

# ALBERTA PENSIONS ADMINISTRATION CORPORATION

## Financial Statements

DECEMBER 31, 2005

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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, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*[Original Signed]*

Fred J. Dunn, FCA  
Auditor General

Edmonton, Alberta  
March 29, 2006

*The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.*

## ALBERTA PENSIONS ADMINISTRATION CORPORATION

**BALANCE SHEET**

December 31, 2005

	2005	2004
	(\$ thousands)	
<b>ASSETS</b>		
Cash	\$ 70	\$ 54
Accounts receivable	8	106
Prepaid expenses	169	103
Due from pension plans	2,680	4,509
Property and equipment (Note 4)	6,956	8,664
	<u>\$ 9,883</u>	<u>\$ 13,436</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,031	\$ 1,984
Accrued salaries and benefits	1,015	797
Accrued vacation pay	406	606
Deferred lease inducement	35	52
Capital lease obligation (Note 5)	440	1,333
Deferred capital contributions (Note 3(b))	6,956	8,664
	<u>9,883</u>	<u>13,436</u>
Shareholder's equity		
Share capital (Note 6)	-	-
	<u>\$ 9,883</u>	<u>\$ 13,436</u>

The accompanying notes are part of these financial statements.

Approved by 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, 2005

	<b>Budget 2005 (Note 16)</b>	<b>Actual 2005</b>	<b>Actual 2004</b>
	(\$ thousands)		
<b>Revenue</b>			
Service revenue (Note 8)	\$ 26,944	\$ 24,547	\$ 24,381
Miscellaneous revenue	18	51	52
Total revenue	<u>26,962</u>	<u>24,598</u>	<u>24,433</u>
<b>Operating costs</b>			
Salaries and benefits	15,588	14,714	13,481
Amortization	3,357	3,175	2,612
Contract services	1,385	1,219	2,255
Materials and supplies	2,027	1,961	2,242
Rent	913	659	706
Data processing	358	392	414
Operating costs before plan-specific costs	<u>23,628</u>	<u>22,120</u>	<u>21,710</u>
Plan-specific costs (Note 9)	3,334	2,478	2,723
Total operating costs	<u>26,962</u>	<u>24,598</u>	<u>24,433</u>
<b>Net income</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are part of these financial statements.

## ALBERTA PENSIONS ADMINISTRATION CORPORATION

**STATEMENT OF CASH FLOW**

Year Ended December 31, 2005

	2005	2004
	(\$ thousands)	
<b>Operating activities</b>		
Net income	\$ -	\$ -
Items not affecting cash		
Amortization	3,175	2,612
Capital contributions recognized	(3,175)	(2,612)
	-	-
Changes in non-cash working capital (Note 10)	926	(572)
	926	(572)
<b>Investing activities</b>		
Acquisition of property and equipment	(1,467)	(3,237)
<b>Financing activities</b>		
Decrease in deferred lease inducement	(17)	(18)
Increase (decrease) in capital lease obligation	(893)	546
Capital contributions received	1,467	3,237
	557	3,765
<b>Increase (decrease) in cash for the year</b>	16	(44)
<b>Cash at beginning of year</b>	54	98
<b>Cash at end of year</b>	\$ 70	\$ 54

The accompanying notes are part of these financial statements.

## ALBERTA PENSIONS ADMINISTRATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2005

**NOTE 1 AUTHORITY**

The Alberta Pensions Administration Corporation (the Corporation) was incorporated under the *Business Corporations 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 and other 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, 2006. 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 are recorded at historical cost. The threshold for capitalization is \$5,000 per item or \$30,000 for like items, where the individual items have a useful life in excess of two years. Amortization is calculated as follows:

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

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

Effective January 1, 2006 the Corporation has amended its accounting policy for capitalizing assets. The threshold for capitalizing new system development is \$100,000, and \$5,000 for all other items, where these items have a useful life in excess of one year. This new policy is being applied on a prospective basis.

