



# 2016/17 Annual Report

BRITISH COLUMBIA PENSION CORPORATION

# We embrace change to pursue excellence.



**Correne Good**  
Member Services

*Behind the six-word stories: BC Pension Corporation staff, executives and management wrote six-word stories to describe what transformation meant to them.*





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# MESSAGE

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## FROM THE BOARD CHAIR

The board of directors is pleased to share BC Pension Corporation's 2016/17 Annual Report.

The corporation introduced *From 12 to 21: Our Way Forward*, a nine-year strategic business plan, in response to the evolving expectations of members, employers, trustees and staff.

In 2016/17, the corporation was in the middle of the Transformation Phase and at the mid-point of this plan. It successfully achieved goals set out in the first phase, the Foundation Phase, bringing the plan to life.

The corporation's dedication to providing high quality services to members included implementing systems that make the complex retirement process easier to navigate for both members and staff. While maintaining the most cost-effective programs, it achieved several key milestones to improve delivery of service and continued to support its members and employees at a high level.

The ongoing professionalism of the corporation during this transitional time is reflected in its service to members, trustees, plan employers and staff, and inspires the board's trust and confidence, allowing us to focus wholly on governance.

As the corporation progresses through *From 12 to 21* and pivots towards the final three years of the plan, 2018 to 2021, we commend and support the efforts of our Chief Executive Officer (CEO) Laura Nashman, and the executive and management team. I would also like to thank the staff at the corporation for their ongoing delivery of excellent service.



**Wayne Jefferson**  
Chair, board of directors





# MESSAGE

## FROM THE CHIEF EXECUTIVE OFFICER



**Laura Nashman**  
Chief executive officer

In 2012, we established an ambitious nine-year business transformation plan called *From 12 to 21: Our Way Forward*. This strategic plan is organized in three phases—Foundation, Transformation and Operation—each with its own purpose and focus.

During the Foundation Phase, we built the necessary capabilities and capacity to launch into the second phase, Transformation. In fact, we are currently in the middle of this phase (2015–2018), successfully managing a considerable amount of change in how we do our work and launching new ways to provide services to plan members.

The most notable transformation we achieved to date is the implementation of new member-centric websites, two of which launched in 2016/17, with the remaining sites going live in 2017/18. They are highly functional with intuitive navigation and plain-language content that engages the reader—which is something to be said for complex pension-related information—and enables plan members to apply for their pensions online. This online experience is the beginning of the most significant change in how we operate, moving from paper-based processes to a digital-first, but not digital-only approach. Our shift in focus means new service channels for members and additional services for plan employers that simplify the exchange of information.

As we drive our strategy forward, we will, as always, provide quality service to plan members, plan employers and trustees every day. We are mindful to have the right balance between performing in the present, while preparing for the future.

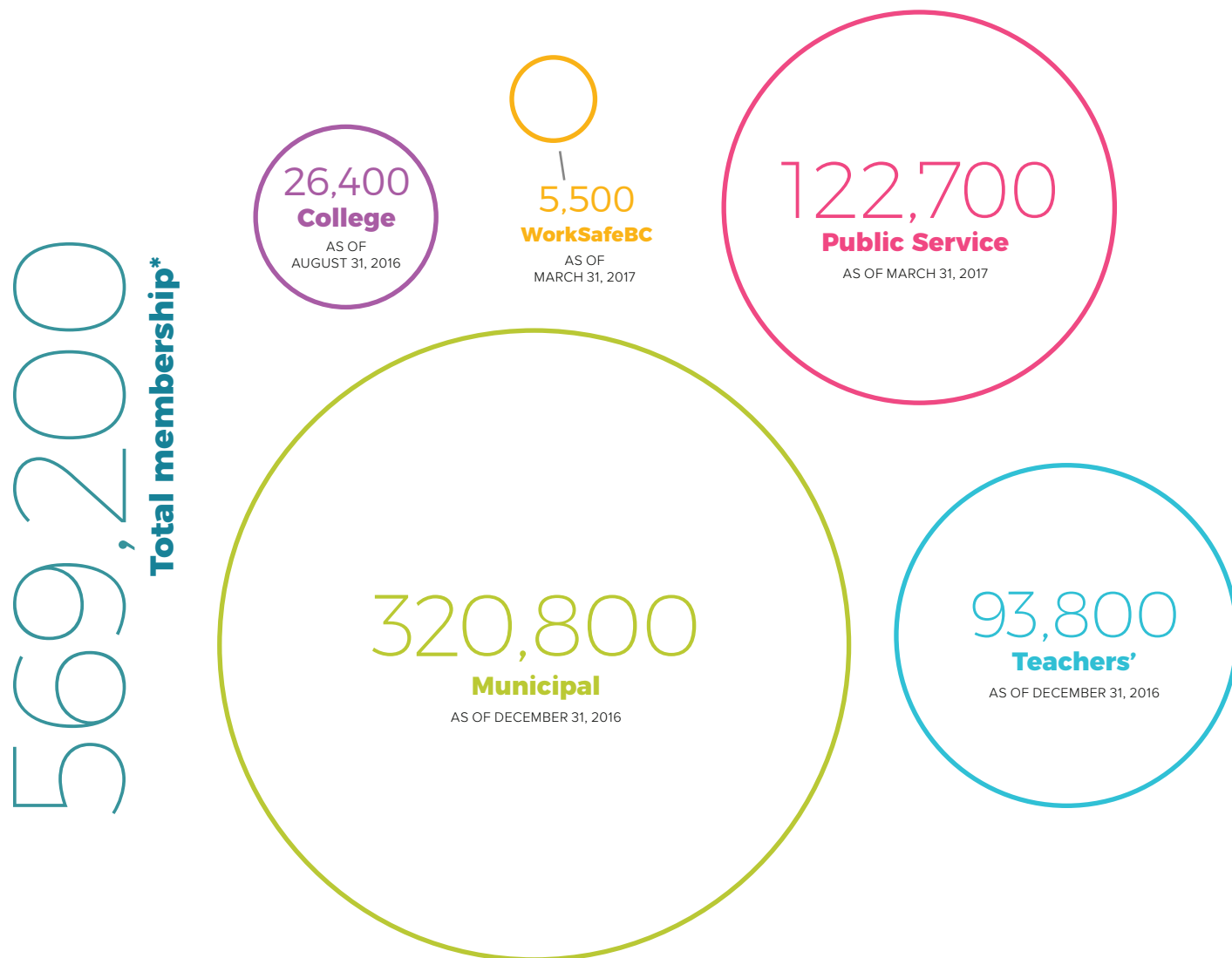
At the same time, we never lose sight of the importance of providing our staff with a positive and engaging work experience. After all, we accomplished everything we do because of our outstanding, professional and forward-thinking staff.

Thank you to our board chair and board of directors for their support, and to Pension Corporation staff for your continued hard work.

A handwritten signature in black ink, consisting of a large loop followed by a series of strokes that end in a horizontal line.

# WHO WE SERVE

BC Pension Corporation is one of the largest pension service providers in Canada and the largest in British Columbia. The corporation supports five pension plans with a total of 569,200 members. Employees at the corporation talk to members about their pensions throughout a number of significant events, including marriage, having children, career changes and retirement.



This being an important start in my journey, I felt guided and valued as a customer. It made it a truly pleasant experience for me, and all staff gave me clear directions in a very professional and caring manner.

– Pension plan member

\*Refers to active, inactive and retired membership. Inactive members are members who have ended 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.

# BC PENSION CORPORATION'S BOARD OF DIRECTORS

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Each member on our board of directors represents a plan member and a plan employer of each respective board. Their collective knowledge and life experience informs the strategic planning and direction of BC Pension Corporation.

**FROM TEACHERS' PENSION BOARD OF TRUSTEES**



**WAYNE JEFFERSON,**  
CHAIR



**DALE LAUBER**

**FROM COLLEGE PENSION BOARD OF TRUSTEES**



**WELDON COWAN,**  
VICE CHAIR



**CARL FISCHER**

**FROM PUBLIC SERVICE PENSION BOARD OF TRUSTEES**



**JOHN MAZURE**



**DAVID VIPOND**

**FROM MUNICIPAL PENSION BOARD OF TRUSTEES**



**MARY PROCTER**



**GARY YEE**

# OUR LEADERS

Our executive team oversees and manages the implementation of our strategic plan and maintains focus on operational goals and performing in the present. They guide the corporation as we serve plan members, plan employers, trustees and invest in our people.



