, to control the costs of pension benefits administration.

In conjunction with the shift to joint governance of three of our clients, our shareholder adjusted the composition of the Board of Directors of APS to seven independent directors, removing representative directors. I'd like to recognize the contributions of former Board members Peter Marsden (LAPP Board Representative), Elaine Noel-Bentley (PSPP Board Representative) and Shannon Patershuk (MEPP Board Representative), and thank them for their hard work and commitment to public service.

In place of client representation on APS' Board, a Stakeholder Advisory Committee (SAC) was established, which meets twice a year. The SAC includes the Chair and CEOs of each of our clients as well as two senior representatives of the shareholder.

Despite all the changes that occurred in 2019, APS stayed focused on providing quality services for plan members, pensioners and employers at a relatively low cost. In addition, we remained committed to collaborating with our clients and being responsive to their needs as they adjusted to their new responsibilities.

Continuing to ensure our pension benefits administration services remain effective in a cost-controlled environment will require innovative thinking. This is exactly what APS will continue doing as we move into 2020.

As a Board, we monitor APS' corporate performance. One way we do this is by monitoring APS' results in the survey by CEM Benchmarking Inc. This survey ranks APS' service levels and costs against peers from across the country. Results show that APS delivers services on par with the peer median, but at a cost per member that is 17 per cent lower than the peer average*—all while operating at a greater level of complexity than any of our peers.

As the fiscal climate continues to evolve in Alberta, APS will do its part by reducing its budget, while continuing to offer quality services. This will be achieved through our continued focus on innovative thinking, which will drive further efficiencies throughout the organization.

I look forward to 2020. It will be a formative year for APS, no doubt, as we find improved ways to deliver value to our clients' members, pensioners and employers. Through this all, APS will continue to receive our encouragement in remaining resilient and responsive.

COLIN P. MACDONALD, Q.C., ICD.D
Chair, Board of Directors

** Based on the most recent results in the 2018 CEM survey.*

“I look forward to 2020. It will be a formative year for APS.”

“APS is passionate about pensions and serving members.”

Message from the CEO

DARWIN BOZEK

In 2019, Alberta's pension landscape experienced major shifts. First, three of our clients transitioned to a joint governance structure in March 2019. This was followed by the combination of further legislation and direction from our sole shareholder, the Government of Alberta. The result was a new emphasis on controlling the costs of pension benefits administration.

This was a year of change and transition for APS, and I am immensely proud of the team for making it a year we can look back on with a strong sense of accomplishment. We were resilient through every shift and we leaned into our corporate values—service, quality and accountability—for direction. We were responsive to our clients, providing support as they navigated their new roles and governance structures. We were also responsive in fulfilling our mandate as we delivered a caring, plan-specific experience that guided our clients' members, pensioners and employers.

Throughout 2019, we spent time examining what it means to be a service provider. In every discussion, we made it clear that we are committed to supporting our clients and the pension plans. Going into 2020, we support the Government of Alberta's mandate to control the costs of pension benefits administration while providing outstanding services. We have made significant improvements in our business operations to focus on reliability, innovate how we deliver our services for value and cost-effectiveness, and develop our team and our culture as we grow—because it is our people who are our greatest asset.

APS is passionate about pensions and serving members. Progressing towards our goal of operational excellence and being the pension provider of choice is only possible through engagement, leadership at all levels, and by being value-driven.

I am excited for the coming year and all that *team* APS can do.

Sincerely,

DARWIN BOZEK, FCPA, FCGA
President and Chief Executive Officer

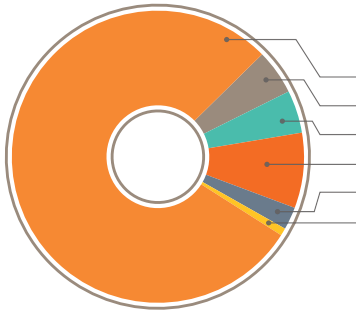
Management's Discussion & Analysis

Overview

Management's Discussion and Analysis (MD&A) details the outcomes and financial condition of APS for the year ended December 31, 2019. These findings present APS through the eyes of management, who carefully assessed material trends and any ambiguities that affected the overall results.

As a service business operating on a cost-recovery basis, our top priority is delivering a high standard of service at a reasonable cost. By focusing on effective resource management, APS is able to remain vigilant in establishing measurable objectives that help us remain accountable to our shareholder and clients.

The MD&A contains prospective statements about anticipated future events and financial operations that may not be proven accurate, and are subject to risks and uncertainties. Please review the MD&A in conjunction with the financial statements and accompanying notes. The accounting standards used in the preparation of APS' financial statements are the Canadian Public Sector Accounting Standards (PSAS), with all amounts presented in Canadian dollars.



2019 APS Operating Expenses - $58.3M

- Core Pension Benefits Administration Services*, $45.9 M (79%)
- Building Related, $2.9 M (5%)
- Plan Specific and Corporate Services*, $2.7 M (5%)
- Corporate Support (CEO, HR, Finance, Communications, Legal), $4.8 M (8%)
- Board Governance, Risk & Control, $1.5 M (2%)
- Joint Governance Project*, $0.5 M (1%)

** 85% of operating expenses are directly related to providing pension benefits administration services to the members, pensioners and employers that we serve and to the clients that we support.*

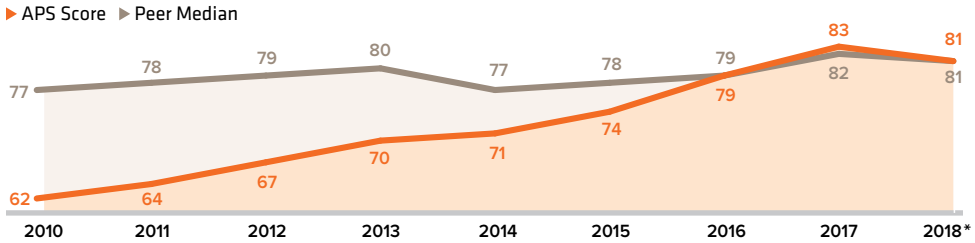
Dedicated to Service

APS is committed to delivering valuable pension benefits administration services in a cost-effective manner. We continue to improve business operations to focus on reliability and innovate how we deliver our services for overall value and cost-effectiveness.

Through CEM Benchmarking Inc., our operating costs, membership numbers and transactional information are compared to our peers annually. Though our peer group includes Canadian public sector pension administrators similar in size to APS, we manage nine plans with distinct rules and pension options, making our pension environment more complex than the others.

