

2014/15 Annual Report

A milestone year in our transformation

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*Pension Corporation Offices
2995 Jutland Road, Victoria, BC*





The most important thing we do is respond to the needs of plan members at the various stages of their careers. From welcoming new members to facilitating the retirement process, we always work to make it easy for them.

— Fred Tinka, Plan Operations

Introduction

Message from the Board Chair

This year was one of continued excellence in client service and solid progress on the BC Pension Corporation's *From 12 to 21* strategic plan.

The focus of the board of directors has always been on sound governance to ensure good service for plan members, employers and trustees. A strong working relationship with our executive has powered our successes over the past year, and we commend BC Pension Corporation staff for the excellent service they provide.

The board is confident *From 12 to 21* is transforming the corporation in the right direction to meet evolving member expectations while continuing to provide modern, relevant service at good value.

We are proud to support the strategic plan, and I would like to thank the corporation's executive and staff for their hard work making it a success. Plan members, employers and trustees are already seeing the benefit of changes made as part of the plan. We are excited about the direction the corporation is taking and look forward to its continued success in the future.



Weldon Cowan
Chair, board of directors



Weldon Cowan

Message from the CEO

This past year marked the end of the first phase of our *From 12 to 21* strategic plan and the beginning of our three-year Transformation Phase. In addition to completing several key foundational initiatives, we've planned the next phase in our journey.

I'm proud of the many things we achieved this year, from new tools and processes for plan members and employers to the first steps in our shift to a new organizational structure, which will lead to even greater efficiency and service in the future.

We continue to provide excellent value and service to our clients. For the first time, we processed over 10,700 new retirements in a year—a 7.4 per cent increase over 2013/14. More than 160,000 retired members now rely on us for their pensions each month, and this number continues to grow, making us not only one of the largest pension service providers in Canada but also one of the largest payment providers in BC.

Looking forward, I'm excited to see us enhance services to plan members and employers. Improved online self- and assisted service will be a key outcome of the next three years. As volumes continue to rise and service expectations continue to evolve, these online services are imperative to ensuring we continue to make it easy for those we serve—plan members, employers, trustees, staff and other stakeholders.



Laura Nashman
Chief executive officer



Laura Nashman



For me service is the number one priority. I don't want to meet plan member expectations, I want to exceed them.

— Wolf Barz, Member Services

**PENSION
CORPORATION**
We make it easy

Delivering excellent service

High-quality, timely service

One of the largest pension service providers in Canada and the largest in British Columbia, BC Pension Corporation is proud to deliver efficient, high-quality service to plan members, employers and pension board trustees—year-over-year, they tell us we do. Fiscal year 2014/15 was no different: our service scores remained high with both plan members and employers. When asked how they would rate our service, approximately 90 per cent of plan members and employers answered “good” or “very good.” In addition, 85 per cent of active members and 82 per cent of retired members believe we provide timely service.

Table 2

Total membership* in each of the five BC pension plans

College Pension Plan	24,600 as at August 31, 2014
Municipal Pension Plan	299,200 as at December 31, 2014
Public Service Pension Plan	114,200 as at March 31, 2015
Teachers’ Pension Plan	91,500 as at December 31, 2014
WorkSafeBC	5,100 as at March 31, 2015
Total	534,600

* Refers to active, inactive and retired membership. Inactive members are members who have terminated their employment with a plan employer but 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.

Table 1

Quality Service Index Scores* (%)

Active members	88.7
Recent retirees	92.6
Long-term retirees	88.5
Employers	91.1

* based on responses “good” or “very good”

About us

BC Pension Corporation provides pension services on behalf of BC’s College, Municipal, Public Service, Teachers’ and WorkSafeBC pension plans, working with more than 1,100 employers and serving over 534,600 members. We ensure plan members have the right information at the right time to make informed decisions about their pensions throughout their lives.

Providing financially-responsible service

As a financially responsible service provider, we exceeded our financial targets, achieved our operational service objectives and advanced our strategic projects in 2014/15.

The corporation does not receive direct funding from the Province of British Columbia or any other levels of government. We operate on a cost recovery basis, charging each pension plan for services provided and its share of the corporation's net operating and capital costs. Every dollar we receive goes to supporting service to members, employers and trustees.

In 2014/15 we outperformed our financial target by coming in two per cent under budget, resulting in lower charges than approved by the pension plans. The strong oversight of our strategic projects enabled us to contain costs to what was absolutely necessary.

There are minor differences between total charges to pension plans and net budget, and audited revenue and expenses per statement of operations and changes in net assets ([see Table 3](#)), due to generally accepted accounting practices for revenue recognition.