**LANNY SMITH,**  
VICE PRESIDENT,  
PENSION OPERATIONS

**LAURA NASHMAN,**  
CHIEF EXECUTIVE OFFICER

**KEVIN OLINECK,**  
VICE PRESIDENT,  
MEMBER EXPERIENCE

**MISSING:  
DAVE MARECEK,**  
VICE PRESIDENT,  
TRANSFORMATION AND  
INFORMATION SERVICES

**TREVOR FEDYNA,**  
VICE PRESIDENT,  
CORPORATE SERVICES AND  
CHIEF FINANCIAL OFFICER

**AARON WALKER-DUNCAN,**  
VICE PRESIDENT,  
BOARD SERVICES



# WE'RE LIVING THE PLAN WITH EXCELLENCE



We are proud and excited that BC Pension Corporation was a recipient of the 2016 Gold recognition award from Excellence Canada.

Excellence Canada is an independent, not-for-profit dedicated to advancing performance and recognizing excellence in organizations across Canada.

The award we received from Excellence Canada recognizes best-in-class outcomes in the following categories:



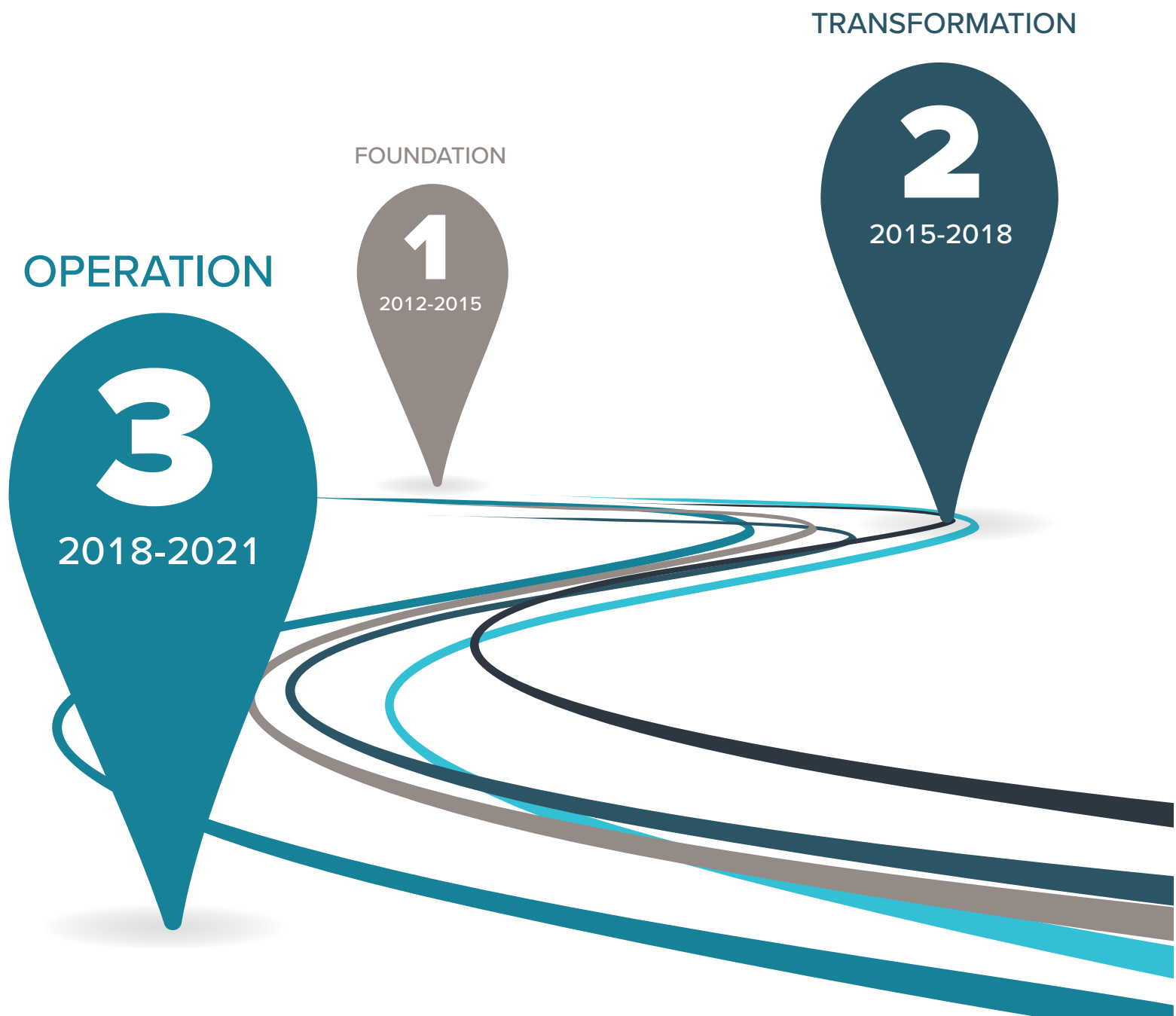
Organizational performance • Shareholder value •  
Employee engagement • Culture of innovation •  
Customer service excellence • Process efficiency •  
Recognition and awards

A tremendous amount of hard work and commitment is required to become a recipient of Canada's pre-eminent recognition program for organizational excellence. Meeting the Excellence, Innovation and Wellness standard involved an overarching assessment of the organization from every perspective, including employees, customers, leadership, governance, planning, processes, social responsibility, suppliers, partners and results. In meeting the rigour of the Canada Awards for Excellence requirements, BC Pension Corporation demonstrated it is one of the best managed organizations in Canada.

We thank Excellence Canada for this acknowledgment of the success of our efforts and are inspired to continue meeting the standards they set.

# TRANSFORMING TO DELIVER

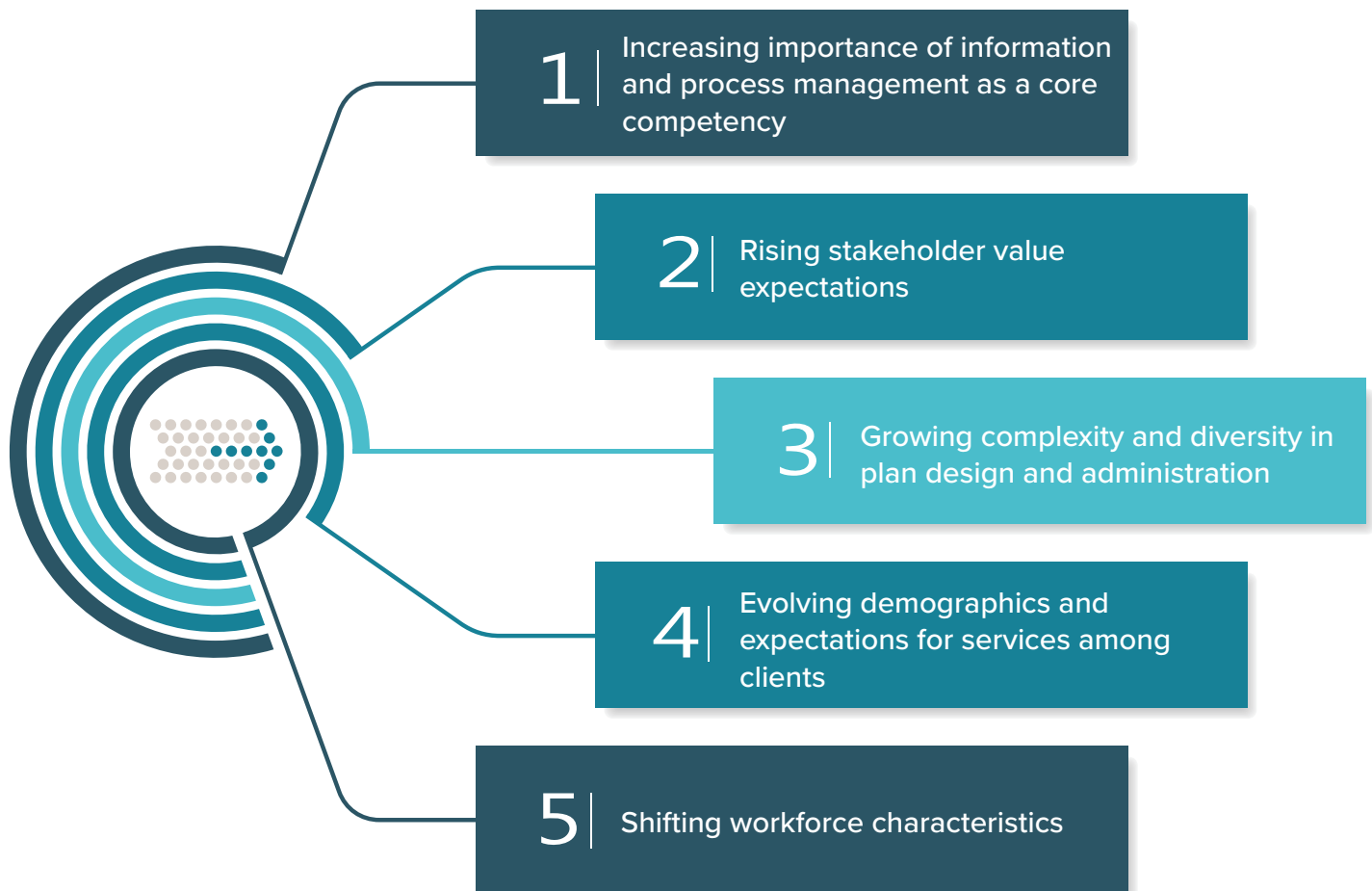
Our strategic plan, *From 12 to 21: Our Way Forward*, launched in 2012 to transform the way we work, to meet evolving expectations of members, employers, trustees and staff. It is set in three phases—Foundation, Transformation and Operation. In 2016/17, we were in the middle of the Transformation Phase.