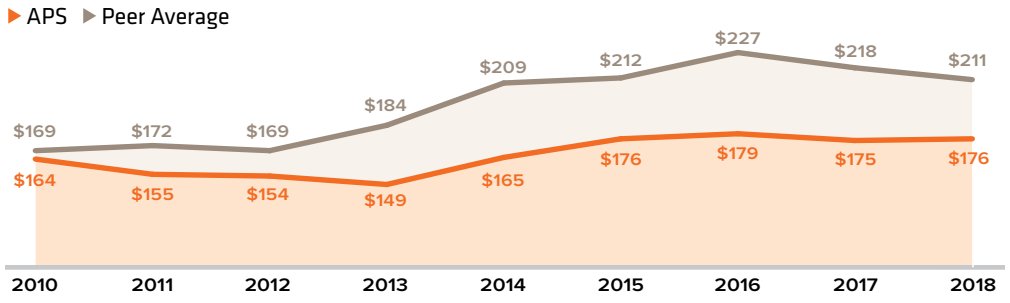
The CEM Total Service Score is a key measure of the CEM Benchmarking Inc. survey. The Total Service Score is comprised of a weighted average of many different components of pension plan benefits administration service from a plan member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality. The results of 2018's survey were released in 2019 and showed that APS matched the peer median score of 81, which is the score for service quality. APS has a cost per member $35 below the peer average of $211. Combined, CEM's Total Service Score and Cost per Member continue to be reliable indicators of our achievements in providing quality services at a reasonable cost. These measures demonstrate that APS delivers services at the peer median, while operating at a cost per member that is 17% lower than the peer average. This places APS in CEM's high service and low cost quadrant.

CEM Total Service Score



**Reduction in CEM Total Service Score in 2018 was the result of a change in CEM scoring methodology.*

CEM Cost per Member



As an organization that strives to enhance our member services, we recognize there are still opportunities for improvement. APS values the collaboration and support of members, clients and employers as we improve our pension services.

Our passion for providing pension services continues to drive us to ensure every Albertan we serve can count on APS for their pension services.

"Our people and culture are key."

DARWIN BOZEK
President & Chief Executive Officer

Member and Pensioner Client Satisfaction

2019 (83%) ▼ Target 80%

2018 (80%)

First Call Resolution Survey

2019 (87%) ▼ Target 80%

2018 (88%)

Employer Engagement

2019 (78%) ▼ Target 80%

2018 (78%)

2019 Pensions Services Highlights

APS focuses on creating the best experience for members, pensioners and employers. A foundation to a quality experience is the provision of timely and accurate services. APS has a number of measures in place to monitor its performance, including satisfaction surveys.

Moving forward, APS will continue to enhance the experience through:

- Improved communication channels
- Easier access to information and self-service transactions
- Innovative member tools and resources
- Targeted programs and projects

	Target	2019	2018
Member Services Centre			
Tier 1 Calls – Answered within 135 seconds * *(Retirements and Death Calls)*	80%	84.9%	85.5%
Tier 2 Calls – Answered within 180 seconds * *(All other calls)*	70%	74.5%	74.0%
Client Operations			
Retirement Calculations *(Estimates – 7 days, Options – 14 days, Finalizations – 30 days)*	95%	95.6%	95.4%
Termination Calculations (*Estimates – 30 days, Options – 30 days, Finalizations – 30 days)*	90%	99.1%	91%
Buyback Calculations *(Quotes – 30 days, Elections – 30 days)*	85%	91.9%	90.9%
Death Calculations *(Estimates – 7 days, Options – 14 days, Finalizations – 30 days)*	95%	98.5%	97.8%
Calculation Accuracy *(Based on sample auditing)*	99%	99.5%	99.7%

** The 2018 standard for Tier 1 was 180 seconds and 240 seconds for Tier 2.*
** We met and/or exceeded a majority of our Service Level Agreements.*

Funds Administered

2019 $6.4B

384,351 members and pensioners

2014 $5.6B

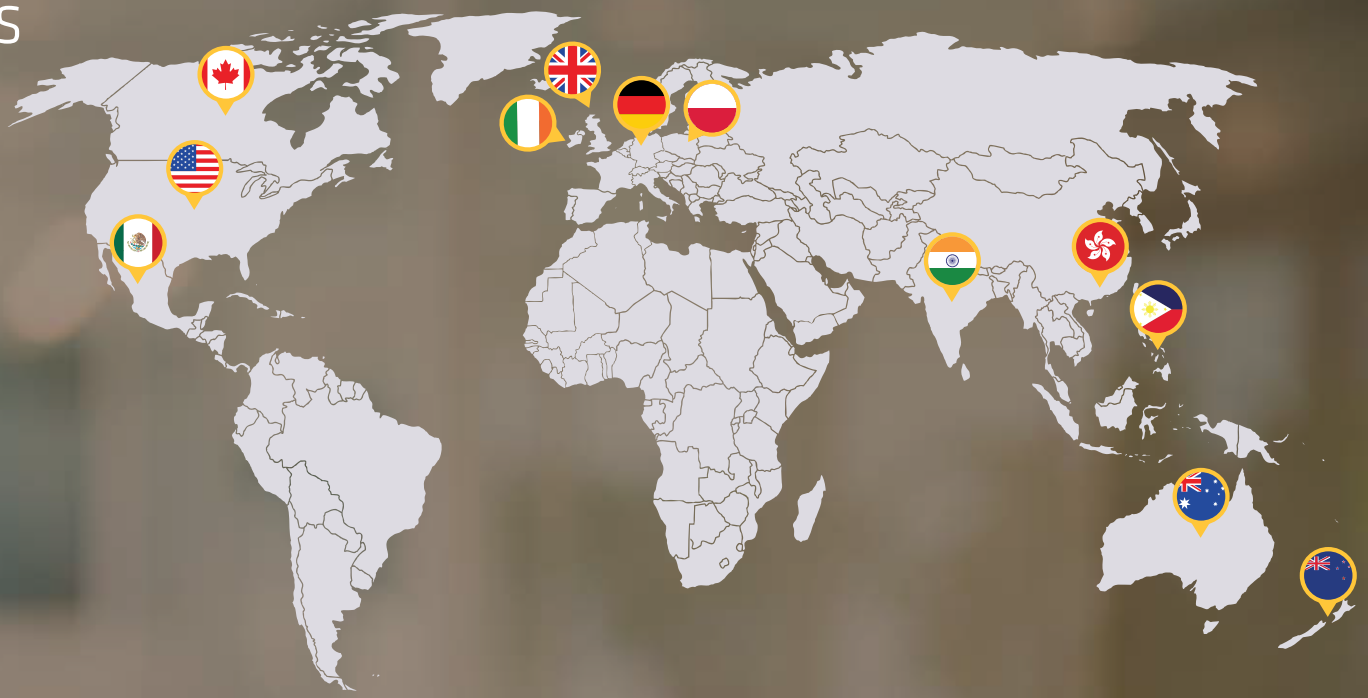
342,410 members and pensioners

2010 $3.7B

304,514 members and pensioners

In 2019, APS was responsible for administering over $6.4 billion of funds across the nine pension plans we serve. This amount includes receipts and disbursements to and from employers, members and other pension plans.

