

**PENSION
CORPORATION**

2012/2013 Annual Report

April 1, 2012–March 31, 2013

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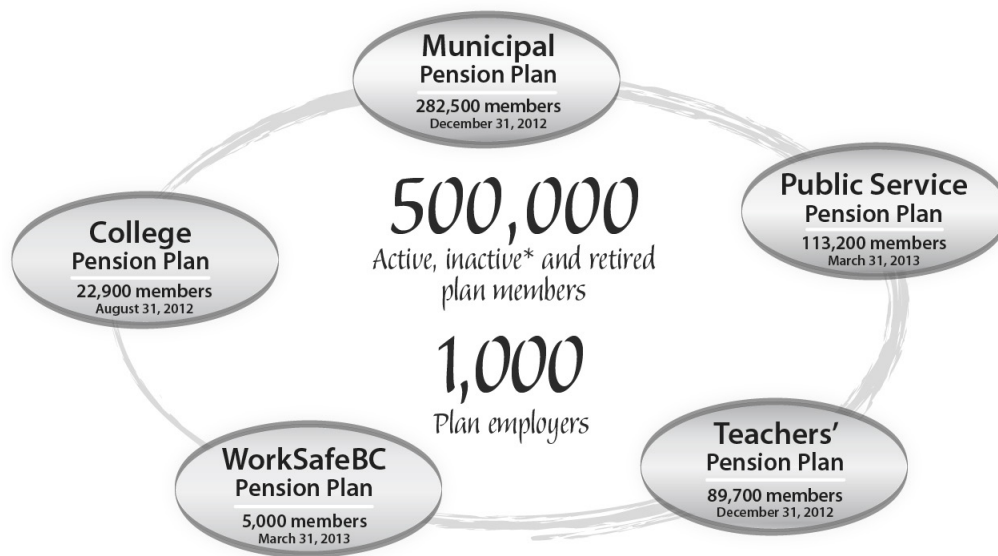
About BC Pension Corporation

Established in 2000, the BC Pension Corporation is one of the largest pension plan administrative agents in Canada. We provide excellent client service to five boards of trustees and their plan members and employers.

Helping members understand their pension is important to us. We ensure they have the right information to make informed decisions as they contribute to their pension. We support members by providing vital information that will help them make key financial decisions for their retirement.

We operate on a cost-recovery basis as set out in the [Public Sector Pension Plans Act](#).

The BC Pension Corporation provides pension administration services to plan members and employers of the following five pension plans:



* Inactive members are those who were once active members but have terminated employment. They currently do not receive a benefit from the plan but are entitled to receiving one when appropriate.

** Figures may be rounded to the nearest hundred and are based on each plan's year-end reporting cycle.

Want to know more? Visit pensionsbc.ca.

Corporate board

Message from the chair

It is a privilege to work with my fellow board members and collaborate with a dedicated executive team and staff at the BC Pension Corporation.

The board provides governance to the corporation and is responsible for overseeing its operations through the setting of goals, objectives and priorities. The corporation has not only continued to deliver on its commitments in the short term but has also started an important business transformation to ensure it can meet growing demands over the long term. Factors such as legislative changes, demographic shifts and service expectations will affect how we deliver service in the future.

The 2011/12 fiscal year saw the creation of a new nine-year strategic plan, [From 12 to 21: Our Way Forward](#). This plan will guide the corporation's transformation and help us meet challenges head on from now until 2021. The corporation has made excellent progress during the 2012/13 fiscal year, remaining flexible to accommodate changes along the way and continuing to provide exceptional service on a daily basis.

I am pleased to share that the executive team has welcomed new member Trevor Fedyna as vice president of finance and chief financial officer. Trevor—as well as Kevin Olineck, vice president of client services, and Dave Marecek, vice president of corporate services—brings a wealth of experience and strategic thinking to

the corporation. The management styles of each vice president complement the outstanding leadership of Chief Executive Officer Laura Nashman.

It has been an honour to serve as chair over the past two years. Although my term is ending, I am pleased to continue serving the board as a director. I am happy to report that Weldon Cowan will be your incoming chair. He was appointed to the board in 2011, and his experience and contributions since then have prepared him well for this role.

On behalf of the board, I wish to thank Laura, her executive team and all staff for another great year. It is through their extraordinary efforts that we continue to make good things happen for members, beneficiaries and trustees. I extend a warm welcome to you and encourage you to explore our online corporate annual report.

Wayne Jefferson
Chair, Board of Directors

Corporate board

For full bios, please visit [Our Board](#) on pensionsbc.ca

WAYNE JEFFERSON, CHAIR

Wayne was appointed to the board of directors in 2002 by the Teachers' Pension Board of Trustees. He has chaired the corporate board since 2011 and the corporate audit committee from 2003 to 2011. Wayne served for many years with the BC School District Secretary Treasurers' Association (now the BC Association of School Business Officials). He is the secretary-treasurer for the Mission Public School District.

WELDON COWAN, VICE CHAIR

Weldon was appointed to the board of directors in 2011 by the College Pension Board of Trustees. In March 2005, he became a staff representative for the Federation of Post-Secondary Educators of BC. This organization appointed him to the College Pension Board of Trustees in September of that year.

CARL FISCHER

Carl was appointed to the board of directors in 2007 by the College Pension Board of Trustees. He is the executive director of Financial Reporting and Advisory Services for the BC Ministry of Finance. He has been a member of the College Pension Board of Trustees since December 2007.

DALE LAUBER

Dale was appointed to the board of directors in 2004 by the Teachers' Pension Board of Trustees. After 25 years of teaching, in addition to serving local unions on bargaining committees, Dale worked as a staff officer for the British Columbia Teachers' Federation from 1990 until his retirement in 2006. Dale became chair of the corporate audit committee in 2012.

JOHN MAZURE

John was appointed to the board of directors in 2011 by the Public Service Pension Board of Trustees. He has a background in economics and financial management and is the executive project assessment director with the Environmental Assessment Office in the BC Ministry of Environment.

RICHARD TAYLOR

Richard was appointed to the board of directors in 2000 by the Municipal Pension Board of Trustees. He has been a member of the Municipal Pension Board of Trustees since April 2001. He was also the executive director of the Union of British Columbia Municipalities from 1985 to 2007.

DAVID VIPOND

David was appointed to the board of directors in 2011 by the Public Service Pension Board of Trustees. He participated in the negotiations that led to joint trusteeship of the Public Service Pension Plan in 2001, becoming a trustee that same year. He is currently vice chair of the Public Service Pension Plan.

COLLEEN WIENS

Colleen was appointed to the board of directors in 2012 by the Municipal Pension Board of Trustees. She has been a trustee on the board since 2009. Colleen is employed as a payroll and accounting clerk with School District No. 5, Southeast Kootenay.

Board compensation

Corporate board members are compensated through an annual retainer and a per diem fee for board and committee meetings. The retainer and fees are paid to board members or to the organization that employs them while they serve on the board. In addition, members are reimbursed for reasonable travel expenses.

**Table 1: Board compensation
for the year ended March 31, 2013**

Name and position	Remuneration (\$)
Weldon Cowan, vice chair	8,643
Carl Fischer, director	6,282
Wayne Jefferson, chair	10,142
Dale Lauber, director	8,127
John Mazure, director	6,625
Richard Taylor, director	6,455
David Vipond, director	7,952
Colleen Wiens, director	6,648

Executive team

For more about our executive team, visit [Our Leaders on pensionsbc.ca](#).

LAURA NASHMAN, CHIEF EXECUTIVE OFFICER

Laura has served as chief executive officer of the BC Pension Corporation since December 2008. She has spearheaded the creation of a new strategic plan *From 12 to 21: Our Way Forward*. This nine-year strategy aims to transform the corporation to meet the changing needs and expectations of plan members, employers, trustees and staff. In 2011, Laura was named to Vancouver Magazine's Power 50 list. In 2010, she was named one of Canada's Top 100 Most Powerful Women. See the [message from the CEO](#).

KEVIN OLINECK, VICE PRESIDENT OF CLIENT SERVICES

Since joining the BC Pension Corporation in May 2009, Kevin has focused on defining and implementing a new service delivery model. He has provided strategic leadership to the Client Services Division, which directs plan board, corporate and internal communications. Before joining the corporation, Kevin was vice president of pension services for the Alberta Pension Services Corporation.

DAVE MARECEK, VICE PRESIDENT OF CORPORATE SERVICES

Dave joined the BC Pension Corporation in January 2012 as vice president of corporate services. Today, he oversees operations of the corporation's information technology and human resources branches. Before joining the corporation, Dave was senior vice president for 12 years at Fujitsu Consulting (Canada) Inc. There, he was responsible for executive leadership of sales, service delivery and human resources management.

TREVOR FEDYNA, VICE PRESIDENT OF FINANCE/CHIEF FINANCIAL OFFICER

Trevor has served as vice president of finance and chief financial officer of the BC Pension Corporation since February 2013, bringing more than 15 years of executive experience. Trevor has worked for a number of public and private organizations undergoing transformation. His expertise spans transformation in areas including finance, strategic planning and enterprise risk management.