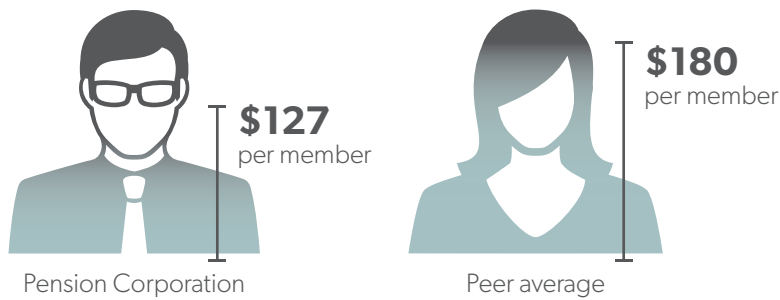
Table 3

Total service delivery charges to the plans for year ended March 31, 2015
(\$ thousands)

	2015 Actual	2015 Budget	2014 Actual
Revenue and expenses as per statement of operations and changes in net assets	62,312	64,634	59,423
Less: investment/miscellaneous revenues	(129)	(75)	(127)
Purchase of computer systems and other assets	2,744	2,812	3,947
Less: increase in lease obligations	(785)	(1,103)	(950)
Less: amortization expenses	(3,933)	(4,700)	(4,064)
Total charges to pension plans and net budget	60,209	61,568	58,229

Charges to plans modestly increased from 2013/14 mostly due to collectively bargained salary increases for our unionized employees and costs to further strengthen our computer network and data security.

Although overall costs have slightly increased to provide service and mitigate risk, our culture of effective financial management and efficient service provision has allowed us to maintain our position as the low-cost service provider when benchmarked against our peers by the international benchmarking corporation Cost Effective Measurement (CEM) ([see Figure 1](#)). Our total pension administration cost was \$127 per member as compared to the peer average of \$180.



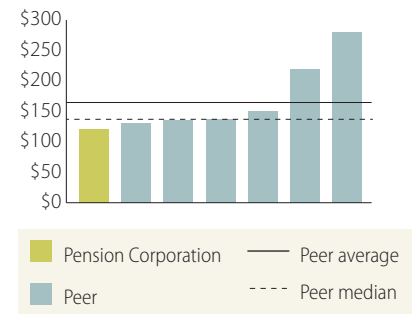
[Full financial statements](#) can be found at the end of this report.

Looking for remuneration data?

See appendices A and B for [board](#) and [executive](#) remuneration tables.

Figure 1

Pension administration cost per active member and annuitant (CEM)





It is exciting to see and hear how the From 12 to 21 mindset has permeated all parts of the organization, encouraging us to find more efficiency and effectiveness.

— Deanna McDonald, Employee Services

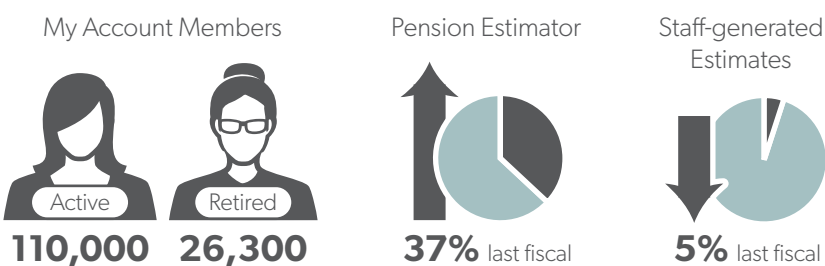
Operating in a changing, complex environment

Volumes and complexity on the rise

Today we are beginning to see the effects of shifting demographics. Members near retirement are growing in number, and they expect services to be delivered by multiple channels in a safe and secure way. In addition, the number of legislative changes and pension plans considering modernizing their design have increased.

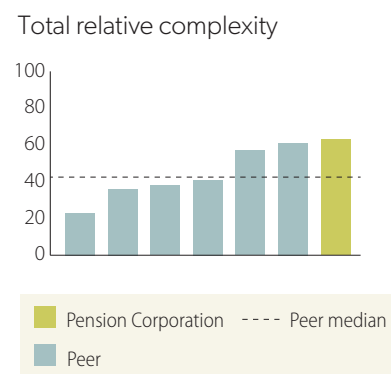
The result is a rise in service volumes and complexity, and the desire of plan members to perform more transactions online.

Plan members are interacting online with us more now than ever before. In 2014/15 registrations in My Account (our online service platform) increased to 110,000 active members and 26,300 retired members. In addition, online pension estimator usage increased by 37 per cent over last fiscal while staff-generated estimates decreased by five per cent.