Pensioners Around the World



Country	# of payees
Canada	116,390
United States	506
United Kingdom	126
Australia	71
Poland	19
Ireland	19
Mexico	18

Country	# of payees
New Zealand	15
Germany	12
Hong Kong	12
India	11
Philippines	11
Others	177
Total: 77	**117,387**

* The above numbers include all pensioners, beneficiaries and termination payments. Total number of pensioners alone is 111,558.

Joint Governance

Effective March 1, 2019, the *Joint Governance of Public Sector Pension Plans Act* transitioned the Local Authorities Pension Plan, the Public Service Pension Plan, and the Special Forces Pension Plan to a structure jointly governed by their employers and employees. Three new plan corporations became the administrators and trustees for their respective plans, and new clients of APS. These new entities gained the authority to make decisions such as plan design, contribution rates and investments, as well as oversee and evaluate service providers, including APS and Alberta Investment Management Corporation.

The *Joint Governance of Public Sector Pension Plans Act* originally specified that after a period of five years, the plan corporations would have the ability to choose their provider of pension benefits administration services. However, in November 2019, the *Joint Governance of Public Sector Pension Plans Act* was amended to remove this option. This resulted in a requirement for the plan corporations to continue using Alberta Pensions Services Corporation as the day-to-day pension administration services provider into the future.

Regardless of whether there was a legislated requirement for the plan corporations to utilize APS' services, we remained committed to the idea of carrying out our business in a way that demonstrated continued responsiveness to the needs of clients and their members, pensioners and employers.

Under the Joint Governance Project that was officially launched in 2019, APS worked diligently towards implementing the changes that were brought into place as a result of the *Joint Governance of Public Sector Pension Plans Act*. These changes related primarily to bringing the administration of the three pension plans into alignment with the requirements of Alberta's *Employment Pension Plans Act* and its regulations.

Employee Engagement

APS recognizes that the true strength of our organization is the people we employ. Each and every day, they show up with purpose and passion. They're what makes us grow in the right direction. And they're the reason we're committed to creating an environment where they can continue to thrive.

To continue to support employee engagement, APS launched the Career Development Program. This innovative platform, which included our Career Coaching program, was a huge success, with over 70 employees from all levels of the organization applying to participate.

As part of this initiative, APS also introduced our Beacons of Leadership:

- Create a Culture of Accountability
- Reach Higher
- Create a Safe Environment
- Seek Understanding and Insight

These four principles—and the associated behaviours they embody—are the core of our corporate culture, and help us remain true to our company values so we can continue doing the right thing for our clients' members, pensioners, employers and each other.

Innovation

At APS, innovation is a process to achieve an important outcome—it is not an end or a goal, but rather it is the means by which the goal is achieved. Innovation is about doing things differently, about thinking differently and can include leveraging technology to deliver excellent service.

In 2019, we launched the innovation strategy to ensure this key focus area was given priority and attention throughout the organization. Through this, we learned that APS staff are not only passionate about pensions, they are also passionate about finding innovative ways to improve pension services.

The innovation strategy included an Innovation Tournament. The tournament was an internal competition that engaged all APS staff in identifying and creating solutions that would have a positive impact on the experience of staff and our clients' members, pensioners or employers. The tournament was a huge success:

- Over 25 submissions to the tournament
- Over 50 people participated in formulating and displaying these ideas
- Over 150 people attended the Innovation Tradeshow
- Over 135 votes cast

In the end, three entries were selected to move on to further stages of investigation and refinement.

In 2020, one of the entries being implemented is **Go Green Version 2.0**. This solution will allow members and pensioners to reduce print mail currently being sent and instead receive electronic versions of important pension documents. This will reduce paper waste, print and mail costs, returned mail efforts and phone calls, all while ensuring members receive the information they need.

Community Involvement

Edmonton Food Bank

APS employees continue to give back to those in need through our charity of choice, the Edmonton Food Bank. In 2019, we donated 5,528 kg (12,186 lbs) of food, matching last year's contribution. Additionally, we raised $17,876 in cash for the charity, bringing our total cash donations to $118,502, and food donations to 24,327 kg (53,632 lbs) since our partnership began in 2013. We are very proud to work alongside such selfless people who continue to help fellow Edmontonians year after year.

~ Julie Babiak
Charity of Choice Volunteer Committee Member

Hunger shouldn't be an option in Edmonton. Thanks to Alberta Pensions Services, it won't be. APS is making a difference every day in the lives of Edmontonians facing food insecurity. Your annual generosity, employee engagement and commitment to end hunger in our city is unmatched in the Edmonton Food Bank's donor program.

Since you partnered with us in 2013, APS employee engagement has meant the difference between an empty fridge and food on the table for thousands of our community's most vulnerable. Because of your ever-giving team, we've been able to provide an unbelievable $118,502 in food resources, and an additional 24,327 kg (53,632 lbs) of food! You understand that life has its challenges year round, and that hunger occurs just as much in June as it does in December. Your monthly payroll deductions or special food drives continue to help us navigate slower donor months and the economic downturn, and has allowed us to provide food resources to a monthly average of 22,000 people—40% being children under 18—through our hamper programs, plus 500,000 snacks and meals to our 250 plus affiliated agencies, including 59 schools in Edmonton.

On behalf of the Edmonton Food Bank, thank you from the bottom of our heart for your support, and your friendship. You are helping feed the next generation with every donation you make. We appreciate the opportunity to share the impact you have on our programs and services, and look forward to continuing our partnership with you.

