

ALBERTA PENSIONS ADMINISTRATION CORPORATION

Financial Statements YEAR ENDED DECEMBER 31, 2004

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AUDITOR'S REPORT

To the Shareholder of Alberta Pensions Administration Corporation

I have audited the balance sheet of the Alberta Pensions Administration Corporation as at December 31, 2004 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
April 12, 2005

[Original Signed]
Fred J. Dunn, FCA
Auditor General

ALBERTA PENSIONS ADMINISTRATION CORPORATION

BALANCE SHEET

As at December 31, 2004 (*thousands*)

	2004	2003
ASSETS		
Cash	\$ 54	\$ 98
Accounts receivable	106	12
Prepaid expenses	103	120
Due from pension plans	4,509	3,224
Property and equipment (Note 5)	8,664	8,040
	<u>\$ 13,436</u>	<u>\$ 11,494</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,984	\$ 1,376
Accrued salaries and benefits	797	502
Accrued vacation pay	606	719
Deferred lease inducement	52	70
Capital lease obligation (Note 13)	1,333	787
Deferred capital contributions [Note 3(b)]	8,664	8,040
	<u>13,436</u>	<u>11,494</u>
Shareholder's equity		
Share capital (Note 6)	-	-
	<u>\$ 13,436</u>	<u>\$ 11,494</u>

The accompanying notes are part of these financial statements.

On behalf of the Board:

Jack H. McMahon
Chairman of the Board

R.C. (Rick) Milner
Audit Committee Chairman

ALBERTA PENSIONS ADMINISTRATION CORPORATION

STATEMENT OF INCOME

Year Ended December 31, 2004 (*thousands*)

	Budget 2004	Actual 2004	Actual 2003
Revenue			
Service revenue (Note 7)	\$ 25,669	\$ 24,381	\$ 24,713
Miscellaneous revenue	65	52	75
Total revenue	<u>25,734</u>	<u>24,433</u>	<u>24,788</u>
Operating costs			
Salaries and benefits	13,161	13,481	11,765
Amortization	2,692	2,612	2,113
Contract services	2,654	2,255	1,717
Materials and supplies	3,210	2,242	5,745
Rent	620	706	538
Data processing	506	414	753
Operating costs before plan specific costs	<u>22,843</u>	<u>21,710</u>	<u>22,631</u>
Plan specific costs (Note 10)	2,891	2,723	2,157
Total operating costs	<u>25,734</u>	<u>24,433</u>	<u>24,788</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ALBERTA PENSIONS ADMINISTRATION CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004 (*thousands*)

	2004	2003
Operating activities		
Net income	\$ -	\$ -
Items not requiring cash		
Amortization	2,612	2,113
Capital contributions recognized	(2,612)	(2,113)
	-	-
Changes in non-cash working capital (Note 8)	(572)	(805)
	(572)	(805)
Investing activities		
Acquisition of property and equipment	(3,237)	(3,235)
Financing activities		
(Decrease)/increase in deferred lease inducement	(18)	70
Increase in capital lease obligation	546	787
Capital contributions received	3,237	3,235
	3,765	4,092
(Decrease)/ increase in cash for the year	(44)	52
Cash at beginning of year	98	46
Cash at end of year	\$ 54	\$ 98

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 AUTHORITY

The Alberta Pensions Administration Corporation (the Corporation) was incorporated under the *Business Corporation Act*, Chapter B-9, Revised Statutes of Alberta, 2000. The issued share of the Corporation is owned by the Government of Alberta, and accordingly the Corporation is exempt from income taxes.

NOTE 2 NATURE OF OPERATIONS

The Minister of Finance of Alberta, operating under the authority of the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000, and the *Financial Administration Act*, Chapter F-12, RSA 2000, is responsible for administering the following pension plans:

- Local Authorities Pension Plan
- Public Service Pension Plan
- Management Employees Pension Plan
- Special Forces Pension Plan
- Public Service Management (Closed Membership) Pension Plan
- Members of the Legislative Assembly Pension Plan
- Provincial Judges and Masters In Chambers (Registered) Pension Plan
- Supplementary Retirement Plan for Public Service Managers
- Provincial Judges and Masters In Chambers (Unregistered) Pension Plan

All administrative services required by the pension plans are provided by the Corporation pursuant to the Administrative Services Agreement with the Minister through to December 31, 2005. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically requested by individual pension boards.

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Property and Equipment**

Property and equipment is recorded at cost and is amortized on a straight-line basis over the estimated useful life of the asset as follows:

Computer equipment	2 to 3 years
Computer software	2 to 3 years
Furniture and equipment	5 years
Telephone system	3 years
Leasehold improvements	Lease period
APEX business system	3 to 5 years

Property and equipment under construction, including software development projects, is not amortized until completion and implementation.

(b) Recognition of Deferred Capital Contributions

Financing obtained from the public sector pension plan funds to acquire property and equipment is recorded as deferred capital contributions. These amounts are recognized as revenue on the same basis as the acquired property and equipment is amortized.