At the same time, our volumes and transaction complexity are increasing. The corporation is already ranked highest among its peers in complexity, and this will likely increase as plans evolve to address changing demographics, long-term financial sustainability and member preferences ([see Figure 2](#)).

Figure 2



The demographic surge of retiring baby boomers is hitting the corporation earlier than expected. This year the corporation hit a key milestone: processing over 10,700 retirements—a 7.4 per cent increase year-over-year.

While the number of phone calls to our staff this year remained relatively unchanged at 212,000 (a 0.5 per cent increase), letters and emails increased 10 per cent over the previous year and call-handling times increased by 9 per cent. This indicates plan members are contacting us with more complex transactions but handling simpler transactions—such as pension estimates—online through My Account.

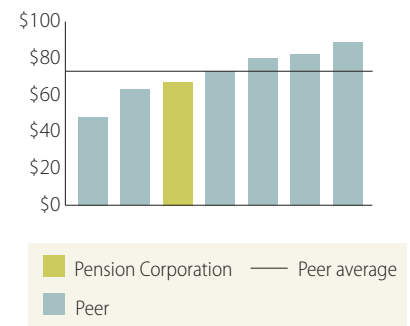


The increasing volume and complexity of the business, combined with our transformational activities, mean the corporation is working at capacity in terms of productivity, given our current tools and technology. As a result, our service scores have dropped slightly from median to slightly below median relative to our Canadian peers ([see Figure 3](#)).

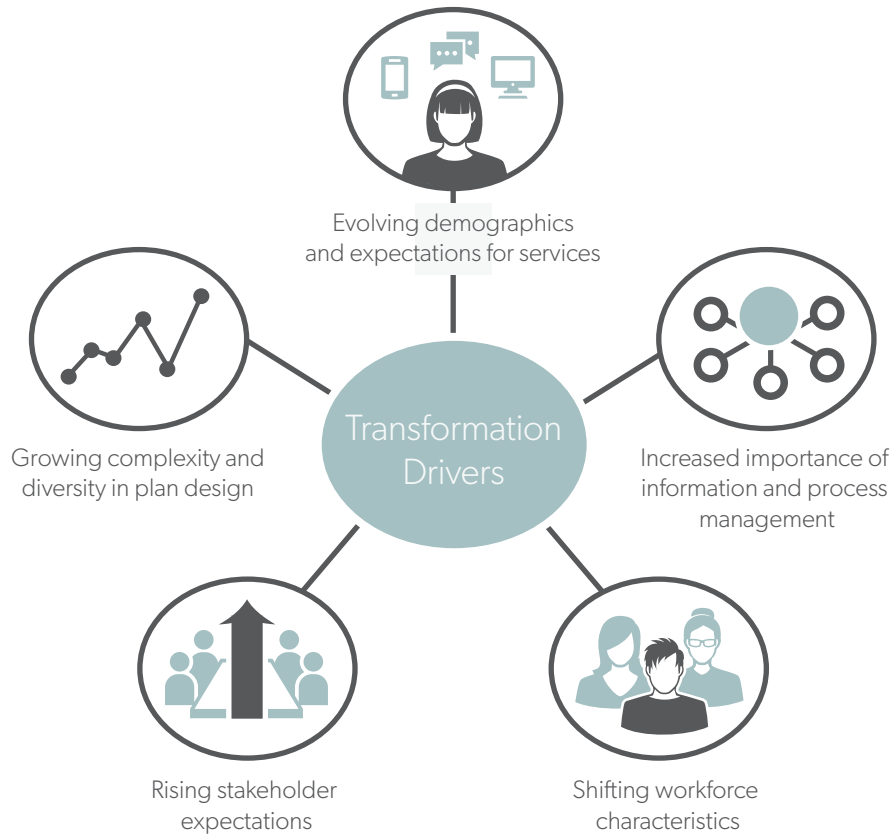
As we move into our three-year Transformation Phase, we expect to modestly improve our relative service ranking by focusing attention on drivers with the largest effect on our organization (in the near- to mid-term), especially risk. (For more information on enterprise risk management, see [Appendix C](#).)

Figure 3

Total service score



As you will see in [our plans for 2015 and beyond](#), online self- and assisted services are a significant part of the Transformation Phase as we work to address these drivers, and the opportunities and challenges they create.





I've seen From 12 to 21 reshape the organization so that we are collectively executing its goals. I am proud to be a part of a team that provides quality solutions.

— Bob Jones, Information Technology Services

Transforming for the future

Three years ago we started on a journey to transform our business. Our strategic plan, *From 12 to 21 Our Way Forward*, aims to transform not what we do, but how we do it.

We made several accomplishments over the past year that strategically positioned the corporation for further positive change as we move into the Transformation Phase. New features are driving efficiency while enhancing the member and employer service experience.