For more information on the Transformation Phase and *From 12 to 21: Our Way Forward*, visit [bcpensioncorp.ca](http://bcpensioncorp.ca).

# WHY WE TRANSFORM - FIVE STRATEGIC DRIVERS

BC Pension Corporation's nine-year strategic business transformation plan, *From 12 to 21: Our Way Forward*, launched in 2012 to address five key drivers:



This ambitious transformation is to ensure Pension Corporation remains a modern, relevant organization capable of fulfilling its mandate to serve the pension boards of trustees, plan members and plan employers.

## 12 to 21: my favourite years.



**Dave Blower**  
Property Services





# TRANSFORMING THE EXPERIENCE

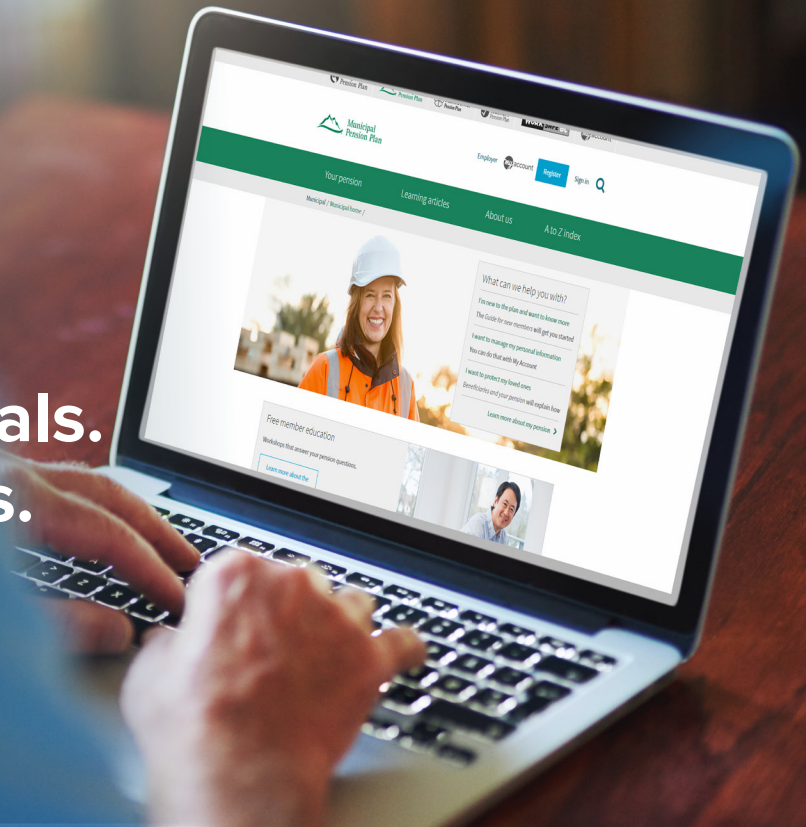


**Dedicated professionals.  
Transforming services.  
Meeting needs.**



**Fred Hoenisch**

**Quality Assurance  
and Risk Management**



## **PROVIDING PROFESSIONAL, PEOPLE-FOCUSED PENSION SERVICES IS OUR PRIORITY**

We are part of a progressive pension system within a changing environment, which requires us to be nimble and responsive. Our projects in 2016/17—the middle of the Transformation Phase—were focused on increasing the quality of service delivery for plan members, trustees and plan employers.

By upgrading our systems to offer a digital experience to plan members, we give members the opportunity to choose how they interact with us and apply for retirement. This year, these enhancements included two new member websites, offering an improved experience for WorkSafeBC and Municipal pension plans, with the other plan websites going live in 2017/18. These new websites are designed to be more member-centric with intuitive navigation, easy-to-consume content, and designed in a manner that will engage the member throughout their pension lifecycle. It also included upgrades to My Account, our secure online portal, where plan members can access and interact with their pension plan. My Account changes enhance members' ability to run pension and purchase of service estimates, update their information and most significantly, allows members to apply to retire online. Throughout 2016/17, online activities increased significantly as members made use of the new functionalities.



# Creating new experiences for plan members.



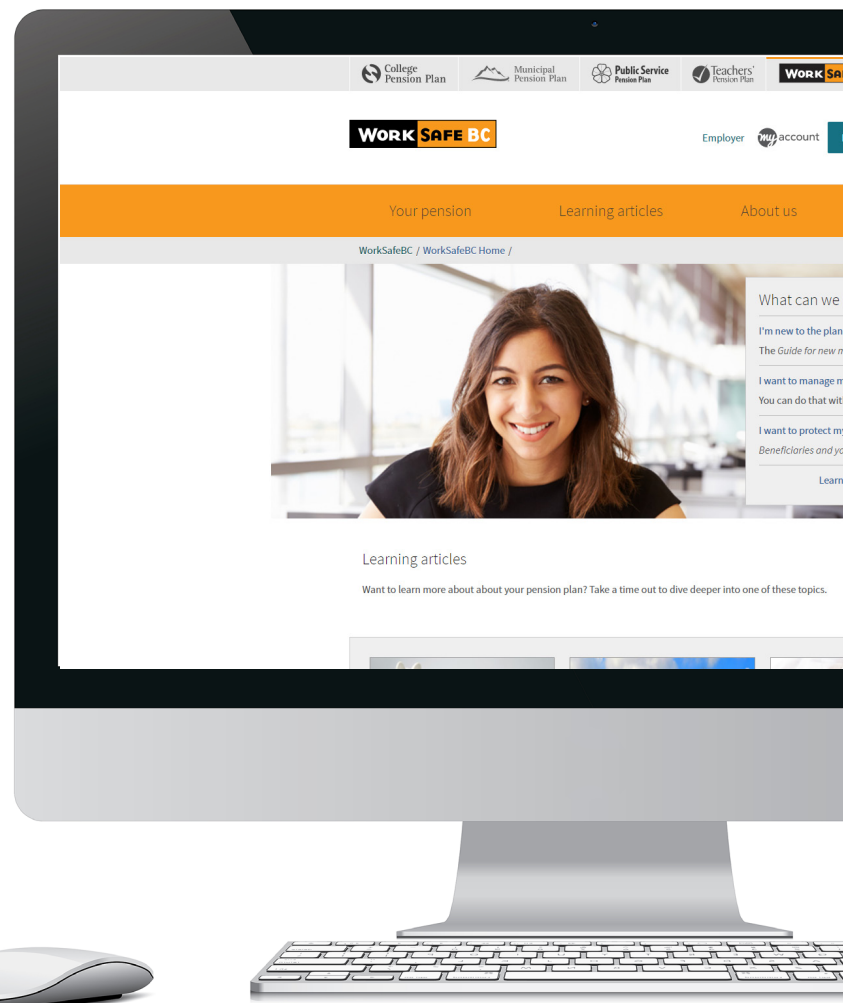
**Nadine Njootli**  
Member Services

We also designed and prepared for the implementation of an integrated Member Services Centre platform. This will enhance our interactions with members and set the stage for adding additional service delivery channels as we move to a digital first, not digital only service delivery model. These new channels will be phased in through 2017/18 and 2018/19.