CHERYL EASON, VICE PRESIDENT OF FINANCE AND PLAN BOARD SERVICES

From June 2009 to November 2012, Cheryl served the BC Pension Corporation as vice president of finance and plan board services. Her areas of responsibility included finance, procurement, plan policy and plan board services. During this time, she focused on leading the review of an integrated planning model. The model included key business processes, such as strategic and business planning, budgeting, forecasting and performance measurement.

Executive compensation

The BC Pension Corporation's board of directors determines the chief executive officer's compensation. All other corporation employees, including the executive team, are subject to the Public Service Act and the relevant compensation framework for the public service.

Benefits include group life insurance and health benefits, disability plans and employer contributions to the Canada Pension Plan, Employment Insurance and the Public Service Pension Plan. The latter is a defined benefit pension plan for which the corporation provides administrative services. Benefit costs are calculated at 23 per cent of an employee's salary. They are based on a chargeback from the Public Service Agency and do not necessarily represent the actual cost of the benefits received.

**Table 2: Executive compensation
for the year ended March 31, 2013**

Name and position	Base salary (\$)	Other remuneration* (\$)	Total remuneration (\$)
Cheryl Eason Vice president of financial and plan board services**	110,428	10,944	121,372
Trevor Fedyna Vice president of finance and chief financial officer**	22,916	170	23,086
Dave Marecek Vice president of corporate services	179,445	1,020	180,465
Laura Nashman Chief executive officer	264,853	44,653	309,505
Kevin Olineck Vice president of client services	179,445	1,020	180,465

* Other remuneration includes retroactive salary, payout of unused vacation entitlement, performance pay and taxable allowances provided to the employee.

** Reflects partial-year employment.

Our staff

The success of our organization can be attributed to our engaged and knowledgeable staff.

Composition

Demographic factors are changing the composition of our staff. For example, in five years, nearly 40 per cent of our people may be eligible for retirement. As a result, our workforce will include both existing and new employees. This will lead to a range of mentoring and learning opportunities.

One focus of our strategic plan, *From 12 to 21: Our Way Forward*, is to develop succession and recruiting initiatives that will help us retain, train and transfer knowledge to existing staff and new hires.

Opportunities

We employ approximately 450 staff at our office in Victoria, BC. About 45 per cent of staff have been with the corporation for 10 years or more.

Many opportunities exist for staff to advance their careers. In the 2012/13 fiscal year, approximately 15 per cent of our staff competed for about 70 promotions.

Interested in a career with the BC Pension Corporation? See our current [career opportunities](#).

Training

Because our staff is at the core of our service-oriented culture, we are working to ensure our people have the tools and training they need to be successful. For example, we have identified a core competency framework to help the corporation achieve its business goals. A core competency is a set of related knowledge, skills and attributes that contribute to successful job performance and ultimately to the goals and priorities of the organization.

Enablement

We are enabling staff by identifying and implementing new technology and tools. We also support them in reaching their professional development goals. These efforts help our employees continue to provide excellent service. See [Staff Development](#) section in [Building Our Future](#).

Engagement

Hay Group conducted our 2012 employee survey. The response rate increased slightly to 83 per cent participation, up from 81 per cent in 2011.

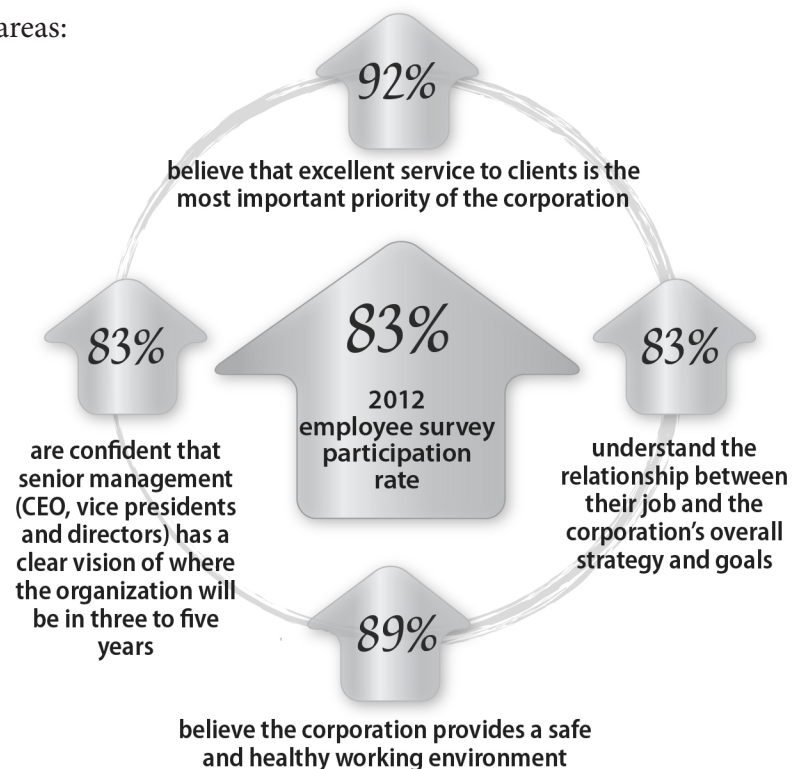
Staff survey results showed high scores in many areas:

Community

Our staff feel strongly about their role in the community and how they can make a difference.

Highlights from this year:

- Our donation of about \$54,300 to the Provincial Community Services Fund contributed to the approximate \$1.9 million raised province-wide.
- Our HealthWorks committee organized and sponsored a number of events throughout the year, including:
 - United Way campaign,
 - Movember,
 - semi-annual food drives,
 - Heart & Stroke Foundation's Big Bike Ride, and
 - Canadian Blood Services Public Service Challenge.



Performance

Message from the CEO

This year the BC Pension Corporation embarked on an ambitious plan of business transformation, launching our *From 12 to 21: Our Way Forward* strategic plan. This strategy shapes our nine-year vision through to 2021. The plan builds on the strength of our culture and our committed staff who provide exceptional client service.

Our strategic plan identifies the challenges we face in light of changing service expectations from pension plan members, employers and trustees. The plan also addresses the profound impact the retirement of baby boomers will have on our service delivery now and in the years ahead. Because service volumes are on the rise, we must change how we provide service and introduce new service channels to deal with the demands. Retirements are also shifting our workforce. To build team capacity, retain and transfer knowledge, and enable our staff, we are integrating new technology and tools to support our people in their professional development, learning and growth.

As the first year of our nine-year journey ends, I am delighted to see and feel our strategy taking shape. Our staff is deeply engaged in and committed to driving the strategic plan. I am overwhelmed by their dedication and know that with this extraordinary team in place, and with the leadership of our senior team, we are positioned to successfully execute our plan.

In the past year, you could feel the strong motivation and sense of purpose, not just around our transformation but in delivering on commitments every day. Everyone at the BC Pension Corporation understands the importance of performing in the present while preparing for the future. We are united in these pursuits. We provide exemplary service every day and are executing our strategic plan to ensure service excellence in the future.

I would like to thank the corporate board for its direction to ensure that clients, plan members and employers are well served. My deep appreciation extends to BC Pension Corporation staff for their tremendous work on delivering results. I am energized by the challenges and opportunities that lie ahead, and I am confident our momentum will continue to propel us as we bring our 12 to 21 strategic plan to life.

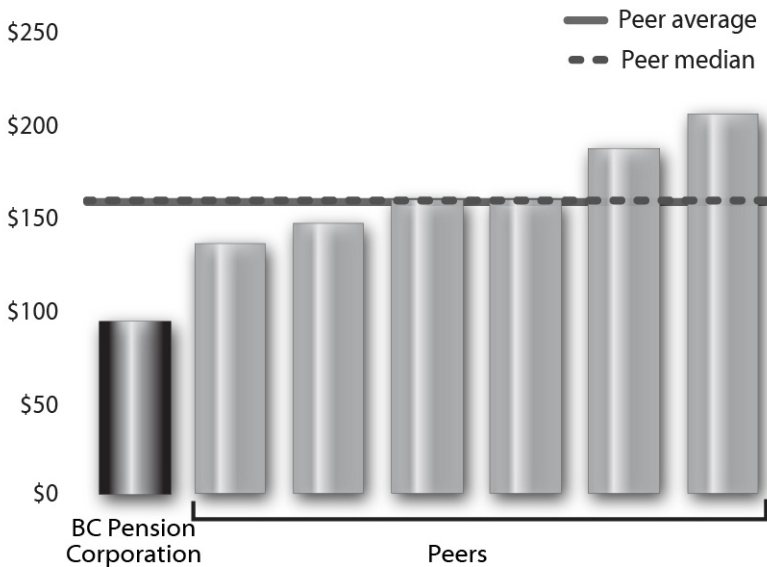
Laura Nashman,
Chief Executive Officer

How we measure up

We regularly participate in benchmarking exercises to understand our position in relation to our peers. In 2012, Cost Effective Measurement (CEM) and Quantitative Service Measurement (QSM) assessed our service delivery in four areas: cost per member, complexity, timeliness, and overall service.