**(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 PROPERTY AND EQUIPMENT**

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(\$ thousands)			
APEX business system	\$ 7,383	\$ 4,437	\$ 2,946	\$ 6,030
Computer equipment	4,225	3,119	1,106	633
Computer software	2,059	839	1,220	199
Leasehold improvements	1,596	439	1,157	1,284
Furniture and equipment	1,095	568	527	518
Telephone system	43	43	-	-
	<b>\$ 16,401</b>	<b>\$ 9,445</b>	<b>\$ 6,956</b>	<b>\$ 8,664</b>

## ALBERTA PENSIONS ADMINISTRATION CORPORATION

**NOTE 5 CAPITAL LEASE OBLIGATION**

The Corporation is committed under capital leases for computer equipment for periods extending to 2006. The minimum lease payments for 2006 total \$440,000 and do not include interest.

**NOTE 6 SHARE CAPITAL**

	2005	2004
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash (Note 1)	\$ 1	\$ 1

**NOTE 7 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, accrued vacation pay and capital lease obligation. Due to their short-term nature, the carrying value of these instruments approximates their fair value.

**NOTE 8 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 decided by the Minister of Finance.

	2005	2004
	(\$ thousands)	
Public Sector Pension Plans		
Local Authorities Pension Plan	\$ 14,686	\$ 14,655
Public Service Pension Plan	6,350	6,283
Management Employees Pension Plan	1,416	1,427
Special Forces Pension Plan	1,136	1,106
Public Service Management (Closed Membership) Pension Plan	339	344
Provincial Judges and Masters in Chambers (Registered) Pension Plan	57	63
Members of the Legislative Assembly Pension Plan	58	57
Supplementary Retirement Pension Plans		
Supplementary Retirement Plan for Public Service Managers	442	378
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	63	68
	<u>\$ 24,547</u>	<u>\$ 24,381</u>





## ALBERTA PENSIONS ADMINISTRATION CORPORATION

**NOTE 12 SALARIES AND BENEFITS DISCLOSURE**

	2005			2004	
	Base Salary <sup>(a)</sup>	Other Cash Benefits <sup>(b)</sup>	Other Non-Cash Benefits <sup>(c)</sup>	Total	
	(\$ thousands)				
Corporation Board Chair <sup>(d)</sup>	\$ -	\$ 20	\$ -	\$ 20	\$ 33
Corporation Board Members <sup>(d)</sup>	-	68	6	74	103
President and Chief Executive Officer <sup>(e)</sup>	150	39	33	222	206
Corporate Officers:					
Chief Strategist and Corporate Secretary	136	26	30	192	186
Chief Operating Officer	123	16	27	166	153
Chief Information Officer <sup>(f)</sup>	100	42	32	174	161
Chief Administrative Officer <sup>(g)</sup>	119	21	29	169	233

- (a) Base salary includes regular base pay.
- (b) Other cash benefits include incentive pay, lump sum payments, vacation payouts and honoraria.
- (c) Other non-cash benefits include the Corporation's share of all employee and Board member benefits and contributions or payments made on their behalf including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships and tuition fees.
- (d) Remuneration paid for the services of the Chair and five board members (2004: five 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.
- (f) The Chief Information Officer (CIO) position was occupied for eleven months during the year, 8 months by the successor and 3 months by the predecessor. The former CIO was paid all holiday pay owing (\$20,648) upon retiring.
- (g) The Chief Administrative Officer position was held by two individuals during 2004, with an overlap of one month for transition purposes.

**NOTE 13 DEFINED BENEFIT PLANS**

(\$ thousands)

The Corporation participates in two multi-employer public sector pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,076 for the year ended December 31, 2005 (2004: \$892).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of \$268,101 (2003: \$290,014) and the Public Service Pension Plan reported a deficiency of \$450,068 (2003: \$584,213). At December 31, 2004 the Supplementary Retirement Plan for Public Service Managers had a surplus of \$9,404 (2003: \$9,312).

## ALBERTA PENSIONS ADMINISTRATION CORPORATION

**NOTE 14      COMMITMENTS**

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

	(\$ thousands)
2006	\$ 727
2007	721
2008	810
2009	539

**NOTE 15      COMPARATIVE FIGURES**

Certain 2004 figures have been reclassified to conform with the 2005 presentation.

**NOTE 16      APPROVAL OF 2005 BUDGET**

The 2005 budget was approved by the Corporate Board on December 16,2004.