While we have added a new online functionality, we remained focused on our personal connection with members. To improve the support we offer to members, we implemented a proactive appointment-based service. Using a consistent intake process, members' questions can now be identified before they come in and potentially be addressed over the phone. If a member does come in to meet with staff, the new booking process allows us to gather background information, manage scheduling and provide the member with a focused, informed and planned meeting.

“It's self-serve, easy to use, accessible 24 hours a day from home and the instructions are clear.”

— Pension plan member



Above: WorkSafeBC Pension Plan website

The new plan sites have member-centric content, improved navigation and search functions, and provide members with the ability to apply for their retirement online.

# RESPONDING TO RISING SERVICE DEMANDS

## ADAPTING TO CHANGE

While we are transforming to improve our services, the plans we serve are also evolving. Changes—noted below—made within these plans required us to be nimble and responsive, adapting to meet their needs and the needs of their members.

### Municipal Pension Plan benefits changes

In April 2016, the Municipal Pension Plan (MPP) announced it was making changes to health and dental benefits for retired members, effective January 1, 2017. Staff effectively and efficiently managed these proposed changes with timely communications to retirees and were equipped and prepared to answer members’ questions.

### Benefits carrier change for retired members

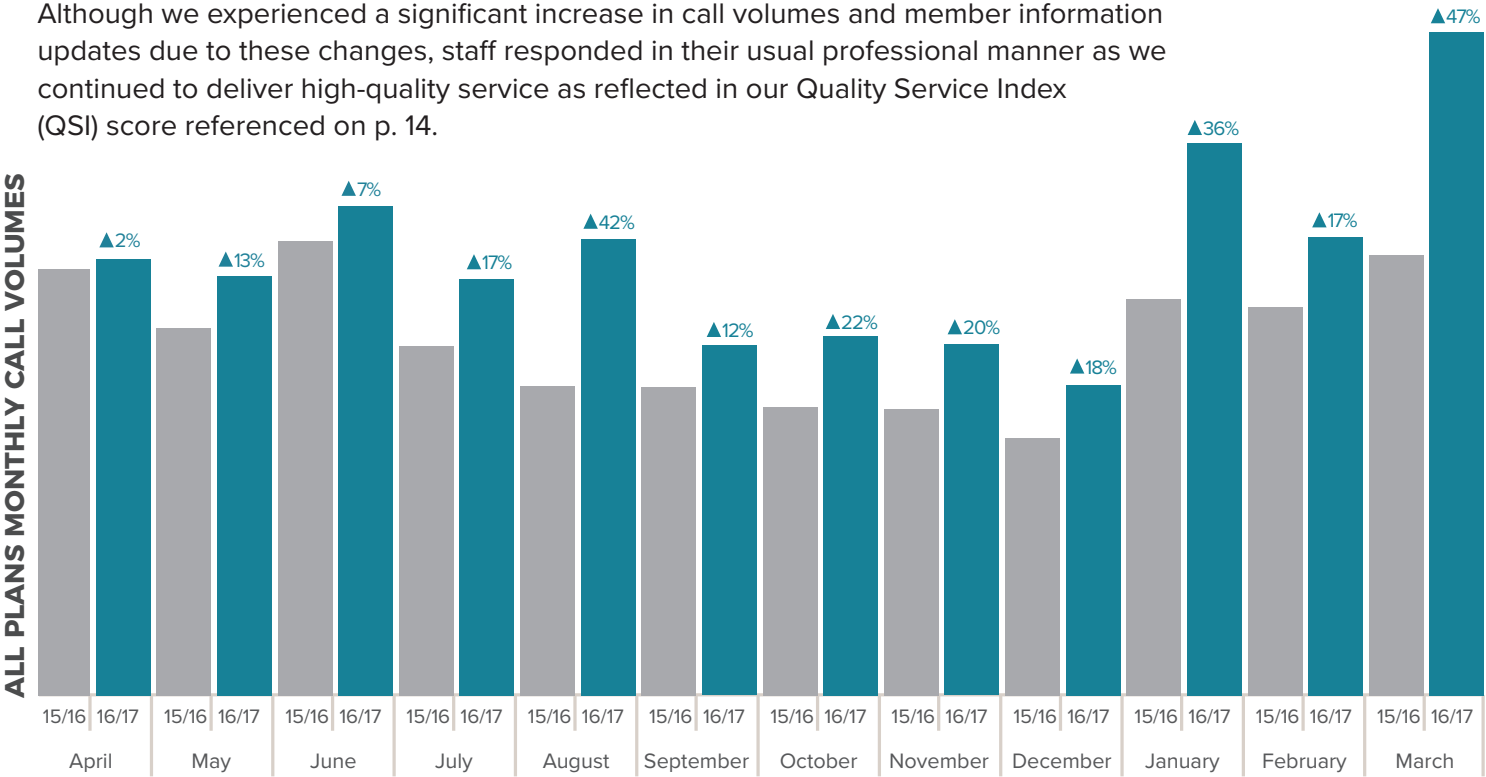
The College, Public Service and Teachers’ pension plans began coordinating a move of their retired member health and dental benefits business to Green Shield Canada for April 1, 2017. Planning and communicating to members of these groups was underway throughout 2016/17. This resulted in higher service volume as Pension Corporation staff responded both to member enquiries and updated systems to reflect members’ benefit choices.

### Changes to the Medical Service Plan


Changes to the provincial Medical Service Plan’s (MSP) premium assistance program took effect January 1, 2017. These changes drove interest from members who reached out to us for more information, resulting in higher than usual call volumes.

When plan changes were communicated to members, call volumes spiked, with some months seeing a 47 per cent increase from the same month in the previous year.

Although we experienced a significant increase in call volumes and member information updates due to these changes, staff responded in their usual professional manner as we continued to deliver high-quality service as reflected in our Quality Service Index (QSI) score referenced on p. 14.







**We continued  
to operate in a  
very complex  
environment,  
remaining a  
low-cost pension  
service provider  
while delivering  
quality service to  
plan members,  
plan employers  
and trustees.**

# PERFORMING IN THE PRESENT: HOW WE ARE DOING RELATIVE TO OUR PEERS

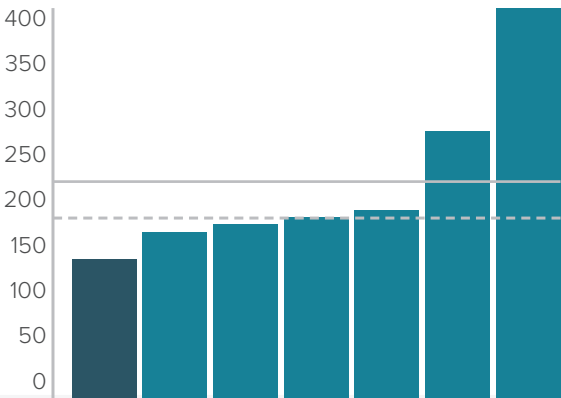
The corporation participates in an annual benchmarking initiative conducted by Cost Effective Measurement (CEM) to understand our position in relation to our peer organizations in Canada.

The report focuses on the following:

- Pension administration cost
- Service score
- Relative level of complexity

■ BC Pension Corporation   ■ Peer   — Peer average   - - Peer median

FIGURE 1: PENSION ADMINISTRATION COST PER ACTIVE MEMBER AND ANNUITANT (\$)

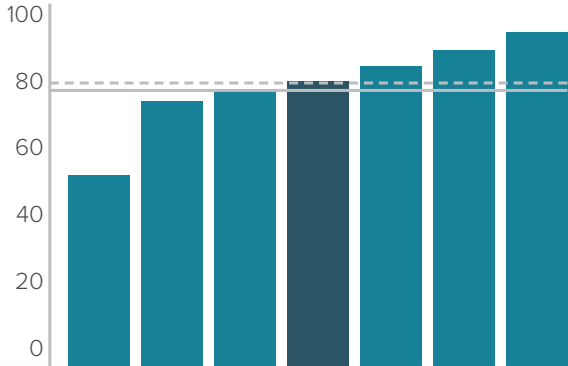


We have maintained our position as a low-cost service provider when benchmarked against our peers.

