

PENSION CORPORATION

We make it easy

2013/2014 Annual Report

April 1, 2013–March 31, 2014

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2013/14 Corporate Annual Report

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2013/14 Corporate Annual Report

Board Chair and CEO Messages

Message from the Board Chair

Sound governance is the key responsibility of the board of directors. We provide careful, thoughtful oversight of the corporation to ensure our plan trustees, members and employers are well served.

Client expectations, data security and legislative changes are a few factors that will affect how we deliver service in the future. To manage these impacts, I am pleased to report that the corporation has a clear strategic direction.

In 2013/14, the BC Pension Corporation continued its business transformation to ensure service excellence. The board is a proud supporter of the corporation's *From 12 to 21: Our Way Forward* strategic plan, and values the forward thinking the plan contains. The strategy has put us in a strong position to continue providing cost-effective and high-quality service to trustees, members and employers.

The strong relationship between the board and executive has powered our successes over the past year. I would like to acknowledge the effective leadership of Laura Nashman, chief executive officer, and her executive team. I also commend our engaged group of highly professional staff, who are focussed on providing remarkable client service.

It is my great pleasure and honour to serve as the BC Pension Corporation's new chair of the board of directors. 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 our trustees, members and employers. I welcome and encourage you to explore our online corporate annual report.

Weldon Cowan,
Chair, board of directors

Message from the CEO

I am proud of the corporation's accomplishments in 2013/14. We performed in the present and maintained high client satisfaction, while preparing for the future.

We are working to capacity to meet the needs of plan trustees, members and employers. This is combined with dedicated efforts to strengthening the organization to meet their evolving expectations.

This is the second year of our nine-year strategic plan, *From 12 to 21: Our Way Forward*. We are focusing on building a foundation and creating the building blocks to shape and support a better BC Pension Corporation:

- solid portfolio and project governance practices,
- new strategies for member and employer engagement,
- a talent management program for our staff,
- an enterprise information management framework, and
- other core programs to strengthen our capability.

We are also shaping our organizational culture to embrace change and drive innovation. I believe we are progressing well.

While we have more to do to complete our foundation, we are also looking ahead at the transformation work yet to come in 2015. This stage will see us open new channels for service delivery and launch new ways to interact with plan members and plan employers. These efforts will drive greater efficiencies, transforming us into a higher-performing organization.

I am proud of and grateful for the extraordinary efforts our staff make every day. And I am excited about bringing our strategic plan to life. Together, we will make the corporation even better than what it is today.

Laura Nashman,
Chief executive officer

About us

BC Pension Corporation

We’re dedicated to making the pension experience easy.

The BC Pension Corporation is one of the largest pension plan administrative agents in Canada. We provide cost-effective, high-quality service to five boards of trustees and their plan members and employers. We ensure members of these plans have the right information at the right time to make decisions related to their pension throughout their lives.

Funding for our services is not provided from any level of government. Our funding comes from each of the plans we serve. Want to know more? Visit pensionsbc.ca.

Figure 1 The total membership in each of the five British Columbia pension plans we serve

College Pension Plan	23,800 <small>as at August 31, 2013</small>
Municipal Pension Plan	291,000 <small>as at December 31, 2013</small>
Public Service Pension Plan	114,300 <small>as at March 31, 2014</small>
Teachers’ Pension Plan	90,800 <small>as at December 31, 2013</small>
WorkSafeBC	5,100 <small>as at March 31, 2014</small>
Total membership* in the plans is more than	525,000 <small>members</small>

* Refers to active, inactive and retired membership. Inactive members are original members who have terminated their employment with a plan employer but have left their contributions (or accrued benefit) in the plan.

Note: Figures are rounded to the nearest hundred and based on each plan’s year-end reporting cycle.

Board of directors

Please visit the Our Board page at pensionsbc.ca for board members' bios.

Board compensation

Members of the board of directors are remunerated through an annual retainer and a per diem fee for meetings of the board and its committees. 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 remuneration
for the year ended March 31, 2014

Name and position	Remuneration
Weldon Cowan, chair	\$ 9,240
Brendan Dick, director*	\$ 2,751
Carl Fischer, director	\$ 5,841
Wayne Jefferson, vice chair	\$ 5,920
Dale Lauber, director	\$ 7,887
John Mazure, director	\$ 5,842
Richard Taylor, director	\$ 4,789
David Vipond, director	\$ 6,837
Colleen Wiens, director*	\$ 4,854

* Reflects partial-year service

Executive team

Please visit the Our Leaders page at pensionsbc.ca for executives' bios.

Executive compensation

The BC Pension Corporation's board of directors determines the chief executive officer's compensation. The executive team falls under the provisions of the *Public Service Act* and relevant compensation framework.

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.

Table 2 Executive compensation

for the year ended March 31, 2014

Name and position	Base salary	Other remuneration*	Total remuneration
Trevor Fedyna vice president of finance and chief financial officer	\$ 180,066	\$ 1,080	\$ 181,146
Dave Marecek vice president of corporate services	\$ 180,066	\$ 1,080	\$ 181,146
Laura Nashman chief executive officer	\$ 278,841	\$ 14,215	\$ 293,056
Kevin Olineck vice president of client services	\$ 180,066	\$ 1,080	\$ 181,146

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

Staff

*The knowledge and commitment of our staff
are key to the success of our organization.*

Training and engaging staff

We provide training and learning opportunities for staff to enable their success.

Our talent management program includes an online system staff can use to manage their training, performance and goals throughout the year. Our program identifies core competencies we value when we hire and develop staff. These competencies are a set of traits and skills that contribute to great job performance.

Our 2013 staff survey showed that our engagement score remained stable, at 69 per cent, compared to the previous year. Considering the business transformation underway, this result suggests our staff are committed to seeing the corporation succeed.

Opportunities

In five years, nearly 40 per cent of our staff will have reached the early retirement age of 55.

Career advancement is important to us. This year, approximately 100 staff competed for and secured temporary or permanent positions within the corporation, giving them new opportunities to grow their skills.

In five years, nearly 40 per cent of our staff will be eligible to retire. To meet the challenge of this retirement bubble, staff will have opportunities to take on new leadership roles and positions.