~ Doug Hunter
Resource Development & Community Relations, Edmonton Food Bank

Canadian Blood Services

Did you know one blood donation can save up to three lives? This was just one of the reasons APS was happy to give blood in 2019. Together, APS employees donated 96 units of blood in 2019, almost tripling our donation goal of 33 units, and ensuring approximately 288 lives would be forever changed. Since joining Canadian Blood Service's Partner for Life program in the fall of 2014, APS has proudly helped change the lives of nearly 900 individuals.

Corporate Challenge

2019 saw APS employees participating in the Edmonton and area Corporate Challenge for the second time—earning the gold medal. Not only was this a fun opportunity for our team to connect with one another and engage in some friendly competition with other organizations in our community, it enabled us to give back to our community with the Blood Donor challenge. In addition to this event, APS also took on the Big Bike event, in support of the Heart and Stroke Foundation.

Enterprise Data Management & Analytics

APS continues to focus on facilitating a fully integrated data and analytics experience for the organization and those we serve, providing a holistic view of members and pensioners. The data and analytics framework is founded on a robust Enterprise Data Management Program (EDMP) that is supported by APS' people, processes and technology.

Our EDMP is comprised of five pillars:

- **Data Quality** process uncovers and reports on data issues.
- **Data Access** provides the appropriate access levels based on the individual roles and authority. It also provides the access to the data for self-serve reporting and reduces the wait time for data requests, facilitating faster and more efficient business decision-making.
- **Data Governance** is key in enabling the organization to realize the full potential of the data and gain insights. APS is currently working on fully operationalizing the data governance framework to ensure effective data oversight and accountability.
- **Data Cleansing** process receives direction from the APS Data Governance Council, which carefully considers all potential implications wherever there are data changes. Data Cleansing resolves incorrect, incomplete and duplicate data. This process increases consistency and reliability of data, reinforcing the quality of data-driven decisions.
- **Advanced Analytics and Visualization** are valuable in delivering improved outcomes. Automating the analysis of data enhances its quality when compared to manual efforts. Analytics can quickly analyze multiple possible scenarios, and provide a dependable recommendation, supported by a variety of visualizations and data presentations for consumption.

The continued implementation and evolution of data enterprise management and analytics at APS reduces the risk of disruption, lost business effectiveness and unplanned financial impact.

IT Security

Reliable and secure business operations are some of the core priorities for Alberta Pensions Services. This is particularly important with cyber risks such as phishing, ransomware and social engineering, which continue to be prevalent and evolving threats. Our ongoing efforts to maintain IT industry-recognized controls and practices have enabled us to achieve appropriate levels of cyber security protection for the enterprise. More importantly, it has allowed uninterrupted delivery of services to our clients' members, pensioners and employers.

A significant number of initiatives were undertaken in 2019 to advance the APS IT Cyber Security and IT Risk Management program. These include:

- Implementation of a robust and scalable platform, with 24/7 protection against cyber-related events, information assets and business processes of APS
- Implementation of a 24/7 security service monitoring and alerting of potential security incidents
- Launching a formal employee security awareness program, including both training and testing
- Establishing an IT Risk Management framework
- Executing APS' first successful Disaster Recovery test
- Enhancing and formalizing the IT Change Management and Release Management processes
- Engaging a third-party to conduct semi-annual penetration testing to review the effectiveness of our controls and identify potential vulnerabilities
- Establishing a more rigorous Security Assessment process for implementation of IT systems, applications and services

These initiatives are among key foundational elements of an effective and mature IT Cyber Security and IT Risk Management program. The advancements of the organization's IT security risk management capabilities during 2019 were critical in order to accomplish the APS objectives of facilitating secure, agile business enablement and cloud services adoption—all while maintaining stable and secure operations.

Risk Management

Change is constant. This adage accurately reflects APS' pension and business model—especially since the introduction of Bill 27 in late 2018, and Bill 22 in November 2019. This past year, APS was challenged to adapt to these significant changes in legislation, as well as implement processes to support the governance framework provided in the agreements with our clients. These changes have posed increased risks to our organization. Not only were there expectations to transform our business model, but we had to develop appropriate operational processes to support the new governance framework and business model.

Throughout the year, APS continued to monitor, assess and restore its key corporate risk profile to ensure it reflected the organization's ever-changing risk landscape. This comprehensive assessment process included conducting semi-annual risk management workshops and quarterly reviews of both the current environment and emerging risks. The assessment results were supported by established key risk indicators and performance metrics, which allowed us to make informed decisions for our business.

At APS, risk management is a key responsibility. We understand that with change comes risk, but also opportunity. We also know that one must manage both sides properly to avoid unwanted outcomes. Our formal corporate risk management framework minimizes exposure to risks and capitalizes on opportunities. As a result, APS has been able to successfully deliver on our mission to provide quality, cost-effective pension administration services to clients and their members, pensioners and employers. We will continue to improve our framework to ensure our corporate goals and objectives continue to be met.

Looking Ahead

In order to support our clients to the highest level, APS will take a collaborative approach that allows us to be proactive while always remaining accountable. We will continue to make every effort possible to increase our clients' trust through a renewed focus on core pension benefits administration services.

Our 2020 Business Plan focuses on the core elements that are important to us and support the needs of our clients. The plan also aligns with our key themes of reliability, innovation, and people and culture, which guide us in our commitment to achieving operational excellence.

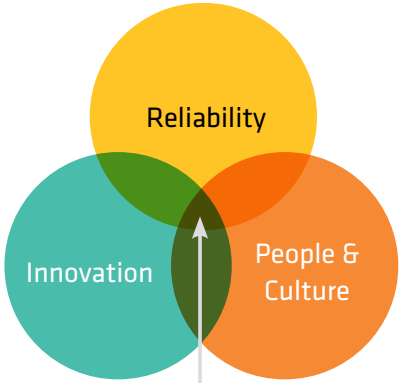
- The members of the plans we serve count on the **reliability** of our core services. We will work with our clients to deliver these critical core services in an efficient and cost-effective manner.
- We will focus **innovation** efforts on streamlining service delivery and increasing the efficiency with which we serve members, pensioners and employers. Innovation is a tool to improve client outcomes—not an end in itself.
- We know an engaged and motivated workforce is key to delivering high-quality service and support, which is why we will make our **people and culture** a priority.