We are committed to providing excellent service and value for every dollar spent. A key measure of our success is cost per member. Graph 1 shows that we continue to compare favourably to our peers. We enjoy an average cost of \$96 per member across all plans, compared to our peer groups' average cost of \$155.

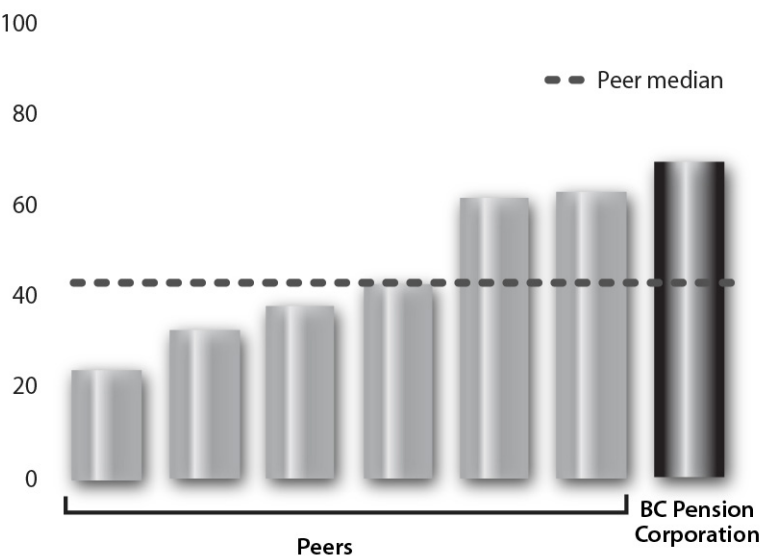
Graph 1: Pension administration cost per active member and annuitant (CEM)



Costs are normalized for comparative purposes.
Source: 2012 CEM Benchmarking Report

Complexity is determined by factors, such as number of plans managed, plan rules and contribution rates. Graph 2 shows that the complexity of the plans we administer is ranked highest compared to our peers. Yet, we are one of the lowest-cost providers.

Graph 2: Total relative complexity (CEM)



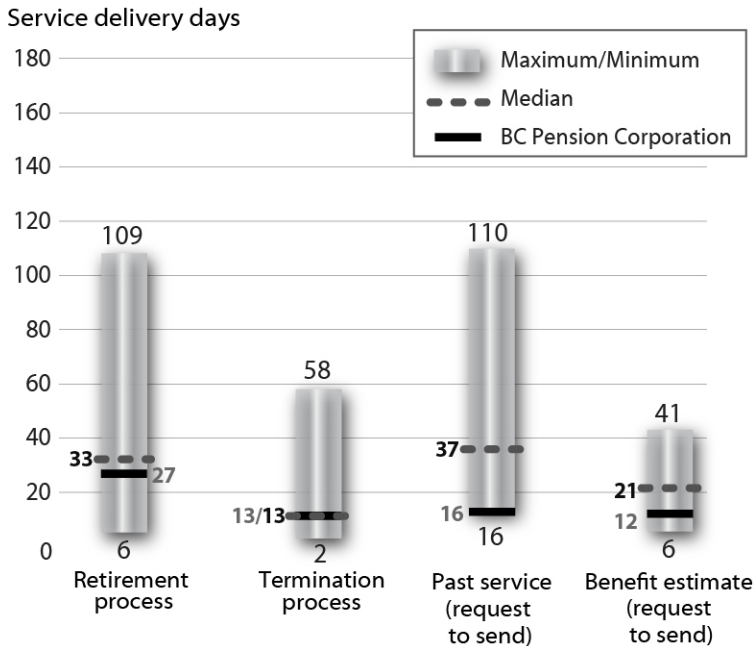
CEM is an international benchmarking corporation that undertakes an annual survey of pension administrators from around the world. A total of 61 administrators (including the BC Pension Corporation) participated in the 2012 survey.

QSM is a Canadian benchmarking group that compared the BC Pension Corporation to six peers:

- Alberta Teachers' Retirement Fund
- Alberta Pensions Services
- CARRA (Quebec)
- OPSEU Pension Trust
- Federal Public Service Superannuation Plan
- New Brunswick Pensions and Employee Benefits

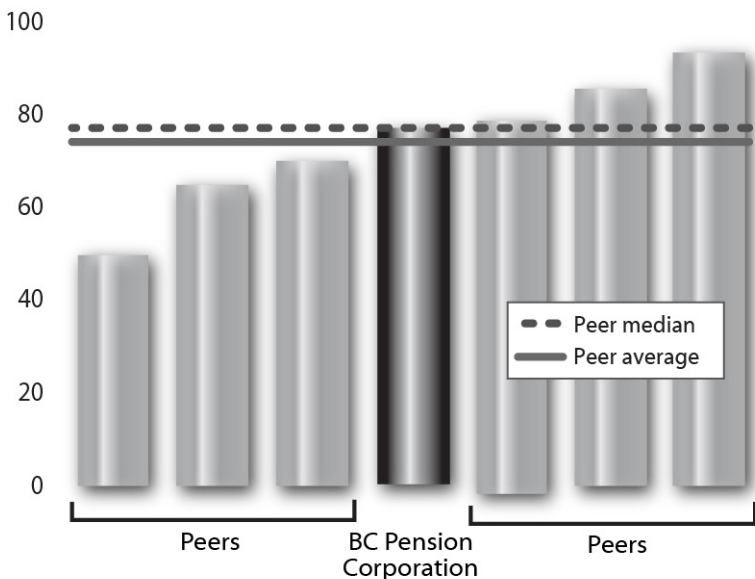
Graph 3 shows that in this low-cost, high-complexity environment, we are at or near the median for the delivery of several core pension services. We remain in contact with our QSM peers to apply the lessons they have learned to improve our overall service delivery.

Graph 3: Timely service delivery (QSM 2012)
Maximum, minimum and BC's service delivery days by type of service



Service is defined from a member's perspective. Higher service means faster turnaround times, more product and service choice, and higher quality. But it generally means higher costs. Graph 4 shows that we are at the median. This is a strong position because we can provide a wide range of services at a lower cost.

Graph 4: Total service score (CEM)



Key accomplishments

Year one of our *12 to 21* strategic plan has resulted in a number of achievements. These accomplishments set the stage for the next eight years.

Plan member engagement

One of our priorities is to enhance the experience of plan members. Their needs are changing. They expect multiple ways to connect with us. They are looking for self-service options. To better understand how to engage with plan members, our work has centred on assessing service delivery channels, understanding the levels of pension literacy and enhancing online functions within our online service system, My Account.

How do we achieve this? By following these communication principles:

- Be simple: use plain language, be clear, make it easy to understand.
- Be relevant: relate to the audience, relate to real-life situations.
- Be impactful: build awareness and understanding, be emotionally engaging.

Service delivery channels

What are service delivery channels? They are the different ways plan members and employers can reach us for information. For the BC Pension Corporation, they include:

- websites
- online self-serve tools
- phone, mail, email, in-person visits
- member education workshops
- employer events

Understanding pension information

We play a role in helping members make informed decisions about their pension.

We have conducted primary research, which included focus group sessions and personal interviews. This investigation has furthered our understanding of the needs and preferences of new, mid-career and near-retirement members.

We completed a pension literacy study, and the results gave us valuable insights into how members want to be engaged with their pension plan. We learned that members want to be involved with their plan during key life events. During these times, they may face decisions that will affect their pension.

Our online service system, My Account

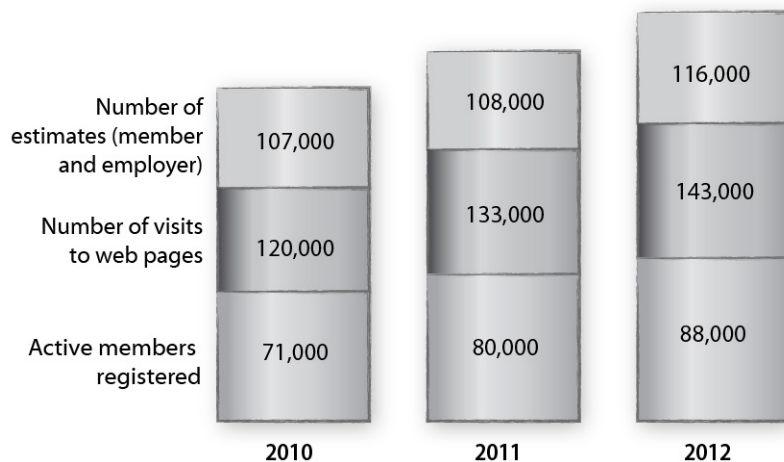
Members like the convenience of obtaining services online. We made self-registration available on our online service, My Account, for new active members and inactive members. Members can access personalized, interactive information and services.