Did you know?

The corporation is a great place to start a career. Interested in learning more? See our current career opportunities or LinkedIn page at pensionsbc.ca.

Community

Staff take their knowledge and skills into the community, too.

Our HealthWorks committee participated in a number of events throughout the year:

- Provincial Employees Community Services Fund,
- Movember,
- Mustard Seed food drive, and
- Canadian Blood Services Public Service Challenge.

Award-winning communications

The corporation’s Communications Branch won Ragan’s 2013 Employee Communications Award in the Best Interview or Profile category on our intranet. The branch was also named runner-up in the Best Headlines, Coverlines or Subject Lines category.

Ragan Communications is a resource for professional communicators around the world, offering training, conferences and newsletters in a number of areas, including employee communications and corporate writing and editing.

This year’s award program received more than 300 entries from companies worldwide.

Our performance

How we measure up

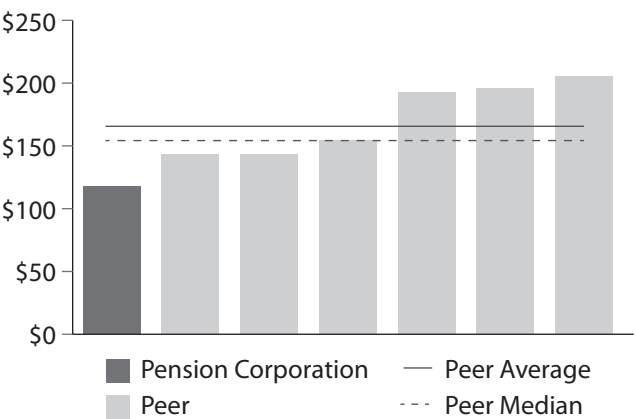
Benchmarking exercises tell us how we compare to our peers.

In 2013, Cost Effective Measurement (CEM) assessed our service delivery in three areas: cost per member, complexity and overall service. As the graphs below show, we are the lowest-cost provider in the most complex environment, while delivering comparable services to the majority of our peers. Balancing the delivery of our service with our strategic plan has served us well.

We are committed to providing excellent service and value for every dollar spent. A key measure of our success is cost per member. Figure 2 shows that we continue to compare favourably to our peers. In 2013, the average cost per member across all plans was \$116, compared to our peer groups’ average cost of \$164.

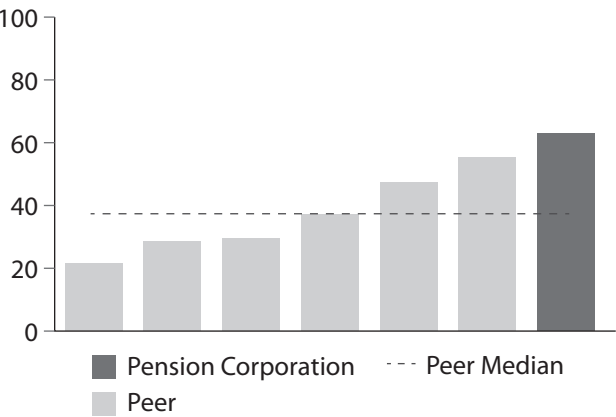
Did you know?
CEM is an international benchmarking company that undertakes an annual survey of pension administrators from around the world. A total of 75 administrators (including the BC Pension Corporation) participated in the 2013 survey.

Figure 2 Cost per active member and annuitant



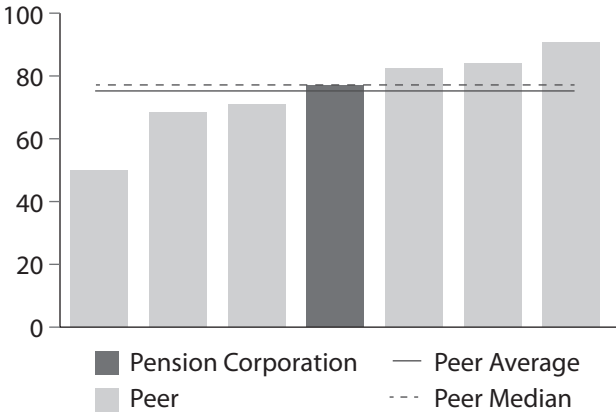
Complexity is determined by factors, such as the number of plans managed, plan rules and contribution rates. Figure 3 shows that the complexity of the plans we administer is ranked highest compared to our peers. Yet, we are the lowest-cost provider.

Figure 3 Complexity



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. Figure 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.

Figure 4 Overall Service



Key accomplishments

We delivered high-quality pension services to members and employers at low costs and made great progress on our strategic plan. Here are some highlights of our accomplishments this year.

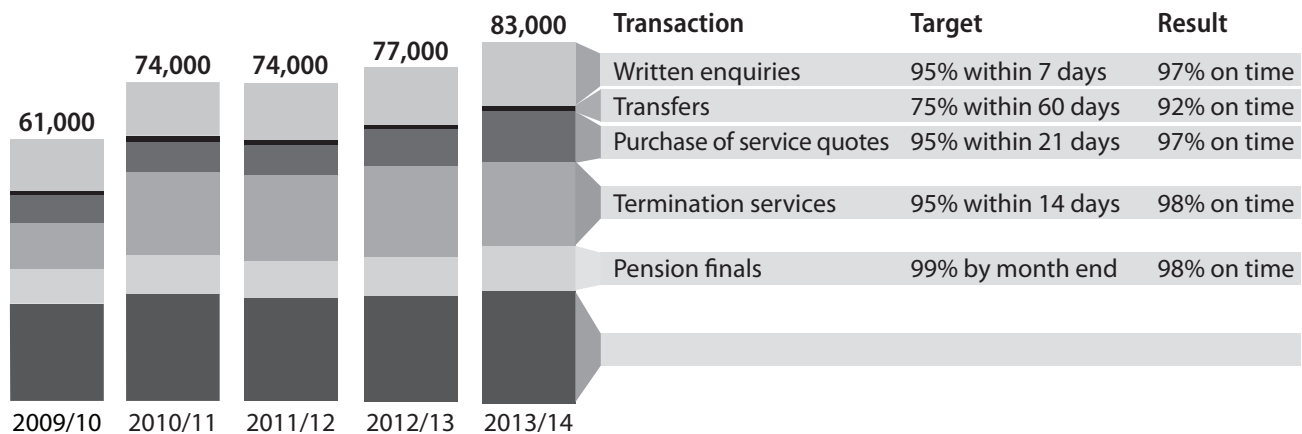
High-quality pension services

Service transactions

Members need more services than ever before. This year, we met or exceeded our service delivery targets. Figure 5 shows that transactions increased by 36 per cent over the last five years. Table 3 shows that we mostly met or exceeded our targets. Not only did we continue to deliver our services at a low cost, we received high member and employer satisfaction scores—greater than 80 per cent each quarter, and higher than 90 per cent for several quarters.