**Total pension administration cost for BC Pension Corporation:** \$142 per member

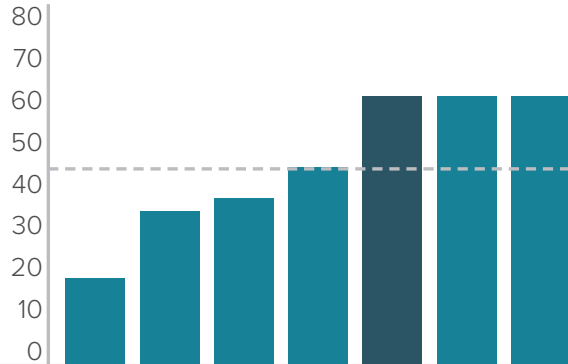
**Total pension administration cost median for peers:** \$176 per member

FIGURE 2: TOTAL SERVICE SCORE (%)



Our dedication to quality customer service is shown through our consistent service scores, which are at the median level when compared with our peers. We anticipate a rise in these scores once we have implemented redesigned websites featuring online retirement for all pension plans and fully implement the new Member Services Centre platform.

FIGURE 3: TOTAL RELATIVE COMPLEXITY (%)



The corporation continued to work within a very complex pension environment. By building out flexible, scalable systems, the corporation is able to manage changes to complexity brought about by legislative or plan design rule changes.

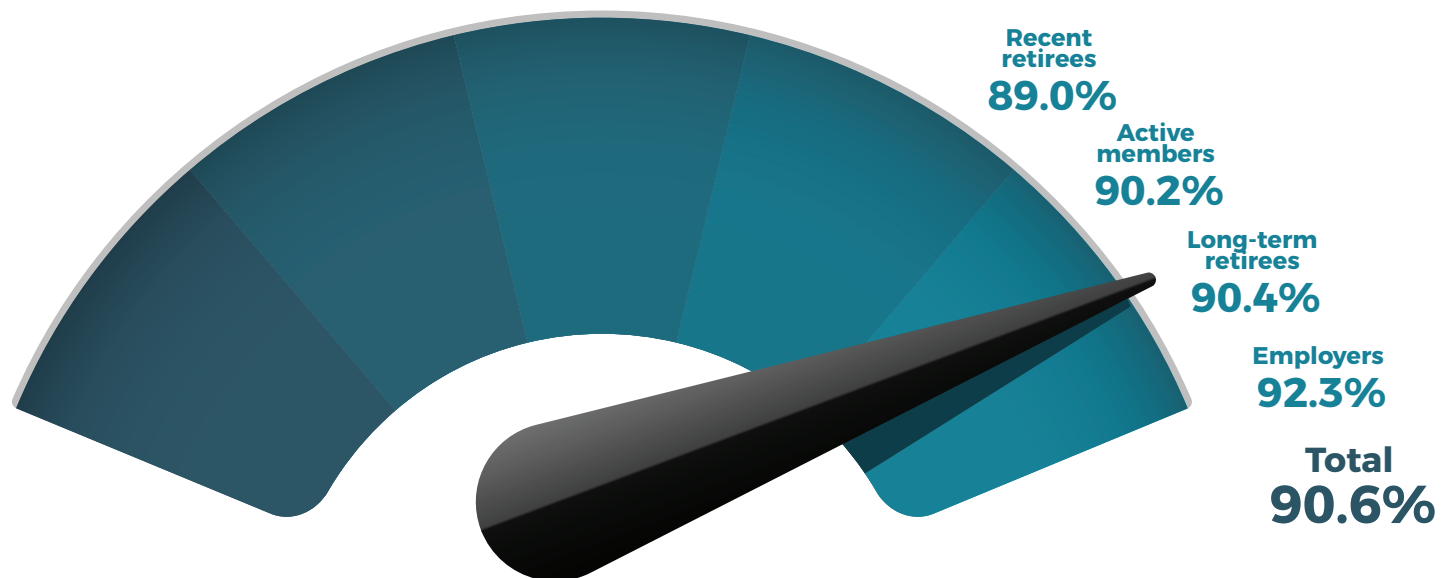
## Member and employer satisfaction scores and feedback

Our service scores compiled by a third-party market research company, Ipsos, demonstrate how we exceed members' and employers' expectations, and are based on satisfaction survey results. Through 2016/17, our scores remained consistently high, averaging over 90 per cent satisfaction.

### HIGH-QUALITY SERVICE DELIVERY METRICS INCLUDING:

#### SCORES

Based on responses "good" or "very good"

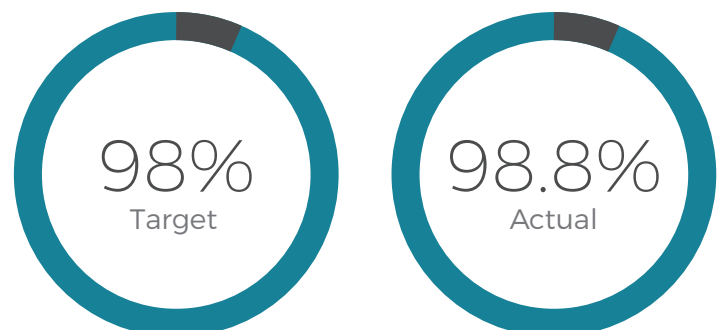


“I have recently retired and feeling lost, I needed constructive information to help me. No matter who I spoke with, I got so much information and with so much patience.”

– Pension plan member

#### ON-TIME FIRST PENSION PAYMENT SCORES

The number of people receiving their first pension payment increased 7.6 per cent this year over 2015/16. In that busy environment, we exceeded our service target for ensuring that payment was made on time.





# SUPPORTING OUR STAFF AND OUR COMMUNITY

## OUR STAFF



Our people-focused culture, professional development opportunities and recognition programs have enabled us to attract, develop and retain a highly skilled workforce.

In 2016/17, to support our people through our enterprise transformation, we engaged staff by providing regular updates about what was changing, why and when, including the following:



Messages from our executive members to staff



Podcast episodes themed around change



Coaching and project round ups



Consistent, timely articles focused on specific project changes



Held a forum which offered staff the opportunity to raise concerns and ask questions to any member of the executive team



Developed and hosted regular courses and events for wellness, training and professional development



Ensured there were formal two-way communication channels, between all levels of the organization



Hosted multiple events as part of a mid-plan power up to celebrate accomplishments and energize





In 2016/17, we revamped our annual Achievement, Celebration and Excellence awards program where staff nominate their colleagues in a number of award categories, and a panel of peers select the recipients. The program recognizes people who demonstrate excellence in teamwork, innovation, leadership, dedication and make contributions to our organizational community.



To support our staff in their workspaces, we've upgraded technology and workstations. In 2016/17 we:



Replaced 125 workstations with sit/stand ergonomic desks and enhanced lighting



Refurbished our break room and library to give staff a central location to recharge and access books and tools for career planning and leadership development



Exchanged outdated telephones with a new intuitive software program for reliability and additional communication features



## Embracing change for a brighter tomorrow.

**Shaundra McNabb**  
Plan and Member Communications





# OUR COMMUNITY COMMITMENT TO SOCIAL RESPONSIBILITY

Pension Corporation and our staff continued to be socially responsible. The following are examples of some of the initiatives that occurred in 2016/17:

Provincial Employees Community Services Fund (PECSF) is an annual fundraising campaign organized and run by volunteer staff. PECSF volunteers promoted donating to charity through pay deductions during the campaign, and the PECSF Committee hosted various events and encouraged staff to participate.



**Adoptables:** We hosted a monthly feature titled “Adoptables” on our intranet, profiling various animals from local animal shelters looking for homes. The posts shared pictures, descriptions and contact information for the relevant shelter.



**HealthWorks Committee:** In addition to providing health and wellness programming for staff, this committee organized our involvement in several charitable events this year, including a blood drive, fundraisers for the Mustard Seed food bank, the Great Canadian Shoreline Cleanup, anti-bullying Pink Shirt Day and Jeans Day to raise money for the BC Children’s Hospital Foundation.



**Community support:** Our executive, directors and other staff volunteered regularly at the Burnside Gorge Community Association, collecting and donating clothing and household goods, and preparing, cooking and serving meals for members of our community, including Christmas dinners and summer barbeques.





# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE RIGHT ON BUDGET

The corporation provides financially responsible services and we came in on budget for 2016/17. We successfully achieved fiscal targets, while balancing resources needed to complete multiple projects in the Transformation Phase of our *From 12 to 21* strategic plan.

### Operations

Operation costs were under budget by 0.01 per cent; even though call volumes saw a 10 per cent increase in 2016/17 with spikes of up to 47 per cent throughout the year. Management reallocated savings in other business areas to fund several temporary client service representatives to handle this increase. The total cost of operations increased by 2.8 per cent over 2015/16 largely because of negotiated or collective agreements increases and cybersecurity enhancements.