In 2012/13, the number of pension estimates completed online grew by 7 per cent over the previous fiscal year. Almost five times more estimates were completed online by members than were calculated by corporation staff.

Themes from focus group research:

- Members know that their pension matters and are curious to learn more.
- We need to make information about pensions easier to access.
- We need to better engage with members about the effect life events may have on their pension.

Graph 5: My Account online activity (April 1 to March 31)



* All figures rounded to the nearest thousand.

Member and employer satisfaction

So what do plan members and employers really think? Our member and employer survey program is giving us useful information about member and employer needs and expectations. This collection of responses informs and helps us make good business decisions.

Since April 2012, Ipsos Reid, a professional research organization, has been conducting telephone and online surveys for active members, retired members, employers and seminar participants from the College, Municipal, Public Service, Teachers' and WorkSafeBC pension plans.

The program provides us with timely and relevant information about how plan members and employers experience the service we provide. The data we receive enables us to better understand the best ways to deliver service. This information helps us make decisions about service improvement.

Our member and employer survey program:

- surveys plan members and employers in less than three months after receiving one of our services,
- enables us to monitor satisfaction levels sooner and intervene more quickly to address concerns, and
- allows users to navigate survey findings by plan, fiscal quarter and other filters.

Of those surveyed:

- 87% of active members across all plans rated their overall experience with the BC Pension Corporation as very good or good.
- 88% of retired members across all plans rated their overall experience with the BC Pension Corporation as very good or good.

Retired Members System

Our new pension payment system, Retired Members System, provides improved member data, enabling staff to continue to provide excellent client service.

Since its launch in June 2012, the system has allowed us to:

- streamline the administration of about 150,000 payments per month,
- be more efficient in monthly payments to retired members,
- improve our capability to integrate data with other corporate information systems, and
- gain new business insights more quickly.

New legislation

The new *Family Law Act* came into force on March 18, 2013. Replacing the *Family Relations Act*, the Act now allows both legal and common law spouses to claim shares of pensions when a marital relationship breaks down. This provision will potentially mean a significant increase in the volume of marital breakdown claims handled by the corporation. We have reviewed existing processes around marriage breakdown calculations and have revised and streamlined them in accordance with the new Act.

Financial overview

Our financial results for the year ended March 31, 2013 are discussed in this overview. Please read this information along with the [audited financial statements](#).

Summary

We met our financial performance targets, while achieving all our service delivery objectives and advancing our nine-year strategic plan, *From 12 to 21: Our Way Forward*.

Meeting our targets means we can:

- ensure compliance with legislation and plan service commitments,
- further enhance plan members' experience with the corporation,
- manage pension data and knowledge more effectively, and
- strengthen a high-performing workforce.

Our total service delivery charges to pension plans were on budget at \$54.9 million. Our operating expenses increased over 2011/12 to \$52.9 million, and capital expenses increased to \$5.5 million. Although our expenses are increasing as planned, the corporation remains one of the lowest-cost providers among our peers.

Service delivery charges to pension plans

The BC Pension Corporation operates on a cost-recovery basis and does not receive funding from the Province of British Columbia or other levels of government. The corporation charges each pension plan its respective share of the corporation's operating expenses, board secretariat services, and computer systems and other asset purchases, less investment and miscellaneous income and amortization.

Services are provided pursuant to service agreements with each pension plan. Total service delivery charges to plans and revenue as stated on the audited statement of operations and changes in net assets differ due to generally accepted accounting practices for revenue recognition.

Table 3 shows total service delivery charges to the plans.

Table 3: Total service delivery charges to the plans

Year ended March 31	2013 Actual	2013 Budget	2012 Actual
	(\$ thousands)		
Benefit administration service revenue	\$51,390	\$52,670	\$42,096
Pension board secretariat service revenue	1,288	1,340	1,225
Investment and miscellaneous income	185	50	134
Total revenue as per statement of operations and changes in net assets	\$52,863	\$54,060	\$43,455
Less: investment/miscellaneous revenues	(185)	(50)	(134)
Capital expenditures	5,533	4,390	5,078
Less: amortization expenses	(3,349)	(3,500)	(1,877)
Total service delivery charges to pension plans	\$54,862	\$54,900	\$46,522

Our overall service delivery charges were as planned at \$54.9 million, coming within \$38,000 of budget. We had lower charges than planned in benefit administration service and pension board secretariat service. However, these were offset by specifically advancing 12 to 21 strategic plan capital expenditures, which further reduce the corporation's security risks.

Benefit administration service revenue

Benefit administration service revenue includes charges for:

- collecting and recording contributions,
- calculating and paying benefits, and
- communicating to plan members and employers.

Revenue increased by \$9.3 million (22 per cent) over 2012 due to increasing demands for pension services and for providing support for the From 12 to 21: Our Way Forward strategic plan. Revenue was \$1.3 million (2 per cent) under budget as the expenses, which form the basis of these charges, were less than anticipated. See Operating expenses for more details on these costs.

Pension board secretariat service revenue

This revenue line includes charges for secretariat services to support each of the pension plan boards of trustees. Revenue went up by \$63,000 (5 per cent) over 2012 due to increased support levels to advance secretariat initiatives. Revenue was \$52,000 (4 per cent) under budget as the expenses, which form the basis of these charges, were less than anticipated. See Operating expenses for more details on these costs.

Investment and miscellaneous income

Investment and miscellaneous income is revenue for the corporation, enabling an offsetting reduction in the service delivery charges to the pension plans. Investment and miscellaneous income is predominantly interest earned on cash held by the corporation before payment of expenses and pensions.

Investments are held by British Columbia Investment Management Corporation (bcIMC) in pooled investment portfolios consisting of Canadian money market securities with terms of 15 months or less. Income increased by \$51,000 (38 per cent) over 2012, and was \$135,000 over budget (270 per cent) due to interest earned on harmonized sales tax (HST) collected from the pension plans, but not remitted. We did not remit these funds due to negotiations between the federal and provincial governments regarding the provincial entity status of pension plans. These negotiations were completed in 2012, and we remitted the held funds in the fall.

Capital expenditures

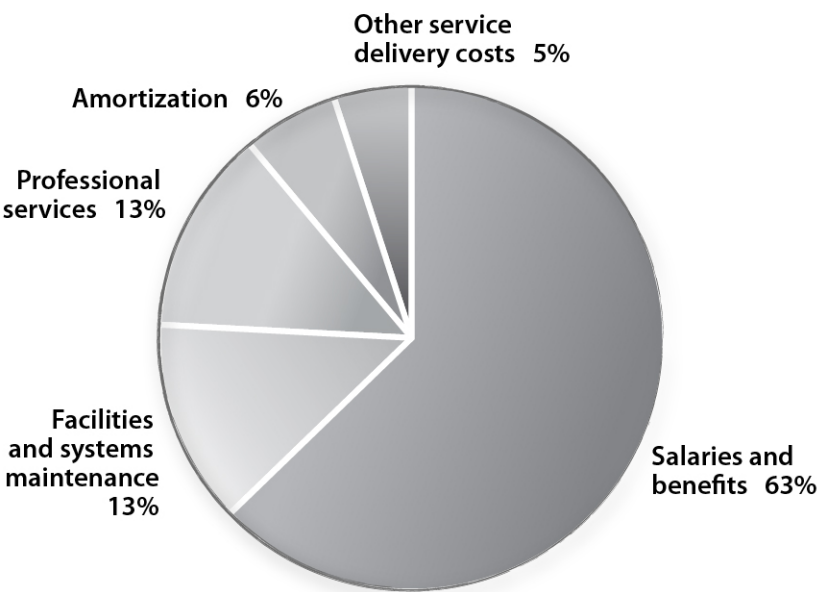
Capital expenditures include charges for asset purchases, such as computer systems, furniture and tenant improvements. Charges increased by \$455,000 (9 per cent) over 2012 in areas that improve network security. Charges increased to \$1.1 million (26 per cent) over budget as network security initiatives were advanced and workspace was further professionalized. See Capital expenditures for more details on these expenditures, which form the basis of these charges.

Operating expenses

Operating expenses increased to \$52.9 million, or \$9.4 million (22 per cent) over 2012. This increase resulted from additional staffing to meet growing demand for services, a rise in amortization expenses due to the implementation of the new pension payment system, Retired Members System, and other higher expenditures to support our strategic plan initiatives.

Graph 6 shows the breakdown of operating expenditures for the year ended March 31, 2013. Sixty-three per cent of costs incurred were for salaries and benefits for our dedicated employees who strive to provide a service experience for plan members, employers and trustees that meets expectations.

Graph 6: Breakdown of operating expenses



Total 2013 operating expenses were \$1.2 million (2 per cent) under budget primarily due to a deliberate approach of critically reviewing positions before hiring. Graph 7 shows a high-level comparison of expenditures by category.