Figure 5 Historical transaction* volumes with transaction targets and results

Service volumes



*Does not include all transactions; figures are not weighted to recognize cost and effort

Monies managed

With growing plan membership, we paid more in benefits and handled more pension-related transactions than ever before. We administered more than \$3.5 billion in benefits.

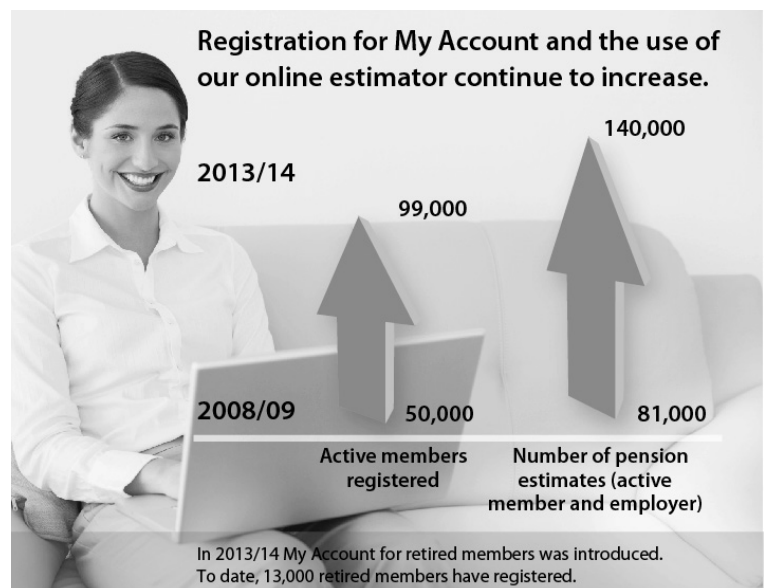
Table 3 Total receipts and disbursements

	2010	2011	2012	2013	2014
Contributions	\$ 2,500,439	\$ 2,795,472	\$ 2,859,030	\$ 2,962,528	\$ 3,119,330
Benefits	\$ 2,659,312	\$ 2,845,262	\$ 3,081,404	\$ 3,329,001	\$ 3,505,450

Member and employer service experiences

My Account: Ready when you are

My Account, our online service system, puts personalized pension information and services at members' fingertips. My Account was first made available to active and inactive members. In July 2013, we expanded the service to include retired members. By fiscal year-end, more than 12,000 retired members registered for this online service.



We also made two new features available on My Account:

- **An improved purchase of service calculator for members in the Teachers' Pension Plan (originally launched in 2008 and relaunched in November 2013).** When members take a leave, they may be able to purchase this time to increase their pension income and retire on time. The calculator displays up to three comparisons showing how purchasing service can impact a pension benefit.

In 2013/14, we expanded access of the calculator to members of the College, Public Service and Municipal Pension Plans.

- **An online Nomination of Beneficiary.** Active members can now either nominate or change their beneficiary, including naming multiple beneficiaries, online.

Better communications with members

We recognize the importance of providing meaningful communications to members. So we have developed a communications approach that focuses on members' key life events, such as joining a pension plan, getting married or changing careers.

We are applying this strategy to develop more relevant and effective products. Communications products that will reflect this approach include our *Report to Members* and the *Annual Report* for each of the five pension plans we serve.

By showing that we understand who plan members are and where they are in life, we're aiming to engage them with the plan throughout their lives.

Did you know?

Incoming member calls increased by 4.8 per cent over the previous year.

We responded to about 80 per cent of these calls within our target wait time of 20 seconds.

Redesigned pension statements

We redesigned the *Member's Benefit Statement* for each of the five pension plans we serve to make them a more effective retirement planning tool. The redesigned statement explains the value of the pension in easy-to-understand terms to help members make important decisions for their retirement.

Member satisfaction survey results say most members think the new format is much improved.

Online tool for employers

Employers use our secure online employer reporting system to submit member information. In 2013/14, we introduced a new tool to this system. It allows employers to quickly check whether new employees are already members of a pension plan and identify those who should be enrolled.

The tool has resulted in reduced administrative time and cost for employers.

Compliance

Wills, Estates and Succession Act

The new *Wills, Estates and Succession Act* (WESA) came into effect March 31, 2014. WESA allows in part for members to nominate multiple beneficiaries—including an organization, alternates, trusts and trustees—and to allocate different shares to each.

In anticipation of WESA, we changed many of our processes. We revised and created a variety of forms to ensure compliance with the legislation. And we've prepared staff to respond to members' questions about WESA.

Separate pension benefits for police and firefighters

In the Municipal Pension Plan, there are different benefit groups based on whether someone works in a public safety occupation (police or firefighter) or non-public safety occupation. Some members have earned service in both a public safety and non-public safety occupation.

Changes to the plan rules ensure that the pension benefits for the public safety occupations and for the non-public safety occupations are determined according to their separate provisions.

The plan rule changes only affect members who have service in public safety occupations and service in non-public safety occupations.

Information technology and management

Pension administration system

The administration of pension plans is growing in complexity. To meet this challenge, we have started the first phase of a multi-year initiative to ensure our administration system is sustainable and flexible for the future. We have secured the expertise to make sure this initiative is done properly, on time and on budget.

Security of member information

We can assure members that their personal information is safe and protected. We installed an entirely new network that will meet our security demands and better position us to provide more online services.