NOTE 4 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

NOTE 5 PROPERTY AND EQUIPMENT

(thousands)

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
APEX business system	\$ 9,620	\$ 3,590	\$ 6,030	\$ 6,689
Computer equipment	2,211	1,578	633	734
Leasehold improvements	1,414	130	1,284	247
Furniture and equipment	1,000	482	518	145
Computer software	921	722	199	225
Telephone system	43	43	-	-
	<u>\$ 15,209</u>	<u>\$ 6,545</u>	<u>\$ 8,664</u>	<u>\$ 8,040</u>

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTE 6 SHARE CAPITAL

	2004	2003
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash (Note 1)	\$ 1	\$ 1

NOTE 7 SERVICE REVENUE

The Corporation charged each plan with its respective share of the Corporation's operating and plan specific costs based on the allocation formula approved by the Minister of Finance.

(thousands)

	2004	2003
Public Sector Pension Plans		
Local Authorities Pension Plan	\$ 14,655	\$ 14,827
Public Service Pension Plan	6,283	6,568
Management Employees Pension Plan	1,427	1,364
Special Forces Pension Plan	1,106	976
Public Service Management (Closed Membership) Pension Plan	344	392
Provincial Judges and Masters in Chambers (Registered) Pension Plan	63	76
Members of the Legislative Assembly Pension Plan	57	74
Supplementary Retirement Pension Plans		
Supplementary Retirement Plan for Public Service Managers	378	368
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	68	68
	<u>\$ 24,381</u>	<u>\$ 24,713</u>

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTE 8 CHANGES IN NON-CASH WORKING CAPITAL*(thousands)*

	2004	2003
Changes in non-cash working capital consist of the following:		
Increase in accounts receivable	\$ (94)	\$ (7)
Decrease/(increase) in prepaid expenses	17	(118)
(Increase)/decrease in due from pension plans	(1,285)	701
Increase/(decrease) in accounts payable and accrued liabilities	608	(1,663)
Increase in accrued salaries and benefits	295	160
(Decrease)/increase in accrued vacation pay	(113)	122
	<u>\$ (572)</u>	<u>\$ (805)</u>

NOTE 9 RELATED PARTY TRANSACTIONS*(thousands)*

	2004	2003
The Corporation received the following services at amounts which approximate market from:		
Alberta Corporate Service Centre Data processing and postage	\$ 524	\$ 794
Alberta Finance Accounting and administrative	28	25
Alberta Infrastructure Parking rental	10	16

The Corporation also provided services to the Public Sector Pension Plans as disclosed in Notes 7 and 10.

NOTE 10 PLAN SPECIFIC COSTS

The Corporation makes certain payments on behalf of the pension plan boards. These costs, which are incurred directly by the pension plan boards, and which the Corporation does not control, are as follows:

(thousands)

	2004	2003
Contract services	\$ 1,508	\$ 1,376
Salaries and benefits	636	360
Materials and supplies	389	269
Remuneration for Pension Plan Boards	184	136
Data processing	6	16
	<u>\$ 2,723</u>	<u>\$ 2,157</u>

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTE 11 SALARIES AND BENEFITS DISCLOSURE*(thousands)*

	Base Salary^(a)	Other Cash Benefits^(b)	Other Non-Cash Benefits^(c)	2004 Total	2003 Total
Corporation Board Chair ^(d)	\$ -	\$ 31	\$ 2	\$ 33	\$ 31
Corporation Board Members ^(d)	-	92	11	103	77
President and Chief Executive Officer ^(e)	146	32	28	206	243
Corporate Officers:					
Chief Operating Officer and Corporate Secretary ^(f)	132	26	28	186	191
Chief Information Officer	115	20	26	161	136
Chief Administrative Officer ^(g)	119	77	37	233	174
Executive:					
Executive Director Operation	115	14	24	153	153

a) Base salary includes pensionable base pay.

b) Other cash benefits includes incentive pay, lump sum payments, vacation payouts and honoraria.

c) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships and tuition fees.

d) Remuneration paid to the Chair and four board members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.

e) Automobile provided, no dollar amount included in other non-cash benefits figures.

f) Other cash benefits include vacation payouts to the Chief Operating Officer and Corporate Secretary \$4,748 (2003: \$nil).

g) The Chief Administrative Officer (CAO) position was held by two individuals during the year, with an overlap of one month for transition purposes. The former CAO was paid all holiday pay owing (\$62,729) upon retiring.

NOTE 12 PENSIONS

The Corporation participates in the Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers which are multiemployer pension plans. The expense for these pension plans is equivalent to the annual contributions of \$891,923 for the year ended December 31, 2004 (2003: \$609,853).

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTE 13 CAPITAL LEASES OBLIGATION

The Corporation is committed under capital leases for computer equipment for the periods extending to 2006. Future minimum lease payments are as follows:

(thousands)

2005	\$	941
2006		440
Total minimum lease payments		<u>1,381</u>
Less amount representing maintenance costs		<u>48</u>
Capital lease obligation		1,333
Current portion		<u>893</u>
Long term portion	\$	<u>440</u>

NOTE 14 COMMITMENTS

The Corporation has entered into agreements with minimum annual commitments for office space and automobile as follows:

(thousands)

2005	\$	718
2006		717
2007		703
2008		675
2009		479

NOTE 15 COMPARATIVE FIGURES

Certain 2003 figures have been reclassified to conform with the 2004 presentation.

NOTE 16 APPROVAL OF FINANCIAL STATEMENTS

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