As we start 2020, we recognize that the traditional way of providing services to our clients will change. We are supporting the Government of Alberta's mandate to control the cost of pension benefits administration by working within our budget in a more complex client and service environment. We are also now providing services to Albertans during the COVID-19 pandemic, and have initiated our emergency preparedness, resiliency and continuity plans. Even with budget restraints, the majority of the workforce working remotely, and other service obstacles as a result of the pandemic, our end goals remain the same:

- To ensure pensioners receive their monthly payments
- To provide ongoing support to plan members and employers
- To ensure our staff remain safe and healthy so they can continue to provide these essential services

In 2020 we are also working in collaboration with several of our clients to amend the Pension Services Agreements (PSAs) as required by legislative amendments made by Bill 22. The mutual focus of this activity is to create agreements that result in optimized pension benefit administration services for pension plan members, pensioners and employers. As well, the revision will need to take into account balancing the budget realities and service levels.

With that in mind, our strategic objectives will focus on enhancing the delivery of core pension benefits administration services in a cost-effective and efficient manner, while also improving relationships with our stakeholders.



Strategic Objectives

Enhance stakeholder relationships.

Transform member and employer interactions.

Elevate member and employer pension benefit education.

Optimize service delivery.

Align and grow workforce capabilities.

Corporate Governance

Corporate Governance

As a corporation under Alberta's *Business Corporations Act*, APS is governed by a Board of Directors. The Directors are appointed by the Government of Alberta as sole shareholder, in accordance with a Unanimous Shareholder Agreement (the USA) made by the sole shareholder.

The Board of Directors is responsible for managing and overseeing the business of the corporation, subject to certain restrictions set out in the USA. The Board delegates operating authority to the CEO and other officers of APS.

Directors

In conjunction with the shift to joint governance, the Government of Alberta, as sole shareholder, adjusted the composition of the APS Board to a total of seven independent Board members, and removed three representative members. Consequently, client Board Representatives Peter Marsden (LAPP), Elaine Noel-Bentley (PSPP) and Shannon Patershuk (MEPP) stepped down from the Board on June 24th, 2019. In place of client representation on the Board, a Stakeholder Advisory Committee (SAC) was established.

NAME	TERM OF SERVICE[1]	BOARD / COMMITTEE MEMBERSHIP[2]
Colin P. MacDonald	June 2017 – present	• Board Chair • Governance Committee Chair • Member of Audit and Human Resource Committees
Bonnie Andriachuk	June 2017 – present January 2013 – April 2016	• Board Vice-Chair • Human Resources Committee Chair • Governance Committee Vice-Chair • Member of Audit Committee
Ward Chapin	January 2013 – present	• Member of Audit, Human Resources and Governance Committees
Brenda McInnes	August 2018 – present	• Member of Audit, Human Resources and Governance Committees
Claudia Roszell	June 2017 – present	• Audit Committee Vice-Chair • Member of Human Resources and Governance committees
Roger Rosychuk[3]	February 2013 – present	• Audit Committee Chair • Member of Human Resources and Governance Committees
Peter Marsden[4]	March 2017 – June 24, 2019	
Elaine Noel Bentley[5]	March 2017 – June 24, 2019	
Shannon Patershuk[6]	August 2018 – June 24, 2019	
One Unfilled Vacancy[7]		

1. Independent Directors are appointed by the Shareholder normally for a three year term with a maximum service of ten years from the date of the first appointment.
2. Each Director is a member of all standing board committees. Board committees normally meet the same day as the Board meeting and report thereafter to the Board.
3. Roger Rosychuk was a representative of SFPP until June 24, 2019, and continued thereafter as an independent Director.
4. Representative appointee of LAPP.
5. Representative appointee of PSPP.
6. Representative appointee of MEPP.
7. Meryl Whittaker was appointed by the Shareholder in January 2020 providing the Board a full complement of seven independent Directors.

In 2019, the Board of Directors met eight times, including five full meetings and three special meetings held by conference call.

Committees of the Board

In 2019, the Board had three standing committees (a fourth, the Technology and Innovation Committee, was added in February 2020):

- Audit Committee
- Governance Committee
- Human Resources Committee

In 2019, each Committee met five times.

Stakeholder Advisory Committee

In accordance with the USA, the Board of Directors has established a Stakeholder Advisory Committee (the SAC) as an adjunct to but not a committee of the APS Board of Directors. The APS Board Chair is the Chair of the SAC. Meetings are attended by the APS CEO and by representatives of each of LAPP Corporation, PSPP Corporation, SFPP Corporation, the Management Employees Pension Board, and Alberta Treasury Board and Finance. The SAC met once in 2019.

Board Compensation

Per the USA, Directors' compensation is set by resolution of the Shareholder. In 2019, compensation (rounded to the nearest thousand) paid to the Board Chair was $48,000 (2018 - $56,000), and aggregate compensation paid to the other directors totaled $147,000 (2018 - $143,000).

In addition, Directors' expenses are eligible for reimbursement in accordance with APS' corporate policy.

Governance Framework

APS has a comprehensive governance and compliance framework in place, including a Board Code of Conduct; additional documentation is available at www.apsc.ca under "About APS".

Top Row: (left to right)
Ward Chapin, Meryl Whittaker,
Brenda McInnes, Roger Rosychuk

Bottom Row (left to right):
Claudia Roszell, Colin P. MacDonald,
Bonnie Andriachuk

Compensation Discussion & Analysis

Compensation Discussion & Analysis

Our People

APS acknowledges the value of attracting and retaining a qualified workforce, and strives to reward employees equitably. Our compensation design and practices are based on four key principles:

Internal Consistency

Compensation at APS is based upon each employee's expected contribution to the overall achievement of our business objectives, and is determined by a job evaluation system that is fair, valid and logical.

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

Through its performance management program, APS endeavors to create an environment that fosters and rewards. We remain committed to achieving excellence, engaging in collaborative and respectful relationships with employees, employers and other stakeholders, and maintaining the highest ethical standards.

Simplicity

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

Human Resources Committee

The Board's Human Resources Committee (HRC) ensures all human resources policies and practices support the achievement of APS' corporate objectives. The HRC performs its responsibilities to empower the Board to fulfill its overseeing responsibilities for:

- HR strategies that align to APS' strategic plan, business plan and values-based culture
- Compensation and benefits, employment conditions and related risks, and workforce capacity
- Counsel for the appointment, compensation and performance evaluation of the President and CEO
- Succession planning related to the President and CEO and Executive positions

Collective Bargaining

In November of 2018, APS and the Alberta Union of Provincial Employees (AUPE) sanctioned a three year collective agreement that included no increases to the in-scope salary scales in 2018 and 2019, and a wage re-opener in 2020. As a result, in-scope employees will receive lump sum payments of 3 per cent for 2019 and 2 per cent for 2020, as part of the agreement, in recognition of the removal of the organization's variable pay program.