We moved our data centre, previously located at our offices in Victoria, to HP Advanced Solutions' data centre in the BC interior. The new location offers a secure, stable and reliable operating environment designed to meet our growth needs.

We also established an Information Management governance committee to manage information throughout the corporation. The committee developed a roadmap to guide our delivery of secure, accessible and useful information to trustees, members, employers and staff.

Financial overview

Here are our financial results for the year ended March 31, 2014. Please read these along with our [audited financial statements](#).

Snapshot

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

For the second year in a row, we came within one per cent of our financial performance budget target, which drives our service delivery charges to pension plans. This year, charges were \$58.2 million, only \$471,000 under our budget target of \$58.7 million.

Slightly lower charges than planned in benefit administration service and pension board secretariat service were offset by higher charges in acquisitions of tangible capital assets. This year, capital acquisitions were primarily related to the costs of transitioning our data centre to HP Advanced Solutions. This third-party service provider will further enhance our security, reduce risk and improve network availability.

Meeting our financial targets will:

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

Total service delivery charges to pension plans increased six per cent, or \$3.3 million, to \$58.2 million from \$54.9 million in 2013. This is due to additional staffing to meet growing demand for services, costs to strengthen network systems and security, and other expenditure increases to support our strategic plan initiatives. Within that charge, capital acquisition charges decreased from 2013 by \$2.5 million (46 per cent) over 2013 due to the completion of our retired member system development project in the prior year.

Although overall costs have increased, we continue to be one of the lowest-cost service providers when benchmarked to our peers. See [How we measure up](#).

Service delivery charges to pension plans

We charge each pension plan its respective share of our operating expenses. The corporation reduces its charges by any investment income and other revenue earned. We work on a cash basis and charge the plans for capital asset purchases—such as computer systems, leasehold improvements and furniture—and subsequently remove any amortization estimates included in operating expenditures.

Did you know?

We operate on a cost-recovery basis and do not receive any funding from the Province of British Columbia or other levels of government.

Total service delivery charges to plans, revenue and expenses as stated on the audited statement of operations and changes in net assets differ due to generally accepted accounting practices for revenue recognition.

Table 4 reconciles total service delivery charges to the plans for the year ended March 31, 2014 to the total revenues and expenses amounts as disclosed on the statement of operations and changes in net assets.

Table 4 Total service delivery charges to the plans

	2014 Actual	2014 Budget (thousands)	2013 Actual
Total revenue and expenses: statement of operations and changes in net assets	\$ 59,423	\$ 60,439	\$ 52,871
Plus: acquisition of capital assets	2,997	1,836	5,533
Less: investment income and other revenue (loss)	(127)	(75)	(193)
Less: amortization expenses	(4,064)	(3,500)	(3,349)
Total service delivery charges to pension plans	\$ 58,229	\$ 58,700	\$ 54,862

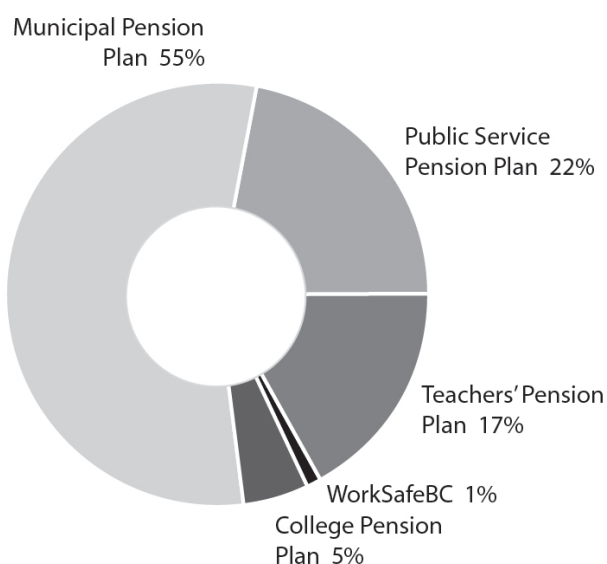
The corporation charges each pension plan with its respective share of total service delivery costs, following the corporation's cost allocation policy. Services to members and employers—which involve or support direct service delivery to plan members and employers and the ongoing collection of data and contributions to enable benefit administration—are allocated to plans primarily by proportional membership (number of active and retired members).

Board services, which are directly related to the governance of the pension plan and the board of trustees, are allocated to plans based on the level of service provided to each plan.

Our 2013/14 total service delivery charges are allocated to each plan as shown in Table 5. Services are provided pursuant to service agreements with each pension plan. Service delivery charges are within approved targets for all plans.

Table 5 Total service delivery charges for each plan

Pension Plan	Total service delivery charges (thousands)
College Pension Plan	\$ 2,907
Municipal Pension Plan	\$ 32,033
Public Service Pension Plan	\$ 12,491
Teachers' Pension Plan	\$ 10,133
WorkSafeBC Pension Plan	\$ 665
Total service delivery charges	\$ 58,229

Figure 6 Percentage of total service delivery costs per plan

Outlook

We make every effort to provide services to our clients as efficiently and cost-effectively as possible. We will continue the transformation of our processes and systems, while committing to sustaining service levels in a period of significantly rising volumes and increasing complexity.

Table 6 shows our projected service delivery costs for the coming year. Our budget is increasing approximately four per cent or \$2.5 million. Approximately three quarters of this increase is related to ongoing initiatives to build the infrastructure requirements that will transform the organization, enabling it to meet future service delivery needs. We are applying only a one per cent lift to our base operations to address core inflationary pressures.

Table 6 Projected service delivery costs

	2014/15 Budget	2013/14 Budget (thousands)
Total service delivery charges	\$ 61,200	\$ 58,700

In closing

For the year ended March 31, 2014, we met service delivery targets, came in on budget and advanced our strategic plan, while continuing to be a low-cost service provider.

We are committed to delivering on our strategic and 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.

Risk management

Our risk management program mitigates risks and advances opportunities.

We have established an enterprise risk management (ERM) program that enables us to deliver required services and achieve our strategic plan.

Our ERM program mitigates risks and advances opportunities. Risks and opportunities affect our level of strategic, operational and financial performance, including our strategic plan, *From 12 to 21: Our Way Forward*.

Did you know?