Electronic T4As for retired members

Retired members now have the convenience of accessing and printing their duplicate T4A forms through My Account. Requesting duplicate T4As is the primary reason retired members contact us from January to April. Since introducing this new feature, the number of calls asking for duplicate receipts has dropped, with over 3,700 tax receipts being printed online by retirees.

To address the second most common reason retirees contact the corporation, the new T4A form now has an enhanced Box 135 that splits extended health care and dental premiums so members can report costs to their former employers for a reimbursement or apply for a tax deduction.

Employer data made easier

We made several improvements to how employers submit long-term disability (LTD) information to the corporation and moved to electronic submission.

We eliminated paper forms and reduced LTD reporting errors by launching an online LTD reporting form. If an employer enters incorrect data, the system immediately alerts the



Each interaction we have with an employer has a direct impact on plan members. The new LTD reporting tool has made the LTD reporting process easier for employers and given staff more time to help employers in other ways.

— Karin Gill, Employer Services

employer to the error and corrections are made at the source. This has reduced LTD reporting errors by 70 per cent.

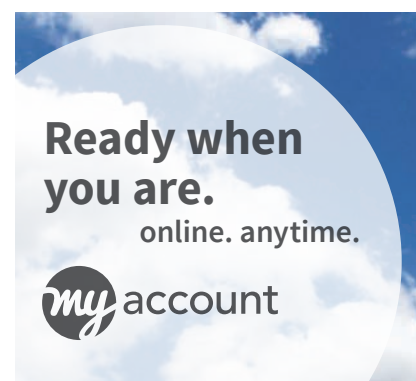
We've also streamlined the member validation process so an employer with more than 10 new enrolments won't have to validate each new employee separately, saving them time and reducing frustration. Since introducing the tool, the volume of delays in employer contributions has declined by over 97 per cent.

Nominating beneficiaries online

The new *Wills, Estates and Succession Act* was introduced with expanded choices for beneficiary nominations, and we responded with an easy-to-use online nomination-of-beneficiary process. A straight-through process requiring no staff intervention, it has also improved efficiency—in 2014/15 there were over 5,000 nominations of beneficiaries online.

Additional My Account enhancements

Active and inactive members can now save up to 10 pension estimates in My Account and compare retirement scenarios with greater ease. We also released a co-viewing function for member-staff interaction. This lets staff see the same estimate as the member, allowing for better service. Take-up by members has been positive, and staff report they feel the tool helps them better support members.



The next three years

The last three years created a solid foundation for the 2015/16 to 2017/18 Transformation Phase to build upon. Our strategic focus during this period will be to open new channels of service delivery with particular focus on further enhancing online self-service for members, including the ability to apply for pensions online. New plan and corporate websites will help members find information online and more easily transact and interact with the corporation and their pension plans.

Another highlight is our multi-channel contact centre, which is already beginning to take shape. This initiative will create more efficiency, improve member service and provide new tools for staff to engage effectively with plan members.

Financial outlook

Addressing strategic drivers and risks is at the heart of the strategic plan's Transformation Phase and the 2015/16 budget of \$68.39 million. We are confident the plan and budget will help us fulfill our purpose of making the pension experience easy for those we serve.

To mitigate risk and address the most pressing drivers, our strategic actions for this phase are:

- complying with plan design changes and new subgroup rules,
- enhancing online services and integrating them with existing service channels (i.e., multi-channel contact centre), and
- improving the efficiency of our core business processes.

To support our strategic actions, we have three key strategic enablers:

- upgrading the Integrated Pension Administration System, our core pension administration software,
- aligning the organization's structure to its strategy, and
- increasing operational staff to meet immediate demands for services.

Although these are important, we have not lost sight of the need to perform in the present and serve plan members, employers and trustees. Our operations budget accounts for approximately \$60.8 million or 89 per cent of the total \$68.4 million budget. Strategic actions and enablers account for approximately \$7.6 million or 11 per cent of the budget.

Table 4

2015/16 Budget

(\$ millions)

	2015/16	2014/15
Operations budget	60.8	57.1
Strategic actions and enablers	7.6	4.5
Total	68.4	61.6

Looking more closely at the budget lift of \$6.8 million, \$3.7 million addresses increases in service volumes, negotiated wages, key service providers and secretariat costs as directed by the plan boards. The remaining \$3.1 million will bring more online services and the multi-channel contact centre to life, which, when fully implemented, will improve efficiency and help us meet increased service demands and members' evolving service expectations.

It is important to note that we expect the corporation to remain, compared to our peers, the low-cost provider with good service levels.

More information on the Transformation Phase and our strategic plan, *From 12 to 21 Our Way Forward*, is available at pensionsbc.ca.