Salaries and benefits

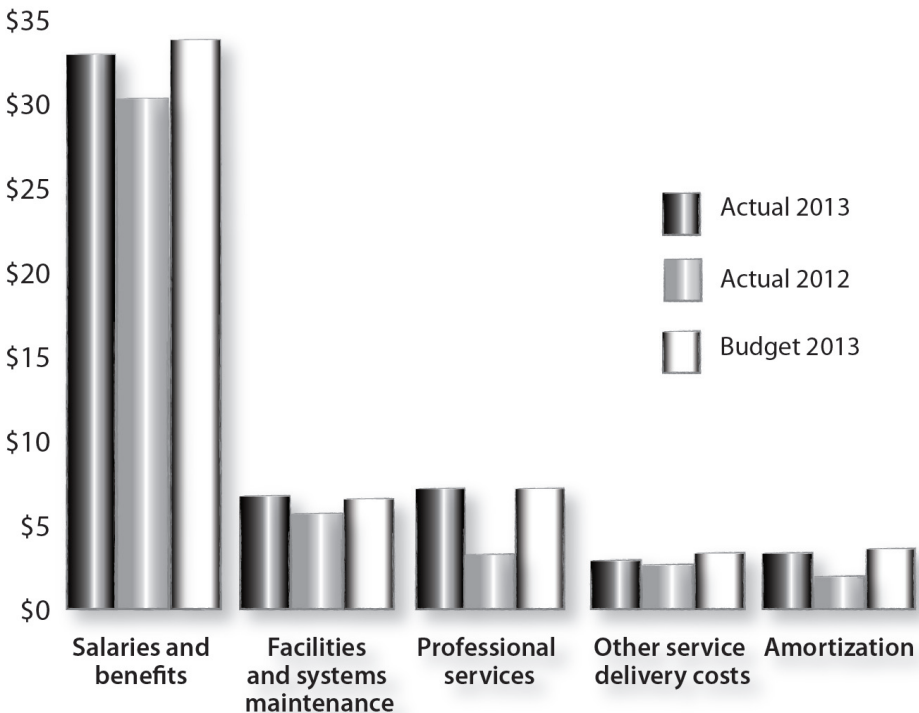
Salaries and benefit expenses increased by \$2.7 million (9 per cent) from 2012 to \$32.9 million. This increase resulted from higher demands for pension services, which required us to fill necessary operational positions, provide additional staff to support service improvement and business transformation projects, and pay negotiated wage increases.

Salaries and benefits expenses were under budget by \$0.9 million (3 per cent) in 2013, as we reviewed each position to ensure it was absolutely critical before moving forward with hiring.

Facilities and systems maintenance

Facilities and systems maintenance expenses increased from 2012 by \$1.1 million (20 per cent) to \$6.7 million. This increase was due to the implementation of our new pension payment system, Retired Members System, optimized space requirements to support necessary staffing levels and the additional impact of unrecoverable HST payments.

Graph 7: Comparison of operating expenses by category (millions)



Facilities and systems maintenance expenses were over budget by \$0.2 million (3 per cent) as a result of our unrecoverable HST payments.

Professional services

Professional services expenses increased from 2012 by \$3.9 million (119 per cent) to \$7.1 million. This increase was mainly due to external contractor services to implement the new pension payment system, Retired Members System, and to support strategic plan initiatives. Professional services expenses were essentially on budget in 2013.

Other service delivery costs

Other service delivery expenses include:

- travel and business expenses,
- communications products and distribution,
- staff training,
- corporate board expenses,
- bank charges, and
- regulatory fees.

These expenses increased over the previous year by \$0.2 million (9 per cent) to \$2.8. Increased costs are predominantly related to ensuring our staff are highly performing, and stakeholders are informed of the changing pension environment.

Other service delivery costs were under budget by \$0.4 million (13 per cent) because some staff training was delayed to 2014 due to hiring time lines. As well, some communication products were postponed to align with the pending release of new legislation.

Amortization costs

Amortization expenses increased by \$1.5 million to \$3.3 million, mainly due to the implementation of the new pension payment system, Retired Members System. Amortization expenses were \$0.2 million (4 per cent) under budget as the new system implementation occurred a few weeks later than anticipated.

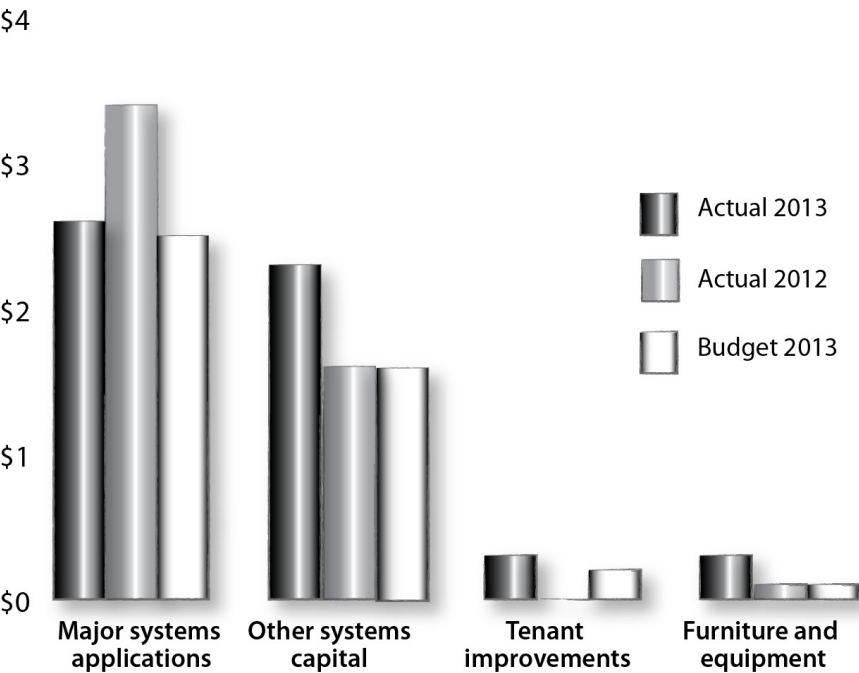
Capital expenditures

Capital expenditures overall increased by \$455,000 (9 per cent) to \$5.5 million. Capital expenditures increased in areas that improve network security and desktop systems and continue to make our working environment more professional. Major applications expenditures decreased as we implemented a new pension payment system, Retired Members System.

Efficiencies and savings of \$1.2 million in 2013 operating expenses were primarily redirected to strategic capital projects that further mitigate network security risks and to workspace changes to accommodate staffing levels.

Graph 8 shows a high-level comparison of capital expenditures by category.

Graph 8: Comparison of capital expenditures by category (millions)



As the development of our pension payment system replacement wound down, we redirected our focus to upgrading our base technology and office space to support the goals of the *From 12 to 21: Our Way Forward* strategic plan.

Risk management

Risk management is a key component of our corporate strategy. It can mitigate the negative impact of undesirable outcomes on our financial and operational performance. Risk management is supported by our internal controls, such as enterprise risk management and corporate policies. We have an ongoing commitment to support and improve our enterprise-wide approach through involvement with our board, management and employees.

Enterprise risk management program

The BC Pension Corporation manages risk on a coordinated and enterprise-wide basis within its established risk appetite. This provides reasonable assurance on the successful achievement and implementation of our strategic plan goals. The purpose of enterprise risk management (ERM) is to ensure that all risks are identified and managed effectively. The framework is a process that establishes a consistent approach to risk identification, quantification, mitigation and control. This gives us the ability to identify potential risks that may either deter the sustainable achievement of enterprise objectives or result in the failure to identify and maximize potential opportunities.

The primary oversight responsibility of risk management rests with the executive risk committee, a senior management committee chaired by the vice president of finance/chief financial officer. The committee includes all members of the executive team.

We regularly review our corporate risk profile to determine the most significant risks and to ensure the appropriate mitigation strategies are in place to manage these risks. We submit a formal annual risk assessment of the corporate risk profile to the corporate audit committee of the board. To ensure risk awareness and alignment, we report the approved corporate risk profile to management and employees.

Business risks

We continue to employ a variety of commonly accepted methodologies to identify, assess and mitigate risks. We have processes in place throughout the corporation and risk leads to manage risks that may arise in the normal course of business.

The ERM process embeds risk management into all activities. The corporate risk profile is an input into our annual business planning. It ensures that we develop the necessary mitigation strategies within our annual business plans and budget to manage these risks.

As part of our risk management strategies, we have considered many items. These include strategic commitments, service delivery, workforce, legislation, compliance, technology and data. We have taken measures to manage any adverse conditions in these areas so we can maintain our standing as a viable and efficient pension administrator into the future.

Financial risks and financial instruments

Exposure to market risk, credit risk and liquidity risk occurs in the normal course of our business. We manage market risks arising from the volatility in foreign currency, interest rate and price exposures through the use of short-term investments. These are held in a pooled investment fund managed by our institutional investor British Columbia Investment Management Corporation (bcIMC), which invests on our behalf. We expect our market risk to be minimal due to the short-term nature of our investments.