Our risk management program addresses our strategic, operational and financial risks. It ensures that known risks are mitigated appropriately within our risk appetite.

Our framework

Our risk management framework empowers our staff to work within a transparent, well-managed structure. However, we are mindful that as the organization grows, we need to continue to refine and maintain a seamless approach to identifying, tolerating and managing risk. The corporation is diligent in managing all the risks it faces on a cost-effective basis, balancing potential reward against acceptance of risk in a risk-averse environment.

Enterprise Risk Committee

The Enterprise Risk Committee primarily manages risks incurred by the corporation, delegating risk management to the chief financial officer (CFO). The CFO is responsible for developing an enterprise risk management framework across the corporation, which provides a consistent application of risk management practices.

Each year, the committee leads a formal assessment of our corporate risks involving multiple layers of the organization. The committee submits the formal corporate risk profile to the corporate audit committee and the board of directors. At every board meeting, changes to key risks in the formal profile are highlighted and discussed.

Throughout the year, the corporate risk profile is regularly reviewed by the Enterprise Risk Committee and staff. These activities ensure risk awareness and alignment between branches, projects, management and the board.

Planning for emergencies

We include business continuity planning and an insurance program as components of our ERM program to mitigate risk. Our framework ensures that we can respond, recover and continue normal operations in the event of a disruption. The plan incorporates emergency management, information technology disaster

recovery and operational response. And we test the plan through tabletop exercises and participation in simulation events.

We continue to improve our approach to risk management across all levels of the organization. We are enhancing core areas of our risk management infrastructure and maintaining best practices in our systems, in the processes within our control, and in other areas of our operations.

Our risks

Below are examples of risks that we manage in our strategic, operational and financial areas.

Key strategic risk drivers

We pay close attention to these key strategic risk drivers:

- **Growing complexity and diversity in plan design and administration.** The number of legislative changes and pension plans considering modernizing their design is increasing.
- **Significant service volume increases due to retiring baby boomers.** Members nearing retirement are growing in number and expect services to be delivered using new forms of technology.
- **Increasing importance of information management as a core competency.** As members' expectations around technology for seamless service options grow, the need to manage that information in a secure, private manner increases.

We mitigate these risks through our *From 12 to 21: Our Way Forward* strategic plan.

Operational risks

As part of our *From 12 to 21: Our Way Forward* strategic plan and risk management strategy, the corporation also considers operational risks, such as service delivery, workforce, legislation and compliance, technology, and our use of data.

In the past year, we took measures to manage adverse conditions in these areas to ensure our standing as a viable and efficient pension administrator now and in the future.

Service delivery

With increasing service demands and changing service delivery channels, we have developed strategies geared toward maintaining high-quality and timely service. We also review internal processes, training materials and communication activities. These efforts enhance members' experiences and meet evolving expectations by offering simple, relevant, impactful communications and multi-channel services.

Compliance

Risk of non-compliance with legislation, regulation and pension plan rules is an ongoing exposure. We mitigate this risk through our Plan Benefit Compliance Program to maintain plan administration that is consistent with legislative and plan design changes.

Technology

We deliver relevant services to our clients at good value. The risk of this service not occurring is mitigated with stable, flexible and agile systems that reduce manual workarounds and align with our enhanced service delivery model.

We are also reviewing system requirements for managing changing plan requirements in a timelier manner.

Use of data

We are reviewing information management requirements to improve usability, accessibility and security for members, employers, plans and staff data. We are updating our security and privacy frameworks, enterprise content management systems and employer data reporting systems.

Financial risks and financial instruments

Typically, corporations face financial risks, such as market risk, credit risk and liquidity risk. We have assessed these typical risks as low. The corporation's working capital is obtained on an as-needed basis from the pension plans we serve. Any additional working capital is held in short-term investments rated double A or higher.

You can find a discussion of risks related to financial instruments under note 17 in the [financial statements](#).

Our future

Our strategic plan

Our strategic plan empowers us to meet the evolving needs and expectations of the people and plans we serve.

In 2012/13, we launched our strategic plan, *From 12 to 21: Our Way Forward*. We are now in the second year of our nine-year plan.

From 12 to 21: Our Way Forward is ambitious and sets the stage for transforming our business. We are making significant progress on the fundamentals we need to meet the evolving needs of plan trustees, members and employers. This plan will vastly improve member and employer experiences, business processes and staff development.

Rising demand indicators

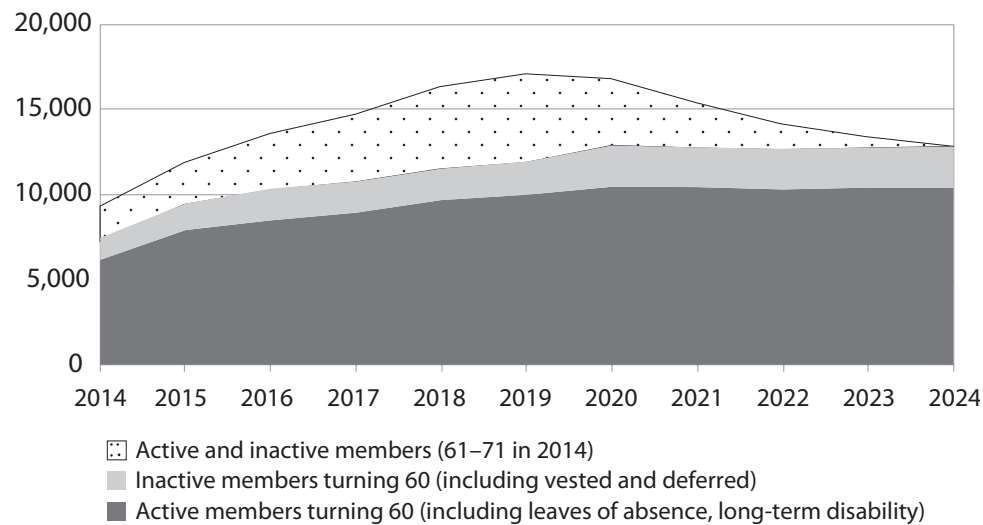
Baby boomers are approaching retirement age.