Disclosure

In this financial overview, we have presented forward-looking information based on assumptions and 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. 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.



I see great things happening at Pension Corporation every day and watch great people executing the corporation's strategy. It's exciting to be a part of the transformation story.

— Gina Roy, Risk, Planning and Reporting

Appendices

Appendix A: Board compensation

The corporate board of directors oversees governance of the corporation.

Board members 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.

More information on the board of directors and governance can be found at pensionsbc.ca.

Table 5

Board members' remunerations for the year ending March 31, 2015

Name and Position	Remuneration (\$)
Weldon Cowan, Chair	11,314
Brendan Dick, Director*	4,676
Carl Fischer, Director	6,092
Wayne Jefferson, Vice Chair	6,492
Dale Lauber, Chair Audit Committee	8,162
John Mazure, Director	6,092
Mary Procter, Director*	1,409
Richard Taylor, Director*	3,972
David Vipond, Chair Human Resources Committee	7,099
Gary Yee, Director*	1,230

* reflects partial-year service

Appendix B: Executive compensation

In the last half of 2014/15, we began shifting to a new organizational structure to better achieve our goals and align our organization with our *From 12 to 21* strategy. There are now five divisions, each lead by a vice-president with a focused portfolio to ensure effective execution of core business functions while supporting our transformation efforts. (Read more about our transformation in “[Transforming for the Future](#)” in this document.)

The board determines the chief executive officer’s compensation; the executive team falls under the *Public Service Act* and its 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.

More information on our executive team can be found at pensionsbc.ca.

Table 6

Executive compensation for the year ending March 31, 2015

Name and Position	Base salary (\$)	Other remuneration*(\$)	Total
Trevor Fedyna Vice president of corporate services and chief financial officer	180,066	7,290	187,356
Dave Marecek Vice president of transformation and information services	180,066	1,080	181,146
Laura Nashman Chief executive officer	302,299	7,838	310,137
Kevin Olineck Vice president of member experience	180,066	1,080	181,146
Lanny Smith** Vice president of pension operations	39,740	270	40,010
Aaron Walker-Duncan** Vice president of board services	39,740	270	40,010

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

** Reflects partial-year employment

Appendix C: Enterprise risk management

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

Our enterprise risk management (ERM) program supports our ability to deliver services and implement the strategic plan. We continuously review and confirm strategic, operational and financial risks to seize opportunities and mitigate emerging risks. The ERM program is part of an enterprise-wide approach integrated into our business processes; our risk management framework empowers staff to work within a transparent, well-managed structure. The corporation is diligent in managing all risks on a cost-effective basis, balancing opportunity against acceptance of risk in a risk-averse environment.

Operational risks

The corporation also considers operational risks such as service delivery, workforce, legislation and compliance, technology and our use and storage of data.

In the past year, to manage emerging risks and ensure our standing as a secure and efficient pension service provider now and into the future, we undertook the following measures:

- Independent third party review of our risk-management program and processes
- Improvements to our governance structure, including implementation of the *From 12 to 21* Matrix, a dedicated team focused on delivering strategic projects
- Completion of the transition to a new data centre (which will further mitigate security risks and strengthen our ability to respond to threats)
- Updates to our security and privacy frameworks

Planning for emergencies

Components of our ERM program include business continuity planning, emergency response and an insurance program. This framework supports our ability to respond, recover and restore normal operations in the event of a disruption. Our planning incorporates emergency management, system and data disaster recovery and operational response. The plan is also tested through tabletop exercises and participation in simulation events.

Financial risks

Typically, corporations face financial risks such as market, credit and liquidity; we have assessed these 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.

Enterprise Risk Committee

The Enterprise Risk Committee primarily manages risks incurred by the corporation, delegating risk management to the chief financial officer who is then responsible for developing an enterprise risk management framework across the corporation. This 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, the board's audit committee and staff. These activities ensure risk awareness and alignment between branches, projects, management and the board.

Appendix D: Financial statements



Executive Offices

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Location:

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Victoria BC
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1 800 663-8823

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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 KPMG 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,
Vice President Corporate Services & CFO
British Columbia Pension Corporation

Bruce Nicol, CPA CA
Director, Finance
British Columbia Pension Corporation

June 22, 2015



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INDEPENDENT AUDITORS' REPORT

To the Shareholder 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, 2015, the statement of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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, 2015, and its results of operations and changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of the British Columbia Pension Corporation as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on June 17, 2014.

