

ALBERTA PENSIONS ADMINISTRATION CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2002

Auditor's Report

Balance Sheet

Statement of Income

Statement of Cash Flows

Notes to the Financial Statements



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, 2002 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

[Original Signed]

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
February 14, 2003

ALBERTA PENSIONS ADMINISTRATION CORPORATION
BALANCE SHEET
DECEMBER 31, 2002
(\$ thousands)

	2002	2001
ASSETS		
Cash (Note 5)	\$ 46	\$ 423
Accounts receivable	5	28
Prepaid expenses	2	6
Due from pension plans	3,925	2,222
Capital assets (Note 6)	6,918	4,028
	<u>\$ 10,896</u>	<u>\$ 6,707</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 3,039	\$ 1,998
Accrued salaries and benefits	342	156
Accrued vacation pay	597	510
Capital lease obligation	-	15
Deferred capital contributions [Note 3(b)]	6,918	4,028
	<u>10,896</u>	<u>6,707</u>
Shareholder's equity		
Share capital (Note 7)	-	-
	<u>\$ 10,896</u>	<u>\$ 6,707</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, 2002
(\$ thousands)

	Budget 2002 (Note 16)	Actual 2002	Actual 2001
Revenue			
Service revenue (Note 8)	\$ 20,905	\$ 21,881	\$ 15,365
Miscellaneous revenue	156	79	157
Total revenue	<u>21,061</u>	<u>21,960</u>	<u>15,522</u>
Operating costs before APEX business system and plan specific costs			
Salaries and benefits	8,391	8,112	6,180
Data processing	3,396	2,953	2,824
Materials and supplies	976	1,493	904
Contract services	827	644	559
Rent	555	502	477
Amortization	400	465	371
Operating costs before APEX business system and plan specific costs	<u>14,545</u>	<u>14,169</u>	<u>11,315</u>
APEX business system costs (Note 15)	4,796	5,743	2,448
Operating costs before plan specific costs	<u>19,341</u>	<u>19,912</u>	<u>13,763</u>
Plan specific costs (Note 11)	1,720	2,048	1,759
Total operating costs	<u>21,061</u>	<u>21,960</u>	<u>15,522</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2002
(\$ thousands)

	2002	2001
Operating activities		
Net income	\$ -	\$ -
Items not requiring cash		
Amortization	601	439
Capital contributions recognized	(601)	(439)
	<u>-</u>	<u>-</u>
Changes in non-cash working capital (Note 9)	(362)	436
	<u>(362)</u>	<u>436</u>
Investing activities		
Acquisition of property and equipment		
APEX	(2,477)	(2,640)
Non-APEX	(1,014)	(332)
	<u>(3,491)</u>	<u>(2,972)</u>
Financing activities		
Decrease in capital lease obligation	(15)	(45)
Capital contributions received	3,491	2,972
	<u>3,476</u>	<u>2,927</u>
Increase (decrease) in cash for the year	(377)	391
Cash at beginning of year	423	32
Cash at end of year	<u>\$ 46</u>	<u>\$ 423</u>

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 1 AUTHORITY

The Alberta Pensions Administration Corporation (APA) 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 Province of Alberta, and accordingly the Corporation is exempt from income taxes.

NOTE 2 NATURE OF OPERATIONS

(a) Public Sector Pension Plans

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

All administrative services required by the pension plans are provided by the Corporation pursuant to an agreement with the Minister dated December 31, 2004. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically approved by individual pension boards.

(b) Other Pension Plan

The Universities Academic Pension Plan (UAPP) Board of Trustees requested, and APA agreed, in an Administrative Services Agreement dated December 20, 2000, to provide certain pension administrative services to the Board of Trustees for the period of January 1, 2001 to December 31, 2002. Effective January 1, 2003, APA no longer provides administrative services to UAPP.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

(a) Property and Equipment

Property and equipment is recorded at cost.