We anticipate an increased demand for near-retirement services over the next 10 years. In Figure 7, the dotted area represents approximately 30,000 active and inactive members who are between the ages of 61 to 71 today. We expect these members to retire between 2014 and 2024.

Our strategic plan will build our capacity so that we can continue to provide flexible, timely service to members as they plan their retirement.

Figure 7 Members expected to retire over the next 10 years

Active and inactive members by year they reach age 60



A better BC Pension Corporation

We'll be more responsive to plan trustees, members and employers, and better able to meet service demands and targets.

Improving service experiences

Offering more self-serve options

Plan members want and expect the same level of service online as they receive when they call, email or visit us in person. Members will have more choices for how they receive and send information. They will be able to:

- opt out of receiving paper-based information,
- print a duplicate tax receipt, member benefit statements or retiree member statement,
- complete online retirement applications, and
- update personal information, such as address or nomination of beneficiary details, online.

Enhancing member interactions

We will explore new service centre technology to support increased volumes and growing member service needs.

Through better tracking and monitoring of interaction types and volumes, we will be better equipped to detect patterns and anticipate service demands. Addressing members' needs more proactively is our goal.

Developing online services

We will redesign the websites of each of the five pension plans we serve to enhance the member and employer experience. We will review our website architecture, paying particular attention to web content, usability, interaction and design.

Producing simple, relevant, impactful communications

Building on our work to engage with different member groups, we will identify the communications products we need to develop or redevelop. We will incorporate user-experience research to refine our approach and content. Our aim is to ensure our products focus on members' key life events and clearly explain the impact these may have on their pensions.

We will revisit a number of our communications products, such as Member News, Welcome to the Plan and Guide for Plan Members.

Delivering more tools for employers

Employers will have more tools to submit accurate member information:

- **Long-term disability reporting.** Employers will be able to report members' long-term disability information online, saving employers and staff time and effort.
- **Employee Information at Termination and Retirement process.** Employers will enjoy a new automated process for submitting information related to employee terminations and retirement.

Managing information

Creating an information management system

We will provide staff with easier access to the information they need to do their jobs.

By improving our document management practices, such as standardizing processes and digitizing files, staff will be able to locate information more quickly, making it simpler to serve plan members and employers.

Complying with legislation and plan rules

Redesigning a pension plan

The College Pension Plan (CPP) is undergoing significant design changes to simplify and modernize the plan. In February 2014, CPP announced it will make changes to its pension plan design, effective January 2016.

CPP is evolving to address changes, such as life expectancy, retirement ages and employment patterns that have occurred over the last half century. We will implement CPP's rule changes and ensure we have new processes to comply with the plan's new design.

Pension Benefits Standards Act

We will prepare the corporation to administer new regulations for the *Pension Benefits Standards Act*. Government passed the legislation in May 2012, and we expect implementation to take effect in 2015.

PENSION CORPORATION

We make it easy

Executive Offices

Mailing Address:

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Victoria BC
V8W 9V8

Location:

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Victoria BC
V8T 5J9

Phone:

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250 953-0429

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 Auditor's Report attached to these financial statements.



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



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

June 16, 2014



June 17, 2014

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 statement of financial position as at March 31, 2014 and statements of operations and changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

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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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Financial statements

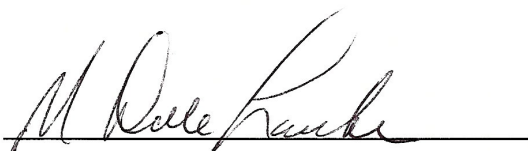
PENSION CORPORATION

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

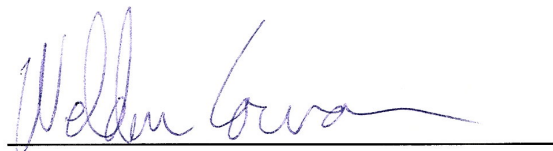
March 31	2014	2013
Assets		
Current:		
Cash and Short-term Investments (Note 4)	\$ 5,605	\$ 2,303
Due from Pension Plans (Note 5)	4,606	5,462
Accounts Receivable	329	715
Prepaid Expenses	1,118	2,118
	11,658	10,598
Computer Systems and Other Assets (Note 6)	20,124	20,241
Total Assets	\$ 31,782	\$ 30,839
Liabilities		
Current:		
Accounts Payable (Note 7)	\$ 3,690	\$ 3,360
Accrued Salaries and Benefits (Note 8)	7,968	7,238
Current Portion of Obligations under Capital Lease (Note 9)	229	-
	11,887	10,598
Long term:		
Obligations under Capital Lease (Note 9)	721	-
Deferred Capital Funding (Note 10)	19,174	20,241
	19,895	20,241
Shareholder's Equity		
Share Capital (Note 2)	-	-
Total Liabilities and Shareholder's Equity	\$ 31,782	\$ 30,839

Commitments (Notes 9 and 16)

The 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	2014	2013
Revenues		
Benefit Administration Service Revenue (Note 11)	\$ 57,936	\$ 51,390
Pension Plan Boards' Secretariat Service Revenue (Note 12)	1,360	1,288
Investment Income (Note 13)	137	192
Other Revenue (Loss)	(10)	1
Total Revenues	59,423	52,871
Expenses		
Salaries and Benefits (Note 14)	36,312	32,862
Professional Services	8,099	7,099
Information Services and Systems	4,709	3,447
Amortization	4,064	3,349
Premises	2,894	2,700
Corporate Board	67	77
Other (Note 18)	3,278	3,337
Total Expenses	59,423	52,871
Excess Revenues Over Expenses	-	-
Opening Balance Net Assets	-	-
Ending Balance Net Assets	\$ -	\$ -

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

Financial statements

**PENSION
CORPORATION**

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

For the year ended March 31	2014	2013
Operating Transactions		
Excess of Revenues over Expenses	\$ -	\$ -
Non-Cash Items:		
Amortization of Capital Assets	4,064	3,349
Amortization of Unamortized Deferred Capital Funding	(4,064)	(3,349)
	-	-
Decrease (Increase) in Due from Pension Plans	856	3,978
Decrease (Increase) in Accounts Receivable	386	(569)
Decrease (Increase) in Prepaid Expenses	1,000	(1,258)
Increase (Decrease) in Accounts Payable	330	(8,432)
Increase (Decrease) in Accrued Salaries and Benefits	730	230
Total Operating Activities	3,302	(6,051)
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,997)	(2,939)
Acquisition of Intangible Capital Assets	-	(2,594)
Total Investing Activities	(2,997)	(5,533)
Financing Transactions		
Capital Funding Received (Note 10)	2,997	5,533
Total Financing Activities	2,997	5,533
Increase (Decrease) for the Year	3,302	(6,051)
Cash and Short-term Investments at Beginning of Year	2,303	8,354
Cash and Short-term Investments at End of Year	\$ 5,605	\$ 2,303

Supplemental information, non cash transaction (Note 9)

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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 (Notes 11, 12).