### Strategic actions

Total strategic actions were slightly over budget by 0.7 per cent, as we completed a number of additional projects that supported plan and legislative changes. The increase in the budget allocated to strategic actions for the 2016/17 fiscal year was expected with the increase in activity during the strategic plan's three-year Transformation Phase.

### Secretariat

Total secretariat service costs were 8.2 per cent under budget due to the timing of professional fees, salaries and benefits. A decrease in secretariat fees of 20.4 per cent is due to the removal of one-time costs for office renovations that happened in 2015/16.

TABLE 1

#### TOTAL SERVICE DELIVERY CHARGES TO THE PENSION PLANS FOR THE YEAR ENDED MARCH 31, 2017<sup>1</sup>

March 31, (thousands, except percentages)	2016/17 actual (\$)	2016/17 budget (\$)	Variance over (under) budget	
			(\$)	%
Total operations	58,103	58,116	(13)	(0.0)
Total strategic actions	12,595	12,509	86	0.7
Total secretariat	1,583	1,725	(142)	(8.2)
Total charges to pension plans <sup>2</sup>	72,281	72,350	(69)	(0.1)

<sup>1</sup> For a detailed breakdown, refer to British Columbia Pension Corporation Supplemental Statement attached to the financial statements.

<sup>2</sup> The corporation does not receive funding from the Province of British Columbia or any other level of government. We operate on a cost recovery basis, charging each pension plan for services provided and for its share of the corporation's net operating and capital costs. Every dollar we receive goes to supporting service to members, employers and trustees.

## FINANCIAL OUTLOOK FOR 2017/18



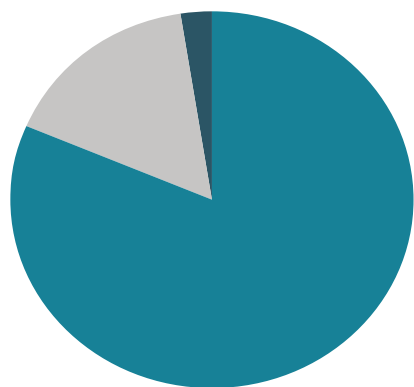
We are now into the final year of the three-year Transformation Phase of our *From 12 to 21* strategy. This upcoming year will be notable for delivering new member-facing products and services to create a meaningful online experience and is a transition year to the next phase of our plan.

Year six of our strategic plan is unfolding as expected, with continued momentum on strategic actions. To continue mitigating risk and addressing the most pressing drivers of the From 12 to 21 plan, our strategic actions remain mostly unchanged from 2016/17. These include:

- implementing plan changes;
- launching the remaining new plan websites and integrating them with our existing service channels; and
- investing in process and technology to enable efficiency.

Our strategic actions help ensure we remain a low-cost provider delivering a median level of service within a complex environment.

Although these actions are important, we have not lost sight of the need to perform in the present and serve plan members, employers and trustees. Our budget total of \$76.2 million for 2017/18 is allocated in the following ways:



■ **OPERATIONS:**

Approximately \$62.0 million or 81.5 per cent of the total budget.

■ **STRATEGIC ACTIONS:**

Approximately \$12.3 million or 16 per cent of the total budget.

■ **SECRETARIAT SERVICES:**

Approximately \$1.9 million or 2.5 per cent of the total budget.

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.

## Risk management

We monitor our risks through our Enterprise Risk Management program to provide a coordinated enterprise-wide approach to identifying, assessing, managing and monitoring risk at the strategic, corporate and operating levels. This program is based on an internationally recognized risk management framework and using the framework, the program reports risks and risk management activities to the corporate Enterprise Risk Committee and Audit Committee on a regular basis.

This coordinated approach to risk management also includes business continuity planning, emergency response, internal audit, insurance and IT disaster recovery. Plans are reviewed regularly, updated as required and tested through tabletop exercises and participation in simulation events.

Of particular note in today's world is cyber risk management to protect our IT systems and our information assets. Considering the sensitivity of the information the corporation manages, we invested significantly in this area to ensure members' data is protected. We use threat and risk assessments, and an information security capability and maturity model to identify and prioritize risks and target risk management activities.

We consider risk management to be an ongoing process, and all aspects of the program are regularly reviewed for opportunities to improve both the program delivery and the corporation's overall risk awareness and intelligence.

We have assessed our market, credit and liquidity risks as low. Funding for both operating and capital expenditures is obtained from the pension plans we serve based on an agreed-upon budget. Any excess funds from the timing of this funding and disbursements are held in short-term investments rated AA or higher, and are readily available to meet obligations as they become due.

For a discussion of risks related to financial statements, see **note 17** of the financial statements.



## APPENDIX A

### BOARD COMPENSATION

The corporate board of directors oversees governance of the corporation. Board members are remunerated through an annual retainer and per diem fee for meetings of the board and its committees. The retainer and fees are paid to board members or the organization that employs them while they serve on the board. In addition, members are reimbursed for reasonable travel expenses.

Table 2

**Board member remunerations for the year ending March 31, 2017**

Name and position	Remuneration (\$)
Wayne Jefferson, chair	11,941
Weldon Cowan, vice chair	7,489
Dale Lauber, chair, Audit Committee	8,215
David Vipond, chair, Human Resources Committee	7,484
Carl Fischer, director	5,354
John Mazure, director	5,717
Mary Procter, director	6,085
Gary Yee, director	6,448

## APPENDIX B

### EXECUTIVE COMPENSATION

The corporation has five divisions, each lead by a vice president with a focused portfolio to ensure effective execution of core business functions while supporting our transformational efforts.

The board determines the chief executive officer's compensation, and the executive team falls under the *Public Service Act* and its relevant compensation framework.

Table 3  
**Executive compensation for the year ended March 31, 2017**

Name and position	Base Salary (\$)	Other remuneration* (\$)	Total remuneration (\$)
Laura Nashman, chief executive officer	350,567	34,006	384,572
Trevor Fedyna, chief financial officer and vice president, Corporate Services	186,793	14,534	201,327
Dave Marecek, vice president, Transformation and Information Services	186,793	1,080	187,873
Kevin Olineck, vice president, Member Experience	195,072	6,727	201,799
Lanny Smith, vice president, Pension Operations	177,701	1,080	178,781
Aaron Walker-Duncan, vice president, Board Services	177,701	1,080	178,781

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



# FINANCIAL STATEMENTS

## APPENDIX C

### 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).

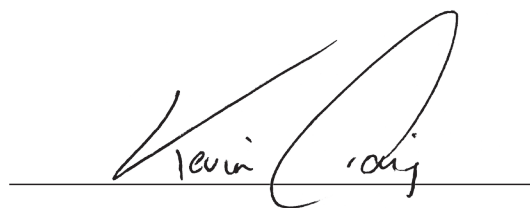
Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information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



Trevor Fedyna, CPA CGA, C. Dir  
Vice President Corporate Services  
and Chief Financial Officer  
British Columbia Pension Corporation



Kevin Craig, CPA CA  
Director, Financial Services  
British Columbia Pension Corporation

June 19, 2017



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder of British Columbia Pension Corporation

We have audited the accompanying financial statements of the British Columbia Pension Corporation, which comprise the statement of financial position as at March 31, 2017, the statements 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.

### *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 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

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.



*Auditor's Responsibility (con't)*

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.

*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, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal stroke.

Chartered Professional Accountants

June 19, 2017  
Vancouver, Canada

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KPMG Canada provides services to KPMG LLP.