We limit our exposure to credit risk on cash and investments by investing in liquid securities with high-credit quality counterparties. The majority of our counterparties are rated double A or higher. We do not expect any counterparties to default on their obligations.

We manage our liquidity risk through the monitoring of cash balances and the use of forecasting models to meet expenditure requirements. The primary sources of liquidity are the amounts charged to the pension plans we manage. As a result, we deem our liquidity risk to be low at this time.

For a discussion of risks related to financial instruments, see note 16 in the financial statements.

Accounting policy changes

Accounting policy

The Canadian Institute of Chartered Accountants (CICA) has released a revised version of its handbook, which allows not-for-profit organizations a choice between applying International Financial Reporting Standards or Accounting Standards for Not-For-Profit Organizations. We reviewed the advantages and disadvantages of each standard and consulted with accountants, our auditors, and our counterpart financial leaders. After this review, we elected to adopt Part III of the CICA Handbook, Accounting Standards for Not-For-Profit Organizations, effective April 1, 2012. For the BC Pension Corporation, this new standard resulted in some, but not significant, presentation and disclosure differences.

Outlook

Table 4 provides a look at projected service delivery costs.

Table 4: Projected service delivery costs

Year ended March 31	2014 Budget	2013 Actual
	(\$ thousands)	
Total operating expenditures	\$60,439	\$52,863
Less: investment and miscellaneous revenue	(75)	(185)
Capital expenditures	1,836	5,533
Less: amortization	(3,500)	(3,349)
Total service delivery charges	\$58,700	\$54,862

Managing operating expenses

We make every effort to provide services to our clients as efficiently and cost effectively as possible. In the coming year, we will continue to perform in the present, while planning for the future. We are continuing the redesign of our processes and systems, while also being committed to sustaining service levels in a period of changing demographics, rising volumes and increasing complexity. Of the \$7.6 million rise in operating expenditures, \$3.2 million is related to an increase in resources needed to meet growing demand and other inflationary increases. The other \$4.4 million is related to funding ongoing initiatives to build the infrastructure requirements to meet future service delivery needs.

Investing in infrastructure

For the year ending March 31, 2014, we have budgeted \$1.8 million in capital expenditures to maintain computer systems and offices. In the coming year, we will begin planning for a major upgrade to our core benefit administration system, with development anticipated to begin in mid 2014.

Conclusion

For the year ended March 31, 2013, the BC Pension Corporation met all service delivery targets, was right on budget and advanced our strategic plan. We achieved our fiscal objectives while continuing to be a low-cost service provider.

We are committed to limiting future expenditure increases and still meet our commitments under our strategic plan and our service delivery plans.

Disclosure

In this financial overview, we have presented forward-looking information based on assumptions and numerous factors beyond our control that could cause results to differ from expectations. All forward-looking statements within this report should be understood to involve risks or uncertainties that could cause actual financial or operating results to differ significantly. The BC Pension Corporation cautions that readers of the financial overview should not rely on the certainty of any forward-looking information included in this section.

Building our future

Our strategic plan

The launch of our strategic plan in the 2012/13 fiscal year set the foundation for change. We continue to prepare for our transformation by:

- stabilizing and enhancing our current systems,
- reinforcing project management best practices, and
- defining requirements for our business and information technology architecture.

From 12 to 21: Our Way Forward is our plan for a future that supports high service levels and value through improved member experiences, business processes and staff development. The plan will ensure that we are well positioned to meet the changing needs of plan members, employers, trustees and staff, and that we can continue to provide excellent service.

In fact, we have established a team to provide leadership, coordination and support for executing our transformation activities. The Enterprise Transformation Office ensures our programs and projects will collectively achieve the goals and outcomes of our *12 to 21* strategic plan.

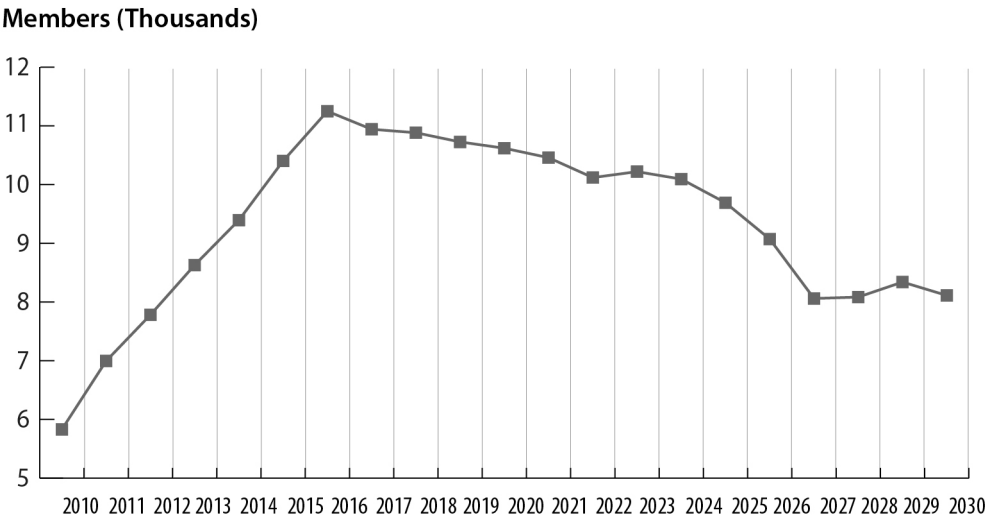
Find out more about our strategic plan on our *12 to 21* website.

Rising demand indicators

We are preparing for an anticipated increase in demand for near-retirement services over the next 10 to 15 years. Because these transactions are among the most complex and costly, they place the greatest pressure on our resources. Our strategic plan involves building our capacity so that we can provide flexible, timely solutions.

Graph 9 shows the number of pension plan members turning 60 every year from 2010 to 2030. As more plan members reach this age, they will likely consider retirement and require our services and support. The data illustrates the growing pressure on the corporation to perform in the face of increasing demand for services. We are doing all that is necessary to address the demand and meet members' expectation for service excellence.

Graph 9: Active members turning 60
College, Municipal, Public Service, Teachers', WorkSafeBC pension plans



A better BC Pension Corporation

Member experience

Our work in this area is aimed at enhancing the member experience and evolving member expectations. The focus in 2013/14 includes the implementation of new online services, such as My Account for retired members. The next year will see a focus on member groups—new, mid-career, and near-retirement—and how to customize products and services for each one.

- **My Account:**
Retired members will be able to view their pension and group benefit information. In the future, they will be able to print duplicate tax receipts, update personal contact information and securely contact the corporation.
Active and inactive members will be able to view and update their beneficiaries, update personal contact information and securely contact the corporation.
- **Member Engagement Channel Strategy:**
With our road map set, we are taking action to:
 - give members and employers more communication channels,
 - launch educational materials and services for members through customized channels, and
 - develop and promote intuitive self-serve tools that link to a plan member’s life events.
- **Member-centric communications:**
As we move forward with the results from our pension literacy study, staff are communicating with a focus on language and design from the member’s perspective.

New legislation

New legislation is affecting our business. So we want to ensure our business processes are efficient to better serve members.

This work includes projects to ensure that plan administration is consistent with legislative and potential plan design changes. Our main focus in 2013/14 includes the implementation of business process and system changes.

- The *Family Law Act* came into force March 18, 2013. The corporation will review the changes required under the new Act. We will review and reissue communications materials, update forms and hold information sessions for staff. We will likely have a larger number of marital breakdown claims to administer as a result of extending property rights to common-law spouses.
- The *Wills, Estates and Succession Act* is a wholesale reform of provincial legislation concerning the making of wills and the distribution of property upon death. The Act will allow members to nominate multiple beneficiaries (including a society or organization) and to allocate different shares to each. The complexity of these options means we will need to prepare to manage a potential increase in processing nomination of a beneficiary forms.
- With the *Pension Benefits Standards Act*, the Province of British Columbia has passed legislation to modernize the pension benefit standards in BC. We need to be ready to implement the new Act and its regulations.
- To enable the corporation to work more efficiently and manage legislative changes, we are starting work on improving our internal data system. This will ensure the system is flexible and responsive for the administration of pension plans well into the future.

Staff development

Our workforce is shifting. The movement of people within the organization begins with the exit of a retiring or departing employee. This opens the door to many new and exciting career-advancement opportunities for staff. We must keep pace by training new staff, whether they are new in their role or new to the corporation, while maintaining our day-to-day operations.

To support staff in their professional development, we are implementing an organization-wide project that integrates new technology, and newly designed and developed human resource processes. New technology and new processes will enable staff to be more in control of their own performance, learning and growth. By focusing our individual performance and development, we are able to adapt to the changing needs of plan members, employers and trustees over the long term.

Our work in this area will ensure all human resources programs and functions are complementary and strategically aligned to the *From 12 to 21: Our Way Forward* strategic plan.