The issued share (\$10 par value) of the corporation is held by the Province of British Columbia (Province of BC), and accordingly the corporation is exempt from income taxes. The corporation collects and remits GST on the provision of services and recovers eligible taxes paid through input tax credits.

3. 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 (GAAP).

b) Cash and Short-term Investments

For the purpose of the statement of cash flows, cash and cash equivalents consists of 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) Capital Leases

Leases where substantially all of the benefits and risk of ownership rest with the corporation are accounted for as capital leases. Assets held under capital leases are initially recognized as assets at their fair value at the inception of the lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to produce a constant periodic rate of interest on the remaining balance of the liability.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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

or, over the term of the underlying lease, whichever is shorter.

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.

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 operations and changes in net assets.

e) 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.

f) 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.

g) Use of Estimates

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts on the Statement of Financial Position and Statement of Operations and Changes in Net Assets 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.

**BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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.

i) Recent Accounting Pronouncements

In December 2013, the Canadian Accounting Standards Board (AcSB) released a new standard for Employee Future Benefits, Section 3463 in Part III (NFPOs) of the Chartered Professional Accountants (CPA) Handbook – Accounting. The new standard eliminates options in accounting for single-employer defined benefit pension plans, effective for years beginning on or after January 1, 2014. As the corporation and its employees are members of a multi-employer defined benefit pension plan, these changes have no impact on the financial statements of the corporation.

On April 10, 2013, the AcSB has issued a Statement of Principles that proposes to improve the existing standards for financial reporting by NFPOs. The corporation is continuing to monitor these developments.

4. 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.

	(\$ Thousands)	
	2014	2013
Cash	\$ 5,508	\$ 2,292
Short-term Investments	97	11
	<u>\$5,605</u>	<u>\$ 2,303</u>

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

5. DUE FROM PENSION PLANS

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

	(\$ Thousands)	
	2014	2013
Beginning Balance, Due from Pension Plans	\$ 5,462	\$ 9,440
Total Charges to Pension Plans for:		
Benefit Administration Services (Note 11)	56,835	53,571
Pension Plan Boards' Secretariat Services (Note 12)	1,394	1,291
Operating Funding Received	(56,110)	(53,307)
Capital Funding Received	(2,975)	(5,533)
Ending Balance, Due from Pension Plans	\$4,606	\$ 5,462
Comprised of:		
Municipal Pension Plan	\$ 2,808	\$ 3,001
Public Service Pension Plan	936	1,173
Teachers' Pension Plan	686	889
College Pension Plan	112	181
Other Plans	64	218
Due from Pension Plans	\$ 4,606	\$ 5,462

See Note 3e) regarding funding arrangements.

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

6. COMPUTER SYSTEMS AND OTHER ASSETS

(\$ Thousands)				
	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible Assets				
Major Business Application Software	\$43,181	\$29,929	\$13,252	\$15,218
Held in name of Service Provider:				
Data Centre Transformation	840	-	840	-
Total Intangible Assets	44,021	29,929	14,092	15,218
Tangible				
Other Computer Systems	22,201	18,773	3,428	3,643
Furniture	4,366	3,473	893	681
Tenant Improvements	2,640	2,121	519	699
	29,207	24,367	4,840	5,023
Held in name of Service Provider:				
Other Computer Systems	245	-	245	-
Other Computer Systems under Capital Lease	972	25	947	-
	1,217	25	1,192	-
Total Tangible Assets	30,424	24,392	6,032	5,023
Total Assets	\$74,445	\$54,321	\$20,124	\$20,241

The corporation has entered into a contract for the provision of services to maintain and manage its data center operations (Note 16). Under the agreement, computer system assets purchased for use in the data center are held in the name of the service provider and can be either funded directly by the corporation or by way of lease with a third party (Note 9). The assets are dedicated to the provision of services to the corporation and the corporation has the option to take possession of the assets on termination of the master agreement with the service provider.

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 3e).

7. ACCOUNTS PAYABLE

(\$ Thousands)		
	2014	2013
Accounts Payable	\$ 3,690	\$ 3,353
Government Remittances Payable	-	7
	\$ 3,690	\$ 3,360

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

8. ACCRUED SALARIES AND BENEFITS

	(\$ Thousands)	
	2014	2013
Accrued Salaries and Benefits	\$ 6,625	\$ 6,056
Leave Liability	1,343	1,182
	<u>\$ 7,968</u>	<u>\$ 7,238</u>

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

9. OBLIGATIONS UNDER CAPITAL LEASE

During the year ended March 31, 2014, the corporation entered into lease agreements to acquire computer systems equipment through a service provider that also maintains and operates those assets. The leases have five year terms, with interest rates ranging from 6.17% to 7.32%. The minimum future lease payments under capital leases are as follows:

	(\$ Thousands)
Year ending March 31,	2014
2015	\$ 229
2016	229
2017	229
2018	229
2019	197
	<u>1,113</u>
Amount representing interest	<u>(163)</u>
Obligation	<u>950</u>
Less: current portion	<u>(229)</u>
	<u>\$ 721</u>

The capital lease obligation of \$950,000 and corresponding increase in leased assets of \$950,000 is a non-cash transaction.