Classification and Compensation Review

To ensure APS is positioned to successfully deliver on its strategy, it must attract and retain top talent. In 2018, a full market compensation review of APS' Compensation Philosophy, overall salary structure and individual positions within the organization was initiated. Exempt and management results were implemented in November 2018, and bargaining unit results were rolled out in November 2019.

Salary Restraint

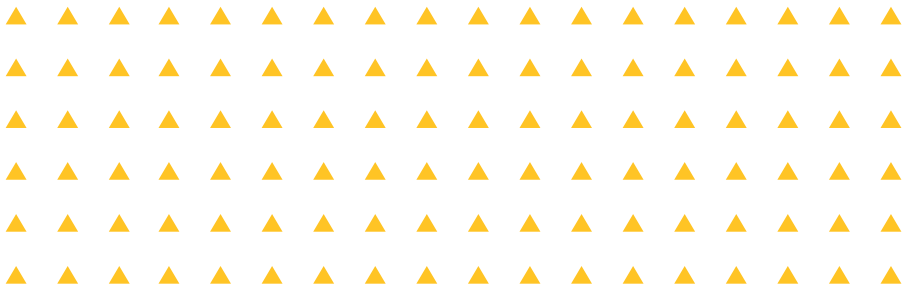
The Salary Restraint Regulation was announced on April 1, 2018, which prohibits base pay increases for exempt and management employees. With the discontinuance of APS' variable pay program as a result of the *Reform of Agencies, Boards and Commissions Compensation Act*, APS is experiencing pressure on its recruitment and retention strategies as it draws from and competes for talent in the private and public sector market.

Executive Compensation

The HRC provides direction to the compensation structure for the President and CEO and APS Executives, and performs the following duties on an annual basis:

- Reviews the compensation structure for the President and CEO within the framework of the *Reform of Agencies, Boards and Commissions Compensation Act*
- Evaluates the performance of the President and CEO against set objectives
- Provides compensation recommendations for the President and CEO to the Board

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 SRP provides a pension in respect of the base salary in excess of the maximum pensionable salary limit under the ITA.



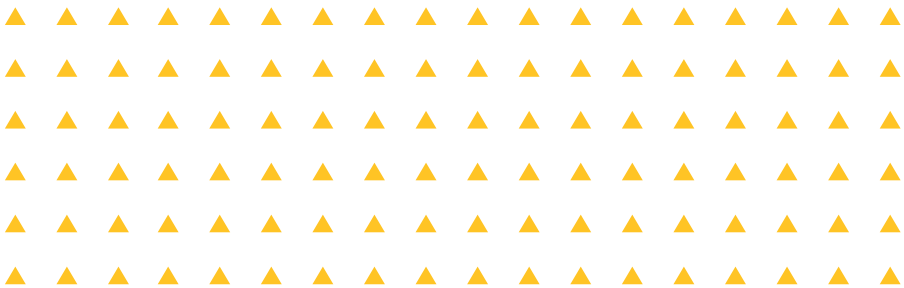
Summary Compensation Table

(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 ending December 31, 2019 and December 31, 2018, to the President and Chief Executive Officer and Vice Presidents.

Position	Base Salary	Variable Pay[1]	Pension[2]	Other Compensation[3]	2019 Total	2018 Total
President and Chief Executive Officer	**$ 260**	**$ -**	**$ 51**	**$ 37**	**$ 348**	$ 354
Vice President, Finance and Chief Financial Officer	**210**	**44**	**39**	**24**	**317**	311
Vice President, Human Resources and Organizational Development	**195**	**37**	**36**	**21**	**289**	293
Vice President, Pensions Services[4]	**225**	**-**	**43**	**27**	**295**	206
Vice President, Information Services and Technology[5]	**200**	**-**	**37**	**26**	**263**	165

1. 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. The variable pay program has been discontinued and 2018 was the last year for which variable pay was effective for those eligible to participate in the program.
2. Pension represents the Corporation's share of contributions to the plans based on each individual's pensionable salary.
3. 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.
4. The incumbent commenced employment with the Corporation in the position of Vice President, Pensions Services effective May 14, 2018.
5. The incumbent commenced employment with the Corporation in the position of Vice President, Information Services and Technology effective May 14, 2018.



Financial Statements

December 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2019 Annual Report are the responsibility of Alberta Pensions Services Corporation (APS) and have been approved by management and the APS Board of Directors (Board).

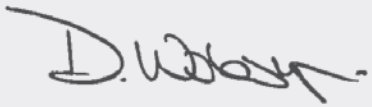
The financial statements have been prepared in conformity with Canadian Public Sector Accounting Standards and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2019 Annual Report that relates to the operations and financial position 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.

DARWIN BOZEK, FCPA, FCGA
President and Chief Executive Officer



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

Opinion

I have audited the financial statements of Alberta Pensions Services Corporation, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Pensions Services Corporation as at December 31, 2019, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Alberta Pensions Services Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Alberta Pensions Services Corporation 2019 Annual Report*, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information obtained prior to the date of the auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing Alberta Pensions Services Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Pensions Services Corporation financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Alberta Pensions Services Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Alberta Pensions Services Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Alberta Pensions Services Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Original signed by

W. DOUG WYLIE, FCPA, FCMA, ICD.D
AUDITOR GENERAL
April 21, 2020
Edmonton, Alberta

Alberta Pensions Services Corporation

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

(in thousands)	2019 Budget	2019 Actual	2018 Actual
Expenses			
Salaries and benefits	**$ 36,164**	**$ 35,031**	$ 34,216
Contract services	**3,276**	**3,424**	2,893
Software licensing and support	**5,896**	**6,087**	6,368
Office related expenses	**4,874**	**5,308**	4,193
Amortization	**5,883**	**5,652**	5,699
Total before other services	**56,093**	**55,502**	53,369
Plan specific and corporate services (Note 5)	**4,013**	**2,750**	3,987
Employer specific services (Note 6)	**40**	**40**	39
Total operating expenses	**$ 60,146**	**$ 58,292**	$ 57,395
Recovery of costs (Note 7)	**$ 60,146**	**$ 58,292**	$ 57,395
Annual surplus (deficit)	**–**	**–**	–
Net assets at beginning of year	**–**	**–**	–
Net assets at end of year	**$ –**	**$ –**	$ –