BRITISH COLUMBIA PENSION CORPORATION  
**Statement of Financial Position**  
(\$ thousands)

As at March 31	Note	2017	2016
<b>Assets</b>			
Current			
Cash and cash equivalents	4	\$ 8,617	\$ 8,717
Due from pension plans	5	3,420	3,488
Accounts receivable		490	534
Prepaid expenses		724	734
		13,251	13,473
Computer systems and other assets	6	25,786	18,078
<b>Total assets</b>		<b>\$ 39,037</b>	<b>\$ 31,551</b>
<b>Liabilities</b>			
Current			
Accounts payable		\$ 6,362	\$ 7,488
Accrued salaries and benefits	7	6,890	5,985
Current portion of obligations under lease	8	514	478
		13,766	13,951
Obligations under lease	8	607	1,121
Deferred capital funding	9	24,664	16,479
		25,271	17,600
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>		<b>\$ 39,037</b>	<b>\$ 31,551</b>

Commitments (note 10c)  
Subsequent event (note 20)

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	2017	2016
<b>Revenues</b>			
Benefit administration service revenue	11	\$ 62,528	\$ 66,979
Pension plan boards' secretariat service revenue	12	1,568	1,599
Investment income	13	206	104
<b>Total revenues</b>		<b>64,302</b>	<b>68,682</b>
<b>Expenses</b>			
Salaries and benefits		39,009	38,113
Professional services		5,603	11,900
Information services and systems		7,793	7,290
Amortization		4,362	4,152
Premises		3,282	3,217
Other	14	4,253	4,010
<b>Total expenses</b>		<b>64,302</b>	<b>68,682</b>
Excess of 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	2017	2016
<b>Operating transactions</b>		
Excess of revenues over expenses	\$ -	\$ -
Add (deduct) items not involving cash		
Amortization of capital assets	4,362	4,152
Amortization of deferred capital funding	(4,362)	(4,152)
	-	-
Change in non-cash working capital balances		
Decrease in due from pension plans	68	41
Decrease (increase) in accounts receivable	44	(196)
Decrease in prepaid expenses	10	127
(Decrease) increase in accounts payable	(1,127)	983
Increase in accrued salaries and benefits	905	428
<b>Total operating activities</b>	<b>(100)</b>	<b>1,383</b>
<b>Capital transactions</b>		
Acquisition of computer systems and other assets	(12,069)	(3,333)
Proceeds from disposal of tangible capital assets	-	38
<b>Total investing activities</b>	<b>(12,069)</b>	<b>(3,295)</b>
<b>Financing transactions</b>		
Decrease in obligations under lease	(478)	(136)
Deferred capital funding received	12,547	3,431
<b>Total financing activities</b>	<b>12,069</b>	<b>3,295</b>
<b>(Decrease) increase for the year</b>	<b>(100)</b>	<b>1,383</b>
Cash and cash equivalents at beginning of year	8,717	7,334
<b>Cash and cash equivalents at end of year</b>	<b>\$ 8,617</b>	<b>\$ 8,717</b>

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, 2017

(\$ thousands except as otherwise noted)

#### 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 cash equivalents

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.



**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
Computer systems	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 project completion, implemented and asset is ready for use.

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.

**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, 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.

**4. CASH AND CASH EQUIVALENTS**

Cash equivalents 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 value of the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial, government and corporate commercial paper. These investments are recorded at fair value.

	2017	2016
Cash	\$ 3,001	\$ 5,331
Cash equivalents	5,616	3,386
	<u>\$ 8,617</u>	<u>\$ 8,717</u>

BRITISH COLUMBIA PENSION CORPORATION

Notes to the financial statements for the year ended March 31, 2017

(\$ thousands except as otherwise noted)

**5. DUE FROM PENSION PLANS**

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

	2017	2016
Beginning balance, due from pension plans	\$ 3,488	\$ 3,529
<b>Total charges to pension plans for</b>		
Benefit administration services (note 11)	70,698	65,866
Pension plan boards' secretariat services (note 12)	1,583	1,991
Operating funding received	(59,802)	(64,467)
Deferred capital funding received	(12,547)	(3,431)
Ending balance, due from pension plans	\$ 3,420	\$ 3,488
Comprised of:		
Municipal Pension Plan	\$ 2,054	\$ 2,252
Public Service Pension Plan	638	566
Teachers' Pension Plan	535	468
College Pension Plan	136	162
Other plans	57	40
Due from pension plans	\$ 3,420	\$ 3,488

## Notes to the financial statements for the year ended March 31, 2017

(\$ thousands except as otherwise noted)

**6. COMPUTER SYSTEMS AND OTHER ASSETS**

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
<b>Intangible assets</b>				
Major business application software	\$ 53,794	\$ 35,466	\$ 18,328	\$ 10,623
Held in name of service provider:				
Data centre transformation	1,633	583	1,050	1,283
Total intangible assets	55,427	36,049	19,378	11,906
<b>Tangible assets</b>				
Computer systems	13,877	12,098	1,779	2,148
Furniture	4,932	2,310	2,622	2,109
Tenant improvements	4,105	2,862	1,243	875
	22,914	17,270	5,644	5,132
Held in name of service provider:				
Computer systems	340	172	168	172
Computer systems under capital lease	1,360	764	596	868
	1,700	936	764	1,040
Total tangible assets	24,614	18,206	6,408	6,172
Total	\$ 80,041	\$ 54,255	\$ 25,786	\$ 18,078

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.

BRITISH COLUMBIA PENSION CORPORATION

Notes to the financial statements for the year ended March 31, 2017

(\$ thousands except as otherwise noted)

**7. ACCRUED SALARIES AND BENEFITS**

	2017	2016
Accrued salaries and benefits	\$ 5,256	\$ 4,607
Leave liability	1,634	1,378
	<u>\$ 6,890</u>	<u>\$ 5,985</u>

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

**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 5.35% to 7.32%. The minimum future lease payments under leases are as follows:

Year ending March 31	2017	2016
2017	\$ -	\$ 582
2018	582	582
2019	555	555
2020	56	56
2021	30	30
	<u>1,223</u>	<u>1,805</u>
Amount representing interest	(102)	(206)
Obligation	1,121	1,599
Less: current portion	(514)	(478)
	<u>\$ 607</u>	<u>\$ 1,121</u>

Opening balance, obligations under lease	\$ 1,599	\$ 1,735
Additions	-	337
Disposals	-	(38)
Less: principal payments	(478)	(435)
Decrease in obligations under lease	(478)	(136)
Closing balance, obligations under lease	<u>\$ 1,121</u>	<u>\$ 1,599</u>

**Notes to the financial statements for the year ended March 31, 2017**

(\$ thousands except as otherwise noted)

**8. OBLIGATIONS UNDER LEASE (CONTINUED)**

Of the \$1,121 of lease obligations \$1,021 (2016: \$1,500) are capital and \$100 (2016: \$100) are operating.

The corporation entered into a lease agreement to fund used furniture and equipment purchase from bcIMC commencing February 1, 2018. This lease is over a seven year term, with an interest rate of 6%. The minimum future lease payments under leases are as follows:

Year ending March 31	
2018	\$ 25
2019	149
2020	149
2021	149
2022	149
Thereafter	434

**9. DEFERRED CAPITAL FUNDING**

	2017	2016
Opening balance	\$ 16,479	\$ 17,200
Capital assets additions	12,069	3,087
Principal payments on obligation under lease	478	435
Data centre transformational operating costs	-	(91)
Capital funding received	12,547	3,431
Amount amortized into revenue	(4,362)	(4,152)
Ending balance	\$ 24,664	\$ 16,479

**Notes to the financial statements for the year ended March 31, 2017**

(\$ thousands except as otherwise noted)

**10. COMMITMENTS****a) Operating lease commitments**

In 2016, the corporation entered into a building and rental accommodation agreement, starting in early fiscal 2018, to sublease a larger office building in the Selkirk campus area, with the intention of consolidating its non-primary locations. After the consolidation is complete, the corporation will have two primary locations with minimum future lease payments under leases as follows:

Year ending March 31	
2018	\$ 3,355
2019	4,524
2020	4,215
2021	4,255
2022	4,336
Thereafter	13,760

**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 three and five 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 five year term. Projected contract costs, excluding obligations purchased under lease (note 8) and inflation, are as follows:

For the year ended March 31	Managed services	Data centre facilities	2017 total	2016 total
2017	\$ -	\$ -	\$ -	\$ 4,692
2018	4,502	237	4,739	4,739
2019	3,903	237	4,140	4,140
2020	3,903	237	4,140	4,140
2021	3,903	237	4,140	4,140
2022	-	237	237	237
2023	-	237	237	237
2024	-	237	237	237
	\$ 16,211	\$ 1,659	\$ 17,870	\$ 22,562



**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, 2017, the estimated one-time termination costs are:

Date of termination as at March 31	Managed services	Data centre facilities	2017 total	2016 total
2017	\$ -	\$ -	\$ -	\$ 2,078
2018	707	841	1,548	1,539
2019	300	701	1,001	995
2020	270	561	831	828
2021	-	420	420	420
2022	-	280	280	280
2023	-	140	140	140

**c) Contractual obligations—Member Services Centre**

On November 16, 2016 the corporation entered in an agreement for the provision of a Member Services Centre telephony software and technical solution. The terms of the agreement fall within the master agreement that the service provider has negotiated with the Province of BC. The Province of BC through the service provider will provide project services to implement the technical solution and ongoing managed services. Per the agreement, a one-time implementation fee of \$175 was paid on the effective date and a second implementation fee of \$175 will be applied upon completion of the technical solution implementation and will be invoiced no later than December 31, 2017. Managed services provided will be \$51 per month and increased each April commencing April 1, 2017 and thereafter for Consumer Price Indexing.