KPMG LLP

Chartered Accountants

June 22, 2015

Vancouver, Canada


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

March 31	Note	2015	2014
Assets			
Current:			
Cash and Short-term Investments	4	\$ 7,334	\$ 5,605
Due from (to) Pension Plans	5	3,529	4,606
Accounts Receivable		338	329
Prepaid Expenses		861	1,118
		12,062	11,658
Computer Systems and Other Assets	6	18,935	20,124
Total Assets		\$ 30,997	\$ 31,782
Liabilities			
Current:			
Accounts Payable		\$ 3,422	\$ 3,690
Accrued Salaries and Benefits	7	8,640	7,968
Current Portion of Obligations under Lease	8	415	229
		12,477	11,887
Long term:			
Obligations under Lease	8	1,320	721
Deferred Capital Funding	9	17,200	19,174
		18,520	19,895
Shareholder's Equity			
Share Capital	2	-	-
Total Liabilities and Shareholder's Equity		\$ 30,997	\$ 31,782

Commitments (Notes 8 and 10)

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

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

For the year ended March 31	Note	2015	2014
Revenues			
Benefit Administration Service Revenue	11	\$ 60,731	\$ 57,936
Pension Plan Boards' Secretariat Service Revenue	12	1,452	1,360
Investment Income	13	129	137
Other Loss		-	(10)
Total Revenues		62,312	59,423
Expenses			
Salaries and Benefits		37,079	36,312
Professional Services		7,443	8,099
Information Services and Systems		7,130	4,709
Amortization		3,933	4,064
Premises		3,078	2,894
Corporate Board		76	67
Other	15	3,573	3,278
Total Expenses		62,312	59,423
Excess Revenues Over Expenses		-	-
Opening Balance Net Assets		-	-
Ending Balance Net Assets		\$ -	\$ -

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

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

For the year ended March 31	Note	2015	2014
Operating Transactions			
Excess of Revenues over Expenses		\$ -	\$ -
Non-Cash Items:			
Amortization of Capital Assets		3,933	4,064
Amortization of Unamortized Deferred Capital Funding		(3,933)	(4,064)
		-	-
Decrease in Due from (to) Pension Plans		1,077	856
Decrease (Increase) in Accounts Receivable		(9)	386
Decrease in Prepaid Expenses		257	1,000
Increase (Decrease) in Accounts Payable		(268)	330
Increase in Accrued Salaries and Benefits		672	730
Total Operating Activities		1,729	3,302
Capital Transactions			
Acquisition of Tangible Capital Assets		(1,922)	(3,054)
Acquisition of Intangible Capital Assets		(822)	(893)
Total Investing Activities		(2,744)	(3,947)
Financing Transactions			
Increase in Obligations under Lease	8	785	950
Capital Funding Received	9	1,959	2,997
Total Financing Activities		2,744	3,947
Increase for the Year		1,729	3,302
Cash and Short-term Investments at Beginning of Year		5,605	2,303
Cash and Short-term Investments at End of Year		\$ 7,334	\$ 5,605

Supplemental information, non cash transaction (Note 8)

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

**BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

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.

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 the 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) under Part III of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting.

b) Cash and Short-term Investments

Cash and short term investments 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.

**BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

d) Capital Lease

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.

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.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) Use of Estimates

The preparation of financial statements, in conformity with Canadian Accounting Standards for NFPOs, 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.

i) Recent Accounting Pronouncement

On April 10, 2013, the Canadian Accounting Standards Board (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.

j) Comparative Figures

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

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 recorded at fair value.

	(\$ Thousands)	
	2015	2014
Cash	\$ 1,683	\$ 5,508
Short-term Investments	5,651	97
	<u>\$ 7,334</u>	<u>\$ 5,605</u>

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

5. DUE FROM (TO) PENSION PLANS

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

	<i>(\$ Thousands)</i>	
	2015	2014
Beginning Balance, Due from (to) Pension Plans	\$ 4,606	\$ 5,462
Total Charges to Pension Plans for:		
Benefit Administration Services(Note 12)	58,670	56,835
Pension Plan Boards' Secretariat Services(Note 13)	1,539	1,394
Operating Funding Received	(59,327)	(56,110)
Capital Funding Received	(1,959)	(2,975)
Ending Balance, Due from (to) Pension Plans	<u>\$3,529</u>	<u>\$ 4,606</u>
Comprised of:		
Municipal Pension Plan	\$ 2,275	\$ 2,808
Public Service Pension Plan	709	936
Teachers' Pension Plan	550	686
College Pension Plan	(51)	112
Other Plans	46	64
Due from (to) Pension Plans	<u>\$ 3,529</u>	<u>\$ 4,606</u>