Managing knowledge and content

Managing data and information, enhancing information security, and building more accessible information sources for staff, plan members and employers is important.

We are developing a detailed strategy and road map for delivering high-quality information that is secure, accessible and useful. We will deliver a security and privacy policy and escalation procedures, as well as develop and test additional editing and reviewing processes.

PENSION CORPORATION

We make it easy

Executive Offices

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Victoria BC
V8W 9V8

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BRITISH COLUMBIA PENSION CORPORATION


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).


Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.



Trevor Fedyna, CGA, C.Dir,
CFO, Vice President, Finance
British Columbia Pension Corporation



Bruce Nicol, CA
Director, Pension Plan and Corporate
Financial Services
British Columbia Pension Corporation

June 21, 2013



June 21, 2013

Independent Auditor's Report

To the Members of the Board of Directors of British Columbia Pension Corporation

We have audited the accompanying financial statements of British Columbia Pension Corporation, which comprise the balance sheets as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
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T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Financial statements



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Pension Corporation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

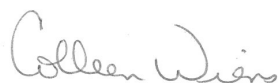
Financial statements

**PENSION
CORPORATION**

**BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF FINANCIAL POSITION
(\$ Thousands)**

March 31	2013	2012	April 1, 2011
			(Note 3)
Assets			
Current:			
Cash and Short-term Investments (Note 5)	\$ 2,303	\$ 8,354	\$ 5,148
Due from Pension Plans (Note 6)	5,462	9,440	7,723
Accounts Receivable	715	146	109
Prepaid Expenses	2,118	860	434
	10,598	18,800	13,414
Computer Systems and Other Assets (Note 7)	20,241	18,067	14,866
Total Assets	\$ 30,839	\$ 36,867	\$ 28,280
Liabilities			
Current:			
Accounts Payable (Note 8)	\$ 3,360	\$ 11,792	\$ 6,819
Accrued Salaries and Benefits (Note 9)	7,238	7,008	6,595
	10,598	18,800	13,414
Long term:			
Deferred Capital Funding (Note 10)	20,241	18,067	14,866
	30,839	36,867	28,280
Shareholder's Equity			
Share Capital (Note 2)	-	-	-
Total Liabilities and Shareholder's Equity	\$ 30,839	\$ 36,867	\$ 28,280

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



British Columbia Pension Corporation
Board of Directors



British Columbia Pension Corporation
Board of Directors

Financial statements

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (\$ Thousands)

For the year ended March 31	2013	2012
Revenues		
Benefit Administration Service Revenue (Note 11)	\$ 51,390	\$ 42,096
Pension Plan Boards' Secretariat Service Revenue (Note 12)	1,288	1,225
Investment and Miscellaneous Income	185	134
Total Revenues	52,863	43,455
Expenses		
Salaries and Benefits (Note 13)	32,862	30,142
Professional Services	7,091	3,239
Building, Office Expenses and Insurance	3,273	2,989
Systems Maintenance and Telephones	3,447	2,610
Amortization	3,349	1,877
Communications Products and Distribution	882	976
Travel and Business Expenses	794	671
Staff Training	685	488
Bank Charges and Regulatory Fees	378	374
Corporate Board Remuneration and Expenses	102	89
Total Expenses	52,863	43,455
Excess Revenues Over Expenses	-	-
Opening Balance Net Assets	-	-
Ending Balance Net Assets	\$ -	\$ -

Financial statements

PENSION
CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOWS
(\$ Thousands)

For the year ended March 31	2013	2012
Operating Transactions		
Excess of Revenues over Expenses	\$ -	\$ -
Non-Cash Items:		
Amortization of Capital Assets	3,349	1,877
Amortization of Unamortized Deferred Capital Funding	(3,349)	(1,877)
	-	-
Decrease (Increase) in Due from Pension Plans	3,978	(1,717)
Decrease (Increase) in Accounts Receivable	(569)	(37)
Decrease (Increase) in Prepaid Expenses	(1,258)	(426)
Increase (Decrease) in Accounts Payable	(8,432)	4,973
Increase (Decrease) in Accrued Salaries and Benefits	230	413
Total Operating Activities	(6,051)	3,206
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,939)	(1,931)
Acquisition of Intangible Capital Assets	(2,594)	(3,147)
Total Investing Activities	(5,533)	(5,078)
Financing Transactions		
Increase in Unamortized Deferred Capital Funding (Note 7)	5,533	5,078
Total Financing Activities	5,533	5,078
Increase (Decrease) for the Year	(6,051)	3,206
Cash and Short-term Investments at Beginning of Year	8,354	5,148
Cash and Short-term Investments at End of Year	\$ 2,303	\$ 8,354

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation operates on a not-for-profit basis providing benefit administration services as agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair and vice chair of the board are elected by the directors.

Services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees. These services are provided pursuant to service agreements with each plan.

The corporation charges each pension plan with its respective share of the corporation's operating expenses, and computer systems and other asset purchases, less investment and miscellaneous income and amortization (Note 11, 12).

The issued share (\$10 par value) of the corporation is held by the Province of British Columbia, and accordingly the corporation is exempt from income taxes.

The harmonized sales tax (HST) was in effect in British Columbia from July 1, 2010 to March 31, 2013. The corporation has historically collected goods and services tax (GST) and HST on its taxable supplies (services provided) and recovered eligible taxes paid on applicable purchases through input tax credits. Prior to July 1, 2010, services provided to the pension plans were exempt from GST by virtue of the plans being included on Schedule A of the Canada - British Columbia Reciprocal Taxation Agreement (RTA). Commencing July 1, 2010 the corporation charged HST on services provided to the pension plans and held a portion of the monies pending completion of ongoing negotiations between the federal and provincial governments regarding the provincial entity status of the pension plans under a new RTA (Notes 5 and 8). These negotiations have now concluded and monies held have been remitted to Canada Revenue Agency. On April 1, 2013 GST again came into effect in British Columbia. The corporation continues to collect and remit GST on the provision of services and recover eligible taxes paid through input tax credits.

Financial statements

**BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

3. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are prepared in accordance with Part III Not-for-profit Organizations of the CICA Handbook – Accounting.

The corporation’s first reporting period using Part III is for the year ended March 31, 2013. As a result, the date of transition to Part III is April 1, 2011. An opening statement of financial position under Part III has been provided on adoption. Previously the corporation reported under Part V of the CICA Handbook.

The impact of the adopting Part III has not resulted in any change to net assets and there is no restatement required to prior year amounts in the statements of financial position or statements of operations.

Section 1501 of the CICA Handbook provides organizations with certain exemptions to the principle that an organization’s opening statement of financial position shall comply with Part III. The corporation has elected not to use any of the exemptions.

Certain comparative figures have been reclassified to conform to the current year’s presentation.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (NFPO) and in accordance with Canadian generally accepted accounting principles.

b) Cash and Short-term Investments

For the purpose of the statement of cash flows, cash and cash equivalents consists of all cash and short-term highly liquid investments, such as pooled money market funds, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes of value.

c) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	3 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	5 to 10 years

Direct expenditures including salaries and benefits on specifically developed computer software are capitalized only after development approval.

Major business application software under development is not amortized until completion and implementation.

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur, the excess of the net book value over any residual value will be recognized as an expense in the statement of revenues and expenses.

d) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recognized as operating expenses are incurred and as assets are amortized. The corporation defers capital funding received in advance for computer systems and other asset purchases. This deferred capital funding is recognized as service revenue on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

e) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

f) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the balance sheet and statement of revenues and expenses at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.

g) Employee Pension Plan

The corporation and its employees contribute to a multi-employer contributory defined benefit pension plan. Defined contribution plan accounting is applied, however, as the pension plan exposes current participating organizations to actuarial risks associated with employees of current and former participating organizations, with the result that there is no consistent and reliable basis for allocating the pension plan obligation, assets or cost to individual participating organizations in the pension plan.

h) Recent Accounting Pronouncements

The Canadian Accounting Standards Board (AcSB) intends to release an exposure draft on accounting for employee future benefits by NFPOs in 2013. A new standard is expected to be issued which will be effective for the corporation as of April 1, 2014.

On April 10, 2013, the AcSB has issued a Statement of Principles that proposes to improve the existing standards for financial reporting by NFPOs. As the corporation is continuing to monitor these developments, the financial reporting impact cannot be reasonably estimated at this time.

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

5. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation (bcIMC). Each unit gives its holder a proportionate share in the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are held for trading, and are recorded at fair value. Included in short-term investments at March 31, 2012 was \$6.3 million for HST collected on services provided to the pension plans and held pending completion of ongoing negotiations between the federal and provincial governments regarding the provincial entity status of the pension plans under the RTA (Notes 2 and 8).