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

Approved by the Board:

COLIN P. MACDONALD, Q.C., ICD.D
Chair, Board of Directors

ROGER ROSYCHUK
Chair, Audit Committee

Alberta Pensions Services Corporation

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(in thousands)

	2019	2018
Financial assets		
Cash	**$ 2,376**	$ 357
Accounts receivable	**31**	84
Due from pension plans and plan corporations (Note 7)	**5,749**	4,567
	8,156	5,008
Liabilities		
Accounts payable and accrued liabilities	**$ 6,349**	$ 3,056
Accrued salaries and benefits	**1,610**	2,442
Accrued vacation pay	**725**	543
Deferred lease inducement (Note 12)	**1,162**	111
Capital lease obligation (Note 12)	**40**	79
	9,886	6,231
Net debt	**$ (1,730)**	$ (1,223)
Non-financial assets		
Tangible capital assets (Note 8)	**$ 38,270**	$ 40,323
Prepaid expenses	**1,730**	1,223
	40,000	41,546
Net assets before spent deferred capital contributions	**38,270**	40,323
Spent deferred capital contributions (Note 8)	**38,270**	40,323
Net assets (Note 9)	**$ –**	$ –

Contractual obligations (Note 12)

Contingent liabilities (Note 13)

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, 2019

(in thousands)	2019		2018
	Budget	**Actual**	Actual
Annual surplus (deficit)	**$ –**	**$ –**	$ –
Acquisition of tangible capital assets (Note 8)	**(2,892)**	**(3,599)**	(810)
Amortization of tangible capital assets (Note 8)	**5,883**	**5,652**	5,699
Change in spent deferred capital contributions	**(2,991)**	**(2,053)**	(4,889)
Change in prepaid expenses	**–**	**(507)**	(346)
Increase in net debt	**–**	**(507)**	(346)
Net debt at beginning of year	**(1,223)**	**(1,223)**	(877)
Net debt at end of year	**$ (1,223)**	**$ (1,730)**	$ (1,223)

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

Alberta Pensions Services Corporation

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

(in thousands)

	2019	2018
Operating transactions		
Annual surplus (deficit)	**$ –**	$ –
Non-cash items included in annual surplus (deficit):		
Amortization of tangible capital assets (Note 8)	**5,652**	5,699
Increase (decrease) in deferred lease inducement (Note 12)	**1,051**	(187)
Amortization of spent deferred capital contributions	**(5,652)**	(5,699)
	1,051	(187)
Decrease (increase) in accounts receivable	**53**	(76)
Increase in prepaid expenses	**(507)**	(346)
(Increase) decrease in due from pension plans	**(1,182)**	378
Increase in accounts payable and accrued liabilities	**3,293**	398
Decrease in accrued salaries and benefits	**(832)**	(268)
Increase in accrued vacation pay	**182**	141
Cash provided by operating transactions	**2,058**	40
Capital transactions		
Acquisition of tangible capital assets (Note 8)	**(3,599)**	(810)
Cash applied to capital transactions	**(3,599)**	(810)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	**3,599**	810
Repayment of capital lease obligation (Note 12)	**(39)**	(40)
Cash provided by financing transactions	**3,560**	770
Increase in cash	**2,019**	–
Cash at beginning of year	**357**	357
Cash at end of year	**$ 2,376**	$ 357

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. AUTHORITY

Alberta Pensions Services Corporation (APS) is incorporated under the *Business Corporations Act* (Alberta). APS is a "Provincial corporation" under the *Financial Administration Act* (Alberta) and a "public agency" under the *Alberta Public Agencies Governance Act*. The issued share of the Corporation is owned by 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 Corporation provides a comprehensive suite of pension administration services in respect of nine registered and unregistered pension plans. These services are provided pursuant to a "Pension Services Agreement" with each of Local Authorities Pension Plan (LAPP) Corporation, Public Service Pension Plan (PSPP) Corporation, and Special Forces Pension Plan (SFPP) Corporation and a "Pension Administration Services Agreement" with the Government of Alberta.

The services provided to LAPP Corporation, PSPP Corporation, and SFPP Corporation are pursuant to the *Joint Governance of Public Sector Pension Plans Act* (Alberta) and in accordance with the *Employment Pension Plans Act* (Alberta).

The services provided to the Government of Alberta pertain to the following registered and unregistered pension plans:

- Management Employees Pension Plan (MEPP) and Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP), each established and governed by the *Public Sector Pension Plans Act* (Alberta);
- Supplementary Retirement Plan (SRP) for Public Service Managers (established by Treasury Board Directive);
- Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMC(R)PP) and Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (PJMC(U)PP), each established and governed by Alberta Regulation 196/2001;
- Members of the Legislative Assembly (Registered) Pension Plan (MLAPP), established and governed by the *Members of the Legislative Assembly Pension Plan Act* (Alberta).

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.

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 and plan corporations	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 are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

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.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. 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:

Pension Benefits Administration System (Compass)	12 years
Furniture and equipment	5 years
Computer hardware and software	3 years
Telephone system	3 years
Leasehold improvements	Term of lease

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 and plan corporations, 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.

4. FUTURE ACCOUNTING CHANGES

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

- **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**
  Effective April 1, 2021, this standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.
- **PS 3400 Revenue (effective April 1, 2022)**
  This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

5. PLAN SPECIFIC & CORPORATE SERVICES

(in thousands)

The Corporation provides tailored services to plan corporations and public sector pension plans and their respective boards or committees.