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

6. COMPUTER SYSTEMS AND OTHER ASSETS

	(\$ Thousands)			
	2015			2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<u>Intangible Assets</u>				
Major Business Application Software	\$43,211	\$31,770	\$11,441	\$13,252
Held in Name of Service Provider:				
Data Centre Transformation	1,633	117	1,516	840
Total Intangible Assets	44,844	31,887	12,957	14,092
<u>Tangible Assets</u>				
Other Computer Systems	22,545	19,708	2,837	3,428
Furniture	5,065	3,614	1,451	893
Tenant Improvements	3,001	2,452	549	519
	30,611	25,774	4,837	4,840
Held in Name of Service Provider:				
Other Computer Systems	277	49	228	245
Other Computer Systems under Capital Lease	1,171	258	913	947
	1,448	307	1,141	1,192
Total Tangible Assets	32,059	26,081	5,978	6,032
Total	\$76,903	\$57,968	\$18,935	\$20,124

The corporation has entered into a contract for the provision of services to maintain and manage its data centre operations (Note 10). Under the agreement, assets purchased for use in the data centre 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 8). 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 funding. The recovery of costs is recognized on the same basis as the capital assets are amortized.

7. ACCRUED SALARIES AND BENEFITS

	(\$ Thousands)	
	2015	2014
Accrued Salaries and Benefits	\$ 7,202	\$ 6,625
Leave Liability	1,438	1,343
	<u>\$ 8,640</u>	<u>\$ 7,968</u>

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

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

8. OBLIGATIONS UNDER LEASE

The corporation entered into lease agreements to fund the data centre transformation and related 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 5.74% to 7.32%. The minimum future lease payments under leases are as follows:

Year ending March 31,	(\$ Thousands)	
	2015	2014
2015	\$ -	\$ 229
2016	535	229
2017	535	229
2018	535	229
2019	505	197
	<u>2,110</u>	<u>1,113</u>
Amount Representing Interest	(375)	(163)
Obligation	<u>1,735</u>	<u>950</u>
Less: Current Portion	<u>(415)</u>	<u>(229)</u>
	<u>\$ 1,320</u>	<u>\$ 721</u>
Opening Balance, Obligations under Lease	\$ 950	\$ -
Additions	1,100	972
Less: Principal Payments	(315)	(22)
Increase in Obligations under Lease	<u>785</u>	<u>950</u>
Closing Balance, Obligations under Lease	<u>\$ 1,735</u>	<u>\$ 950</u>

Of the \$1.1 million lease obligation additions, \$0.2 million relates to equipment purchases, \$0.8 million relates to capitalized transformation costs and \$0.1 million to transformation operating costs. These lease increases are non-cash transactions. Of the \$1.7 million of lease obligations \$1.6 million are capital and \$0.1 million are operating.

9. DEFERRED CAPITAL FUNDING

	(\$ Thousands)	
	2015	2014
Opening Balance, Deferred Capital Funding	\$ 19,174	\$ 20,241
Capital Assets Additions	2,744	3,947
Less Funded under Capital Lease	(785)	(950)
Capital Funding Received	1,959	2,997
Amortization	(3,933)	(4,064)
Ending Balance, Deferred Capital Funding	<u>\$ 17,200</u>	<u>\$ 19,174</u>

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. 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 of \$2.8 million for the years ending March 31, 2016 and 2017 and \$0.7 million for the three months ending June 2017.

b) Contractual Obligations – Data Centre Operations

In fiscal 2014, the corporation entered into a contract for the provision of service to maintain and manage its data centre 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 centre facility services expires on March 31, 2024 with an option to extend for an additional 5 year term. Projected contract costs, excluding obligations purchased under lease (Note 8) and inflation, are as follows:

For the year ended March 31,	(\$ Thousands)			
	Managed Services	Data Centre Facilities	2015 Total	2014 Total
2015	\$ -	\$ -	\$ -	\$ 3,665
2016	4,586	326	4,912	3,555
2017	3,987	234	4,221	3,451
2018	3,987	234	4,221	3,436
2019	3,733	234	3,967	3,415
2020	3,733	234	3,967	3,305
2021	3,733	234	3,967	3,143
2022	-	234	234	234
2023	-	234	234	234
2024	-	234	234	234
	\$ 23,759	\$ 2,198	\$ 25,957	\$ 24,672

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. 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 for the service provider, and a termination fee to compensate the service provider for data centre facilities that have been reserved on behalf of the corporation. Based on service commitments made to March 31, 2015, the estimated one-time termination costs are:

Date of Termination As of March 31,	(\$ Thousands)			
	Managed services	Data Centre Facilities	2015 Total	2014 Total
2014	\$ -	\$ -	\$ -	\$ 2,165
2015	1,537	1,261	2,798	2,792
2016	1,213	1,121	2,334	2,330
2017	878	981	1,859	1,857
2018	567	841	1,408	1,407
2019	251	701	952	951
2020	251	560	811	811
2021	-	420	420	420
2022	-	280	280	280
2023	-	140	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 centre 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, 2016 to 2021 are \$50,000.