There is provision under the agreement for the corporation to terminate for convenience with not less than 60 days prior written notice to the Province of BC. Should the corporation exercise its termination rights, the corporation may be required to pay termination fees to the Province of BC for unrecovered capital costs and initial unrecoverable costs for the service provider.

The unrecovered capital costs payable to the Province of BC are \$450 less an amount of \$7 each month for the number of months expired in the agreement after completion of the technical solution implementation and after the second implementation fee to be invoiced no later than December 31, 2017.

The initial unrecoverable costs for the service provider are up to a maximum of \$660 plus unrecoverable stranded labour costs. The termination fees are only payable should the corporation exercise its termination rights prior to completion of the technical solution implementation and prior to the second implementation fee to be invoiced no later than December 31, 2017.

**10. COMMITMENTS (CONTINUED)**

In the event that the Province of BC through the service provider is no longer providing these services to the corporation on or after November 15, 2019, a one-time fee of \$200 for unrecovered costs is payable by the corporation to the Province of BC on such date the services ceased. Should the corporation elect to enter into a separate agreement with the service provider directly for a term of no less or more than two years following November 19, 2019, the corporation will not be liable for the \$200 fee discussed above.

**d) 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, 2018 to 2021 are \$50.

**e) Other contracts and commitments**

At fiscal year end, the corporation has committed to \$200 (2016: \$900) for various IT software licenses and maintenance fees on April 1, 2017 and ending on March 31, 2018.

**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.

	2017	2016
Total charges to pension plans for benefit		
administration services and purchase of assets (a)	\$ 70,698	\$ 65,866
Purchase of computer systems and other assets	(12,054)	(2,941)
Lease obligation funding received, net of disposals	(478)	(98)
	58,166	62,827
Capital funding recognized as service revenue:		
Amortization of deferred capital funding	4,362	4,152
Benefit administration service revenue	\$ 62,528	\$ 66,979
<b>(a) Total charges to pension plans for benefit administration services were:</b>		
Municipal Pension Plan	\$ 39,401	\$ 36,507
Public Service Pension Plan	14,920	14,039
Teachers' Pension Plan	12,228	11,288
College Pension Plan	3,264	3,289
Other plans	885	743
	\$ 70,698	\$ 65,866

## BRITISH COLUMBIA PENSION CORPORATION

### Notes to the financial statements for the year ended March 31, 2017

(\$ thousands except as otherwise noted)

#### 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, which the corporation recovers.

	2017	2016
Total charges to pension plans for plan boards' secretariat support services and purchase of assets (a)	\$ 1,583	\$ 1,991
Purchase of computer systems and other assets	(15)	(392)
Pension plan boards' secretariat service revenue	\$ 1,568	\$ 1,599

**(a) Total charges to pension plans for plan boards' secretariat services were:**

Municipal Pension Plan	\$ 813	\$ 1,169
Public Service Pension Plan	257	274
Teachers' Pension Plan	257	274
College Pension Plan	256	274
	\$ 1,583	\$ 1,991

#### 13. INVESTMENT INCOME

	2017	2016
Interest from cash	\$ 115	\$ 63
Interest from pooled investment portfolios	91	41
	\$ 206	\$ 104

**14. OTHER EXPENSES**

	2017	2016
Communication products and distribution	\$ 1,506	\$ 1,338
Travel and business expenses	1,028	947
Staff training	644	596
Office supplies	484	540
Bank charges and regulatory fees	398	389
Lease financing	104	125
Corporate board	89	75
	<b>\$ 4,253</b>	<b>\$ 4,010</b>

**15. 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, 2017, the corporation has approximately 500 (2016: 500) in employees contributing to the plan, which has approximately 57,000 active plan members and approximately 46,000 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 2017, the corporation paid \$3,100 (2016: \$2,900) 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.

## 16. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans and bclMC 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. 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 \$8,600 (2016: \$8,700) due to the Province of BC.

## 17. FINANCIAL INSTRUMENTS

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

Cash equivalents are recorded at fair value using current market yields and are held in a pooled investment fund managed by the bclMC and are regularly monitored by bclMC 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.

Cash equivalents, which total \$5,600, are classified as level 1 (2016: \$3,400—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.

## 17. FINANCIAL INSTRUMENTS (CONTINUED)

The majority of cash equivalents 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 its 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 \$250 in place should it be required to meet temporary fluctuations in cash requirements. As at March 31, 2017 and March 31, 2016 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 corporation's 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.

## 18. 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.

## 19. COMPARATIVE FIGURES

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

## 20. SUBSEQUENT EVENTS

On May 31, 2017 the corporation entered into a software license and maintenance agreement for its Enterprise Integration Platform. \$1,100 is due on the effective date and entitles the corporation to a two year term to facilitate the implementation of its platforms.

# SUPPLEMENTAL STATEMENT

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## APPENDIX D

The Supplemental Statement summarizes the total charges to pension plans for benefit administration services and plan boards' secretariat services as set out in note 11 and 12 in the financial statements. This statement is unaudited and does not form the basis of the financial statements and is not in accordance with Canadian accounting standards for not-for-profit organizations under Part III of the *Chartered Professional Accountants (CPA) Canada Handbook*. There are differences between total charges to pension plans audited revenue and expenses per the statement of operations and changes in net assets, due to generally accepted accounting practices. Some line items in the total operations (for example, salaries and benefits, professional services) are not separately disclosed (netted) in total strategic actions and total charges to pension plans for plan boards secretariat support services.



## BRITISH COLUMBIA PENSION CORPORATION SUPPLEMENTAL STATEMENT

**Total Charges to Pension Plans**

Unaudited

(\$ thousands)

For the year ending March 31	Actual 2017	Budget 2017	Variance Over (under) budget		Actual 2016	Variance Over (under) 2016	
Operations							
Salaries and benefits	\$ 37,054	\$ 37,168	\$ (114)	-	\$ 35,003	\$ 2,051	6%
Professional services	4,246	4,482	(236)	(5%)	5,499	(1,253)	(23%)
Information services and systems	7,402	7,609	(207)	(3%)	7,148	254	4%
Premises	2,975	3,075	(100)	(3%)	2,958	17	1%
Other	3,892	4,112	(220)	(5%)	3,774	118	3%
	55,569	56,446	(877)	(2%)	54,382	1,187	2%
Non-strategic actions capital							
Tenant improvements	503	425	78	18%	459	44	10%
Furniture and equipment	844	495	349	71%	714	130	18%
Computer systems	915	395	520	132%	931	(16)	(2%)
	2,262	1,315	947	72%	2,104	158	8%
Lease obligations	478	460	18	4%	98	380	388%
	2,740	1,775	965	54%	2,202	538	24%
Miscellaneous income	(206)	(105)	(101)	96%	(104)	(102)	98%
Total operations	58,103	58,116	(13)	-	56,480	1,623	3%
Strategic actions							
Compliance	427	275	152	55%	73	354	485%
Member Online Services	8,213	7,426	787	11%	2,200	6,013	273%
Employer Online Services	614	850	(236)	(28%)	532	82	15%
Improve Efficiency	154	595	(441)	(74%)	1,500	(1,346)	(90%)
IPAS	634	912	(278)	(31%)	2,681	(2,047)	(76%)
Estimated incremental salaries	2,553	2,451	102	-	2,400	153	6%
Total strategic actions	12,595	12,509	86	1%	9,386	3,209	34%
Total charges to pension plans for benefit administration services and purchase of assets							
	70,698	70,625	73	-	65,866	4,832	7%
Total charges to pension plans for plan boards' secretariat support services							
	1,583	1,725	(142)	(8%)	1,991	(408)	(21%)
Total charges to pension plans	\$72,281	\$ 72,350	\$ (69)	-	\$ 67,857	\$ 4,424	7%



**Expectations are changing.  
So are we.**

**Patricia Kilshaw**

Change & Corporate Communications

**Change brings growth.  
Growth brings change.**

**Debra Page**

Policy



**We assist members,  
being members too.**

**Greg Britton**

Business Services



**BC PENSION**  
CORPORATION