Property and equipment 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	5 years

The costs of the Alberta Pension Excellence (APEX) business system, a business process re-engineering initiative, directly attributable to the development, betterment or acquisition of computer software are capitalized. These activities include:

Costs associated with documenting plan rules and developing specifications for programming new pension software.

Purchase and installation of new pension software.

Program modifications to new pension software.

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

(b) Recognition of Deferred Capital Contributions

Contributions from the Public Sector Pension Plans to acquire property and equipment are recorded as deferred capital contributions. These amounts are recognized as revenue on the same basis as the acquired property and equipment is amortized to operating costs.

(c) Pensions

The Corporation participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

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 book value.

NOTE 5 CASH

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

NOTE 6 PROPERTY AND EQUIPMENT

	2002		2001	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(\$ thousands)			
Computer equipment	\$ 1,622	\$ 787	\$ 835	\$ 282
Software development projects	113	113	-	-
Computer software	512	400	112	155
Furniture and equipment	528	287	241	320
Telephone system	43	43	-	-
Leasehold improvements	142	18	124	6
APEX business system (Note 15)	5,810	204	5,606	3,265
	<u>\$ 8,770</u>	<u>\$ 1,852</u>	<u>\$ 6,918</u>	<u>\$ 4,028</u>

NOTE 7 SHARE CAPITAL

	2002	2001
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash (Note 1)	\$1	\$1

NOTE 8 SERVICE REVENUE

The Corporation charged each plan with its respective share of the Corporation's operating costs and plan specific costs as follows:

	2002	2001
	(\$ thousands)	
Public Sector Pension Plans		
Local Authorities Pension Plan	\$ 12,780	\$ 8,887
Public Service Pension Plan	5,676	4,045
Management Employees Pension Plan	1,104	686
Special Forces Pension Plan	827	627
Public Service Management (Closed Membership) Pension Plan	286	178
Members of the Legislative Assembly Pension Plan	68	61
Provincial Judges and Masters in Chambers (Registered) Pension Plan	65	61
Supplementary Retirement Pension Plans		
Supplementary Retirement Plan for Public Service Managers	330	217
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	61	46
Other Pension Plan		
Universities Academic Pension Plan	684	557
	<u>\$ 21,881</u>	<u>\$ 15,365</u>

NOTE 9 CHANGES IN NON-CASH WORKING CAPITAL

	2002	2001
	(\$ thousands)	
Changes in non-cash working capital consist of the following		
Decrease/(increase) in accounts receivable	\$ 23	\$ (2)
Decrease in prepaid expenses	4	14
Increase in due from pension plans	(1,703)	(992)
Increase in accounts payable and accrued liabilities	1,041	1,240
Increase in accrued salaries and benefits	186	121
Increase in accrued vacation pay	87	55
	<u>\$ (362)</u>	<u>\$ 436</u>

NOTE 10 RELATED PARTY TRANSACTIONS

	2002	2001
	(\$ thousands)	
The Corporation received the following services at amounts which approximate market from:		
Alberta Finance Accounting and administrative	\$ 23	\$ 31
Alberta Infrastructure Postage and parking rental	59	104
Alberta Corporate Service Centre Data processing and postage	758	708

The Corporation also provided services to the Public Sector Pension Plans as disclosed in Notes 8 and 11.

NOTE 11 PLAN SPECIFIC COSTS

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

	2002	2001
	(\$ thousands)	
Remuneration for Pension Plan Boards	\$ 162	\$ 120
Salaries and benefits	314	253
Contract services	1,205	1,039
Materials and supplies	367	347
	<u>\$ 2,048</u>	<u>\$ 1,759</u>

NOTE 12 SALARIES AND BENEFITS DISCLOSURE

		2002			2001
		Salary ^(a)	Benefits and Allowances ^(b)	Total	Total
		(\$ thousands)			
Chairman of APA Board	(c)	\$ 24	\$ -	\$ 24	\$ 20
Board Members of APA	(c)	48	2	50	32
Executives:					
Chief Executive Officer	(d)(e)(f)	142	27	169	158
Executive Director Operations & Corporate Secretary	(g)	132	23	155	126
Executive Director Finance and Administration	(e)(g)	119	26	145	115
Executive Director Pension Policy		113	16	129	112
Executive Director Corporate Development	(g)(h)	91	16	107	-
Chief Information Officer	(g)(i)	43	9	52	123