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 \$0.5 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 \$0.8 million (2014: \$0.9 million) for various IT software licenses and maintenance fees commencing on April 1, 2015 and ending in 2016 and 2017.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

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 deferred capital funding.

	(\$ Thousands)	
	2015	2014
Total Charges to Pension Plans for Benefit		
Administration Services and Purchase of Assets	\$ 58,670	\$ 56,835
Purchase of Computer Systems and Other Assets	(2,657)	(3,913)
Lease Obligation Funding Received	785	950
	56,798	53,872
Capital Funding Recognized as Service Revenue:		
Amortization of deferred capital funding	3,933	4,064
Benefit Administration Service Revenue	\$ 60,731	\$ 57,936
Total Charges to Pension Plans for Benefit Administration Services were:		
Municipal Pension Plan	\$ 32,350	\$ 31,421
Public Service Pension Plan	12,733	12,231
Teachers' Pension Plan	10,123	9,872
College Pension Plan	2,820	2,646
Other Plans	644	665
	\$ 58,670	\$ 56,835

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)	
	2015	2014
Total Charges to Pension Plans for Plan Boards'		
Secretariat Support Services and Purchase of Assets	\$ 1,539	\$ 1,394
Purchase of Computer Systems and Other Assets	(87)	(34)
Pension Plan Boards' Secretariat Service Revenue	\$ 1,452	\$ 1,360
Total Charges to Pension Plans for Plan Boards'		
Secretariat Services were:		
Municipal Pension Plan	\$ 624	\$ 612
Public Service Pension Plan	305	260
Teachers' Pension Plan	305	261
College Pension Plan	305	261
	\$ 1,539	\$ 1,394

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

13. INVESTMENT INCOME

	(\$ Thousands)	
	2015	2014
Interest from Cash	\$ 63	\$ 68
Interest from Pooled Investment Portfolios	67	68
Realized Loss on Sale of Pooled Funds	(1)	1
	<u>\$ 129</u>	<u>\$ 137</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 trustee 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, 2015, the corporation has approximately 500 employees contributing to the plan which has approximately 56,000 active plan members and approximately 43,000 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 actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194 million for basic pension benefits.

Employee contributions are 7.93% of salaries up to the YMPE and 9.43% of salaries above that. Employer contributions made by the corporation are 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 March 31, 2017, with results available in early 2018. The actuary does not attribute portions of the unfunded liability to individual employers. In 2014, the corporation paid \$2.7 million (2014: \$2.6 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.

15. OTHER EXPENSES

	(\$ Thousands)	
	2015	2014
Communication Products and Distribution	\$ 1,073	\$ 873
Travel and Business Expenses	836	785
Staff Training	767	677
Office Supplies	417	552
Bank Charges and Regulatory Fees	382	382
Lease Financing	98	9
	<u>\$ 3,573</u>	<u>\$ 3,278</u>

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

16. 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 \$7.6 million (2014: \$7.2 million) due to the Province of BC.

17. FINANCIAL INSTRUMENTS

The corporation's financial instruments recorded at amortized cost consists of cash, accounts receivable, including due from (to) pension plans and accounts payable, accrued salaries and benefits and obligations under lease. The fair value of these financial instruments approximates their carrying values.

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 \$5.7 million, are classified as level 1 (2014: \$0.1 million-level 1).

The corporation's other financial instruments, which are carried at amortized costs, are classified as level 2, as while quoted prices are available, there is no active market for these instruments.

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.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

18. FINANCIAL INSTRUMENTS (continue)

The majority of short term investments held within pooled investment portfolios 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, 2015 and March 31, 2014 the bank facility had not been drawn upon. The corporation's accounts payable and accrued salaries and benefits are due within one year of the corporations year end. The terms of the obligations under lease are described in note 8.

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

19. CONTINGENT LIABILITIES

From time to time the corporation is named in litigation in the normal course of providing benefit administration services to pension plans. 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.

As at March 31, 2015 there was a potential claim against the corporation regarding entitlement to a pension benefit. The parties have agreed to proceed to mediation of the dispute and based on management's current assessment, the likelihood and amount of potential loss related to the potential claim is not determinable.

Our way forward

Our Purpose

We make the pension experience easy for those we serve.

Our Direction

We are transforming to meet the changing expectations of plan members, trustees, employers and staff.

Our People

We are a dedicated professional team, we provide great service and we care deeply about our clients and each other.