10. DEFERRED CAPITAL FUNDING

	(\$ Thousands)	
	2014	2013
Opening Balance, Deferred Capital Funding	\$ 20,241	\$ 18,067
Capital Funding Received	2,975	5,533
Capital Lease Obligation Payments	22	-
Loss on disposal of assets	-	(10)
Amortization	(4,064)	(3,349)
Ending Balance, Deferred Capital Funding	<u>\$ 19,174</u>	<u>\$ 20,241</u>

See Note 3e) regarding funding arrangements.

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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)	
	2014	2013
Total Charges to Pension Plans for Benefit		
Administration Services and Purchase of Assets	\$ 56,835	\$ 53,571
Purchase of Computer Systems and Other Assets	(2,941)	(5,530)
Capital Lease Obligation payment	(22)	-
	53,872	48,041
Capital Funding Recognized as Service Revenue:		
Amortization	4,064	3,349
Benefit Administration Service Revenue	\$ 57,936	\$ 51,390
Total Charges to Pension Plans for Benefit Administration Services were:		
Municipal Pension Plan	\$ 31,421	\$ 29,277
Public Service Pension Plan	12,231	11,773
Teachers' Pension Plan	9,872	9,559
College Pension Plan	2,646	2,335
Other Plans	665	627
	\$ 56,835	\$ 53,571

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)	
	2014	2013
Total Charges to Pension Plans for Plan Boards'		
Secretariat Support Services and Purchase of Assets	\$ 1,394	\$ 1,291
Purchase of Computer Systems and Other Assets	(34)	(3)
Total Pension Plan Boards' Secretariat Service Revenue	\$ 1,360	\$ 1,288
Total Charges to Pension Plans for Plan Boards'		
Secretariat Services were:		
Municipal Pension Plan	\$ 612	\$ 561
Public Service Pension Plan	260	243
Teachers' Pension Plan	261	243
College Pension Plan	261	244
	\$ 1,394	\$ 1,291

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

13. INVESTMENT INCOME

	(\$ Thousands)	
	2014	2013
Interest from cash	\$ 68	\$ 47
Interest from fixed income securities	68	129
Realized gains on sale of pooled funds	1	14
Unrealized appreciation in fair value of pooled funds	-	2
	<u>\$ 137</u>	<u>\$ 192</u>

14. 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 trustees 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, 2014, the corporation has approximately 500 employees contributing to the plan which has approximately 56,000 active plan members and approximately 41,000 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% and 2.75% 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.

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 \$2.6 million (2013: \$2.4 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.

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

15. 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 5, 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 BC. 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 \$7.2 million (2013: \$6.6 million) due to the Province of BC.

16. COMMITMENTS

a) Operating Lease Commitments

Through the Province of BC, the corporation has committed to various building rental and accommodation agreements for which the estimated costs for the year ending March 31, 2015 is \$2.6 million, \$2.6 million for the years ending March 31, 2015 to 2017, and \$0.7 million for the three months ending June 2017.

b) Contractual Obligations – Data Center Operations

In 2014, the corporation entered into a contract for the provision of service to maintain and manage its data center operations. The terms of the agreement fall within the master agreement that the service provider has negotiated with the Province of BC.

The initial term of the corporation's agreement for provision of server management, network management and network security services expires on March 31, 2021, with options to extend for additional 3 and 5 year terms. The initial term of the agreement for provision of data center facility services expires on March 31, 2024 with an option to extend for an additional 5 year term. Projected contract costs, excluding obligations for equipment purchased under capital leases (Note 9) and inflation, are as follows:

For the year ended March 31,	(\$ Thousands)		
	Managed Services	Data Center Facilities	Total
2015	\$ 3,431	\$ 234	\$ 3,665
2016	3,321	234	3,555
2017	3,217	234	3,451
2018	3,202	234	3,436
2019	3,181	234	3,415
2020	3,071	234	3,305
2021	2,909	234	3,143
2022		234	234
2023		234	234
2024		234	234

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

16. COMMITMENTS (continued)

There is provision under the contract for the corporation to terminate for convenience with not less than twelve month notice. Termination costs include the residual value of any prepaid costs, costs related to the relocation of equipment and staff, and a termination fee to compensate the service provider for data center facilities that have been reserved on behalf of the corporation. Based on service commitments made to March 31, 2014, the estimated one-time termination costs are:

Date of Termination As of March 31,	(\$ Thousands)		
	Managed services	Data Center Facilities	Total
2014	\$ 763	\$ 1,402	\$ 2,165
2015	1,531	1,261	2,792
2016	1,209	1,121	2,330
2017	876	981	1,857
2018	566	841	1,407
2019	250	701	951
2020	250	561	811
2021		420	420
2022		280	280
2023		140	140

c) Contractual Obligations – Province of BC

In order to participate under the Province of BC's master agreement with the service provider for data center services, the corporation has entered into an agreement with the Province of BC to provide contract administration services on its behalf. Estimated costs for each of the years ending March 31, 2015 to 2021 are \$40,000.

d) Other Contracts and Commitments

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 \$0.7 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 \$0.9 million for various IT software licenses and maintenance fees commencing on April 1, 2014 and ending in 2015 and 2016.

17. FINANCIAL INSTRUMENTS

The corporation's financial instruments recorded at cost consist of cash, accounts receivable, including due from pension plans and accounts payable, accrued liabilities and obligations under capital lease. The fair values of these financial instruments approximate their carrying values.

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

17. FINANCIAL INSTRUMENTS (continued)

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.

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 \$0.1 million, are classified level 2 (2013: \$0.01 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. The corporation has a short-term unsecured bank facility of up to \$0.3 million in place should it be required to meet temporary fluctuations in cash requirements. As at March 31, 2014 and March 31, 2013 the bank facility had not been drawn upon.

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

Financial statements

BRITISH COLUMBIA PENSION CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

18. OTHER EXPENSES

Other expenses include office and business expenses, travel, communications, staff training, bank charges, lease financing and regulatory fees. Financing costs for obligations under capital lease were \$8 thousand for the year ended March 31, 2014.

19. COMPARATIVE FIGURES

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

20. CONTINGENT LIABILITIES

From time to time the corporation is named in litigation. Management has evaluated all outstanding claims and believes that the outcomes of any claims are preliminary and the outcome not determinable, and accordingly believe that no provision is required in the financial statements for legal claims.

PENSION CORPORATION

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