	(\$ Thousands)	
	2013	2012
Cash	\$ 2,292	\$ 1,167
Short-term Investments	11	7,187
	<u>\$ 2,303</u>	<u>\$ 8,354</u>

6. DUE FROM PENSION PLANS

Due from pension plans represents total charges to pension plans less operating and capital funding received as follows:

	(\$ Thousands)	
	2013	2012
Beginning Balance, Due from Pension Plans	\$ 9,440	\$ 7,723
Total Charges to Pension Plans for:		
Benefit Administration Services	53,571	45,297
Pension Plan Boards' Secretariat Services	1,291	1,225
Operating Funding Received	(53,307)	(39,727)
Capital Funding Received	(5,533)	(5,078)
Ending Balance, Due from Pension Plans	<u>\$ 5,462</u>	<u>\$ 9,440</u>
Comprised of:		
Municipal Pension Plan	\$ 3,001	\$ 4,985
Public Service Pension Plan	1,173	2,077
Teachers' Pension Plan	889	1,722
College Pension Plan	181	579
Other Plans	218	77
Due from Pension Plans	<u>\$ 5,462</u>	<u>\$ 9,440</u>

See Note 4d) regarding funding arrangements.

Included in the Due from Pension Plans is \$0.1 million (2012: \$2.6 million) of HST charged on services provided to the pension plans.

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

7. COMPUTER SYSTEMS AND OTHER ASSETS

	(\$ Thousands)			
	2013		2012	
	Cost	Accumulated Amortization	Net Book Value	
Intangible				
Major Business Application Software	\$43,128	\$27,910	\$15,218	\$ 1,373
Major Business Application Software under development	-	-	-	12,876
	43,128	27,910	15,218	14,249
Tangible				
Other Computer Systems	20,973	17,330	3,643	2,683
Furniture	4,018	3,337	681	467
Tenant Improvements	2,448	1,749	699	668
	27,439	22,416	5,023	3,818
	<u>\$70,567</u>	<u>\$50,326</u>	<u>\$20,241</u>	<u>\$18,067</u>

Funding obtained from the pension plans to acquire capital assets are recorded as unamortized deferred capital contributions. The recovery of costs is recognized on the same basis as the capital assets are amortized (Note 4d).

In 2012, the corporation implemented a replacement business software application for serving retired pension plan members. The total application development project cost was \$16.5 million over the five year development period.

8. ACCOUNTS PAYABLE

	(\$ Thousands)	
	2013	2012
Accounts Payable	\$ 3,353	\$ 3,418
Government Remittances Payable	7	8,374
	<u>\$ 3,360</u>	<u>\$ 11,792</u>

Included in accounts payable at March 31, 2012 is a net \$8.4 million of HST charged on services provided to the pension plans and held pending completion of ongoing negotiations between the federal and provincial governments with respect to the provincial entity status of the pension plans under a new RTA (Notes 2 and 5).

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

9. ACCRUED SALARIES AND BENEFITS

	(\$ Thousands)	
	2013	2012
Accrued Salaries and Benefits	\$ 6,056	\$ 5,772
Leave Liability	1,182	1,236
	<u>\$ 7,238</u>	<u>\$ 7,008</u>

Leave liability primarily consists of vacation earned but not yet taken.

10. DEFERRED CAPITAL FUNDING

	(\$ Thousands)	
	2013	2012
Opening Balance, Deferred Capital Funding	\$ 18,067	\$ 14,866
Increase in Unamortized Deferred Capital Funding	5,533	5,078
Capital Funding Recognized as Service Revenue:		
Loss on disposal of assets	(10)	-
Amortization	(3,349)	(1,877)
Ending Balance, Deferred Capital Funding	<u>\$ 20,241</u>	<u>\$ 18,067</u>

See Note 4d) regarding funding arrangements.

11. BENEFIT ADMINISTRATION SERVICE REVENUE

The corporation's benefit administration service revenue consists of charges to the pension plans for the corporation's operating expenses, and computer systems and other asset purchases, less capital funding received, plus amortization of capitalized assets.

	(\$ Thousands)	
	2013	2012
Total Charges to Pension Plans for Benefit		
Administration Services and Purchase of Assets	\$ 53,571	\$ 45,297
Purchase of Computer Systems and Other Assets	(5,530)	(5,078)
	<u>48,041</u>	<u>40,219</u>
Capital Funding Recognized as Service Revenue:		
Amortization	3,349	1,877
Benefit Administration Service Revenue	<u>\$ 51,390</u>	<u>\$ 42,096</u>

Total Charges to Pension Plans for Benefit Administration Services were:

Municipal Pension Plan	\$ 29,277	\$ 23,914
Public Service Pension Plan	11,773	10,441
Teachers' Pension Plan	9,559	8,373
College Pension Plan	2,335	2,105
Other Plans	627	464
	<u>\$ 53,571</u>	<u>\$ 45,297</u>

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BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

12. PENSION PLAN BOARDS' SECRETARIAT SERVICE REVENUE

The corporation's pension plan boards' secretariat service revenue consists of charges to the pension plans for the pension plan boards' secretariat operating, computer systems and other asset purchases, less capital funding received. Pension plan boards directly approve the pension plan boards' secretariat operating and capital expenditure budgets, and the corporation recovers these expenses from the pension plans.

	(\$ Thousands)	
	2013	2012
Total Charges to Pension Plans for Plan Boards' Secretariat Support Services and Purchase of Assets	\$ 1,291	\$ 1,225
Purchase of Computer Systems and Other Assets	(3)	-
Total Pension Plan Boards' Secretariat Service Revenue	\$ 1,288	\$ 1,225
Total Charges to Pension Plans for Plan Boards' Secretariat Services were:		
Municipal Pension Plan	\$ 561	\$ 504
Public Service Pension Plan	243	241
Teachers' Pension Plan	243	240
College Pension Plan	244	240
	\$ 1,291	\$ 1,225

13. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the act, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trusteesd pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2013, the corporation has approximately 450 employees contributing to the plan which has approximately 56,000 active plan members and approximately 40,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2011 indicated a \$275 million unfunded liability for basic pension benefits. As a result, effective April 1, 2012 employee contributions increased by 0.15% of salaries to 7.93% up to the YMPE and 9.43% of salaries above that. Also effective April 1, 2012, employer contributions made by the corporation increased by 0.65% of salaries to 9.43% of salaries up to the YMPE and 10.93% of salaries above that. Employee and corporation contributions include 1.25% (2012: 1.50%) and 2.75% (2012: 2.50%) of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements.

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

13. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS (continued)

The next valuation will be as at March 31, 2014 with results available in 2015. The actuary does not attribute portions of the unfunded liability to individual employers. In 2013, the corporation paid \$2.4 million (2012: \$2.3 million) for employer contributions to the plan. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

14. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans and bcIMC are related parties to the corporation. The pension plan boards appoint members to the corporate board, and the corporation provides services to the pension plans (Notes 2, 11, and 12.) These transactions are in the normal course of operations and consist of the recovery of the corporation's operating expenses, and computer systems and other asset purchases.

The corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations and include some limited supporting services; payroll, building occupancy and some information technology support services. Included in accounts payable and accrued salaries and benefits is \$6.6 million (2012: \$6.4 million) due to the Province of British Columbia.

15. COMMITMENTS

Through the Province of British Columbia, the corporation has committed to various building rental and accommodation agreements for which the estimated costs for the year ending March 31, 2014 is \$2.6 million, \$2.5 million for the years ending March 31, 2015 to 2017, \$0.8 million for the three months ending June 2017.

In 2012, the corporation implemented a replacement business software application for serving retired pension plan members. The total application development project cost was \$16.5 million over the five year development period. An additional \$1.7 million is anticipated to be spent under existing contracts for maintenance and technical support post-implementation of the application. These contracts provide for termination with no penalties.

At fiscal year end, the corporation has committed to \$0.2 million for systems recovery services and \$0.2 million for IT software licenses and maintenances commencing on April 1, 2013.

16. FINANCIAL INSTRUMENTS

The corporation's financial instruments recorded at cost consist of cash, accounts receivable, including due from pension plans and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short period to maturity for these items.

Short-term investments are recorded at fair value using current market yields and are held in a pooled investment fund managed by the bcIMC and are regularly monitored by bcIMC and management. Risks associated with financial instruments include market risk, credit risk and liquidity risk.

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BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

16. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The three levels of the fair value hierarchy are:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than unadjusted quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Short-term investments, which total \$0.01 million, are classified level 2 (2012: \$7.2 million-level 2).

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions. Market risk comprises foreign currency risk, interest rate risk, and price risk. Market risk is minimal as all investments are short-term.

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk is managed for investments by establishing specific investment criteria such as minimum credit ratings for investees. The majority of short term investments have a credit rating of AAA/AA, as defined by the Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned in such cases. The lenders' capacity to meet is financial commitment on the obligation is very strong. The credit risk associated with the receivable from pension plans is minimal.

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 financial investments consist of highly liquid cash and units in money market funds. The corporation forecasts its cash requirements over the near term to determine whether sufficient funds are available to meet forecast expenditures. The corporation's primary source of liquidity is amounts charged to pension plans.

It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments.

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