Plan	2019	2018
MEPP	**$ 668**	$ 784
PSPP	**555**	1,128
SFPP	**550**	1,503
LAPP	**335**	260
SFPP Corporation	**146**	-
PSPP Corporation	**139**	-
SRP	**126**	71
PJMC(R)PP	**64**	71
PSM(CM)PP	**59**	147
LAPP Corporation	**52**	-
PJMC(U)PP	**41**	12
MLAPP	**15**	11
	$ 2,750	$ 3,987

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. The Corporation also 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. All costs associated with administering these benefits are recovered directly from the specific employers as follows:

Employer	2019	2018
Alberta Health Services	**$ 1**	$ 0.5
City of Edmonton	**1**	1
EPCOR	**1**	1
Government of Alberta	**1**	1
Legislative Assembly	**1**	0.5
	5	4
Alberta Investment Management Corporation	**35**	35
	$ 40	$ 39

7. RECOVERY OF COSTS

(in thousands)

The Corporation charges each public sector pension plan and plan corporation with its share of the Corporation's operating costs based on the allocation cost allocation methodology described in the formal agreements with clients. At December 31, 2019, $5,749 (2018 - $4,567) is receivable from the plans and the plan corporations. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

Plan	**2019**	2018
LAPP	**$ 38,983**	$ 37,370
PSPP	**13,023**	13,221
MEPP	**2,511**	2,537
SFPP	**1,704**	2,605
SRP	**823**	747
PSM(CM)PP	**307**	403
PJMC(R)PP	**204**	210
PJMC(U)PP	**166**	137
SFPP Corporation	**146**	-
PSPP Corporation	**139**	-
MLAPP	**96**	92
LAPP Corporation	**52**	-
	58,154	57,322
Interest and other miscellaneous cost recoveries	**98**	34
Employer specific services (Note 6)	**40**	39
	$ 58,292	$ 57,395

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

8. TANGIBLE CAPITAL ASSETS

(in thousands)

						2019	2018
	Compass system	**Computer hardware & software[2]**	**Leasehold improvements**	**Furniture & equipment**	**Telephone system**	**Total**	Total
Estimated useful life	**12 years**	**3 years**	**Lease term**	**5 years**	**3 years**		
Historical Cost[1]							
Beginning of year	**$ 49,700**	**$ 8,199**	**$ 6,335**	**$ 1,527**	**$ 45**	**$ 65,806**	$ 65,310
Additions	**1,963**	**1,636**	**-**	**-**	**-**	**3,599**	810
Disposals, including write-downs	**-**	**(545)**	**-**	**-**	**-**	**(545)**	(314)
	51,663	**9,290**	**6,335**	**1,527**	**45**	**68,860**	65,806
Accumulated Amortization							
Beginning of year	**11,917**	**5,746**	**6,303**	**1,472**	**45**	**25,483**	20,098
Amortization expense	**4,140**	**1,466**	**18**	**28**	**-**	**5,652**	5,699
Effect of disposals, including write-downs	**-**	**(545)**	**-**	**-**	**-**	**(545)**	(314)
	16,057	**6,667**	**6,321**	**1,500**	**45**	**30,590**	25,483
Net Book Value at December 31, 2019	**$ 35,606**	**$ 2,623**	**$ 14**	**$ 27**	**$ -**	**$ 38,270**	
Net Book Value at December 31, 2018	**$ 37,783**	**$ 2,453**	**$ 32**	**$ 55**	**$ -**		$ 40,323

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, 2019 totalling $2,903 (2018 - $nil) comprised of Compass System $1,963 (2018 - $nil) and computer hardware and software $940 (2018 - $nil).

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

9. SHARE CAPITAL

	2019	2018
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 $3,533 for the year ended December 31, 2019 (2018 - $3,364). This amount is included in salaries and benefits.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2018, PSPP reported a surplus of $519,218 (2017 - surplus of $1,275,843), MEPP reported a surplus of $670,700 (2017 - surplus of $866,006) and SRP had a deficiency of $70,310 (2017 - deficiency of $54,984).

11. RELATED PARTY TRANSACTIONS

(in thousands)

Related parties are those entities consolidated using either line by line or modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2019	2018
EXPENSES		
Data processing, software licences, printing, postage and training	**$ 1,292**	$ 1,319
Plan financial reporting	**117**	-
Risk management and insurance	**187**	134
Management training	**1**	8
	$ 1,597	$ 1,461
Payable to Service Alberta	**$ 442**	$ 392

The Corporation also provided services to the plan corporations and public sector pension plans and their respective boards or 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, 2019

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
2020	$ 2,644	$ 745	$ 3,389
2021	2,394	550	2,944
2022	2,113	-	2,113
2023	1,805	-	1,805
2024	1,203	-	1,203
Thereafter	-	-	-
	$ 10,159	$ 1,295	$ 11,454

1 The Corporation entered into a lease renewal agreement commencing on September 1, 2019. This agreement is for 5 years. As part of the lease agreement, the Corporation received a lease inducement of $1,245. The inducement is recognized as a reduction in lease expense over the 5 year term of the lease.

Operating obligations include non-cancellable purchase and contract commitments from service and software license agreements.

2 The Corporation has a multi-year commitment with an external vendor to upgrade APS Pension Benefits Administration (Compass) system. Assets under construction includes $1,963 related to this upgrade at December 31, 2019. $705 is expected to be incurred in 2020 and $550 in 2021.

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 of $40 is recognized as a liability on the Statement of Financial Position.

13. CONTINGENT LIABILITIES

(in thousands)

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, 2019, accruals totaling $75 (2018 - $nil) have been recognized as a liability.

APS has been named in 13 (2018 - 12) claims, the outcomes of which 7 claims are likely and 6 cases are not determinable. In most cases these claims have been filed jointly and severally against APS, one of the Pension Plan(s) and in some cases involve third parties. Of the likely claims, 4 (2018 - 3) have a specified amount totaling $1,965 (2018 - $2,518). Of the indeterminate claims, 1 (2018 - 1) has a specified amount totaling $800 (2018 - $800). The remaining 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 claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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 2019 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. 2019 BUDGET

The Corporation's 2019 budget was approved by the Board of Directors on November 27, 2018.

17. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified, where necessary, to conform to the 2019 presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of the Corporation.

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

Supplementary Information Required by Legislation

For the year ended December 31, 2019
(Unaudited)

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* (the "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; and

c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing, plus any recommendations made or corrective measures taken in relation to the wrongdoing, or the reasons why no corrective measure was taken.

In 2019, the Corporation's designated officers received three disclosures of wrongdoing pursuant to the Act. These disclosures were alleged contraventions of the *Occupational Health and Safety Act*, and related to harassment in the workplace. Investigations were conducted on all three disclosures. Two resulted in findings of wrongdoing. Appropriate disciplinary actions commensurate with the results of the investigations have been undertaken. The investigation into the remaining disclosure did not result in a finding of wrongdoing.

CORPORATE INFORMATION

CORPORATE DIRECTORY

(as at December 31, 2019)

DARWIN BOZEK
President and Chief Executive Officer

DAVID BOOTH
Vice President, Information Services and Technology

TAMARA JANZEN
Vice President, Human Resources and Organizational Development

TROY MANN
Vice President, Pensions Services

DOUG WOLOSHYN
Vice President, Finance and Chief Financial Officer

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