- (a) Salary includes regular base pay, honoraria, incentive pay and other lump sum payments.
- (b) Benefits and allowances include the 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, tuition fees and vacation payouts.
- (c) Remuneration paid to the Chairman and four (2001: three) Board Members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.
- (d) Position was reclassified from Chief Operating Officer effective February 4, 2002.
- (e) Position was occupied by two individuals consecutively in 2002.
- (f) Automobile provided, no dollar amount included in benefits and allowances figures.
- (g) Benefits and allowances include vacation payouts to the Executive Director Operations and Corporate Secretary \$5,000 (2001 \$4,000) and the Executive Director Finance and Administration \$9,000 (2001: \$nil), the Executive Director Corporate Development \$4,000 (2001: \$nil) and the Chief Information Officer \$nil (2001: \$4,000).
- (h) Position created on March 4, 2002.
- (i) Position was reclassified from Executive Director of Information Technology effective October 1, 2002. Position was occupied by two individuals for a period of five months in 2002.

NOTE 13 PENSION

The Corporation participates in the Management Employees Pension Plan and Public Service Pension Plan which are multiemployer pension plans. The expense for these pension plans is equivalent to the annual contributions of \$430,000 for the year ended December 31, 2002 (2001: \$348,000).

NOTE 14 COMMITMENTS

The Corporation has entered into agreements with minimum annual commitments as follows:

- (a) A lease agreement with the Landlord for office space.

	(\$ thousands)
2003	\$ 557
2004 to 2007	\$ 540

- (b) A fixed price agreement with a service provider for the development of the APEX business system.

	(\$ thousands)
2003	\$ 3,593

- (c) A lease agreement for an automobile.

	(\$ thousands)
2003	\$ 9
2004	\$ 9
2005	\$ 1

NOTE 15 APEX BUSINESS SYSTEM

The APEX business system will provide a fully integrated system of enhanced pension administration services to employers, members, pensioners and pension plan Boards. These enhancements will be accomplished through the implementation of new pension software, web based functionality and process improvements. Funding for the APEX business system is provided by contributions from the Public Service Pension Plan, the Local Authorities Pension Plan, the Management Employees Pension Plan and the Special Forces Pension Plan.

- (a) New Pension Software and Web Based Functionality (Implementation Phase)

Costs incurred, expensed, capitalized and amortized during the year were as follows:

	2002	2001
	(\$ thousands)	
Costs incurred during the year	\$ 8,220	\$ 5,088
Costs expensed during the year		
Alternatives phase	-	309
Implementation phase	5,607	2,071
Amortization	136	68
	<u>5,743</u>	<u>2,448</u>
Costs capitalized during the year	2,477	2,640
Costs amortized during the year	(136)	(68)
Unamortized costs at beginning of year	3,265	693
Unamortized costs at end of year	<u>\$ 5,606</u>	<u>\$ 3,265</u>

The approved operating and capital budget for this phase is:

	Budget	Actual to December 31, 2002
	(\$ thousands)	
New Pension Software	\$ 16,801	\$ 11,438
Web Based Functionality	1,802	1,357
	<u>\$ 18,603</u>	<u>\$ 12,795</u>

(b) Process Improvements

Operating and capital budget for the following process improvements have been approved. No costs have been incurred to December 31, 2002.

	Budget
	(\$ thousands)
Document Management	\$ 520
Document Imaging	1,613
Workflow	1,085
	<u>\$ 3,218</u>

NOTE 16 BUDGET

The 2002 budget was approved by the Board of Directors on November 21, 2001.

NOTE 17 COMPARATIVE FIGURES

Certain 2001 figures have been reclassified to conform to the 2002 presentation.