



BC PENSION
CORPORATION

Annual Report

2017/18



Table of contents

Message from the board chair 1

Message from the chief executive officer 2

Who we are 3

- 3 Who we serve
- 4 BC Pension Corporation's board of directors
- 5 Our leaders
- 6 Our strategy: from transformation to operation

Digital first: transforming the experience 8

- 8 Delivering member online services
- 10 Enhancing how we serve members

Service and adapting to changing demands 11

- 11 Supporting plan design changes
- 12 Performing in the present: how we are doing relative to our peers
- 13 Metrics show our service is high quality

Supporting our staff and our community 14

- 14 A thriving future for our people
- 16 Workspace updates
- 17 Mindful of our environmental footprint
- 17 Our community commitment to social responsibility

Compensation and financial discussion 19

- 19 Board compensation and attendance
- 20 Executive compensation
- 21 Financial performance right on budget
- 23 Financial outlook
- 24 Risk management

Financial statements 25

Message from the board chair

Six years ago, BC Pension Corporation responded to the evolving expectations of members, employers, trustees and staff by introducing *From 12 to 21: Our Way Forward*, a nine-year strategic business plan. In 2017/18, the corporation completed the Transformation Phase (2015/16 to 2017/18) and transitioned into the Operation Phase (2018/19 to 2020/21), the third and final stage of the plan.

The corporation completed a number of initiatives last year, bringing its ambitious plan of business transformation to life. These ventures included launching new websites for each of the five pension plans we serve and making considerable enhancements to the Member Services Centre, among others that you will read about in this report. These achievements show that the corporation is committed to providing high-quality service to members and staying up to date with technologies that enhance the pension experience in a digital world.

The board is delighted at the professionalism corporation staff have consistently demonstrated; they have our complete trust and confidence as we move into the last phase of the strategic plan.

We are excited about the plan's progression, and continue to support BC Pension Corporation's forward-thinking staff, led by the chief executive officer, Laura Nashman, and the executive and management teams.

A handwritten signature in black ink that reads "Weldon Cowan". The signature is fluid and cursive, with the first name "Weldon" being more prominent than the last name "Cowan".

Weldon Cowan
Chair, board of directors



Message from the chief executive officer

We've had a phenomenal year, culminating in the completion of the five pension plan websites. The new member-centric sites are intuitive, and enable plan members to interact with their pension in modern ways, including applying for their pension online. In this report, you will read about this and other accomplishments that exemplify our digital first approach.

In this past year, we've had a strong focus on digital first solutions that ensure we meet expectations across client groups.

We are determined to make the pension experience easy, so we've embraced new technologies while staying connected to plan members, employers and board trustees in a personal way. I believe we've struck the right balance between high-tech and low-tech solutions, and we will continue to work in this balanced way as we move ahead with our *From 12 to 21* strategic plan.

The success we've achieved is because of our people. We are a professional and forward-thinking team with a solid sense of community. We continue to embrace agility and demonstrate resilience as we transform our organization. We are not changing what we do, but how we do it, and our people are fully invested in this transformation. I am proud of our team and grateful for the energy, imagination and innovation they bring to the job every day.

Another key to our success is the support of our corporate board and our excellent working relationships with the pension boards of trustees. We value the support and guidance we receive from them.

As I look back on the last fiscal year, I am pleased with how we continued to provide quality service to plan boards, members and employers. We accomplished what we set out to do, on time and on budget, and we are well positioned to continue our journey of business transformation as we enter the Operation Phase, the third and final phase of the strategic plan: *From 12 to 21: Our Way Forward*.



A stylized, handwritten signature in black ink, consisting of a large loop followed by several sharp, sweeping strokes.

Laura Nashman
Chief executive officer

Who we are

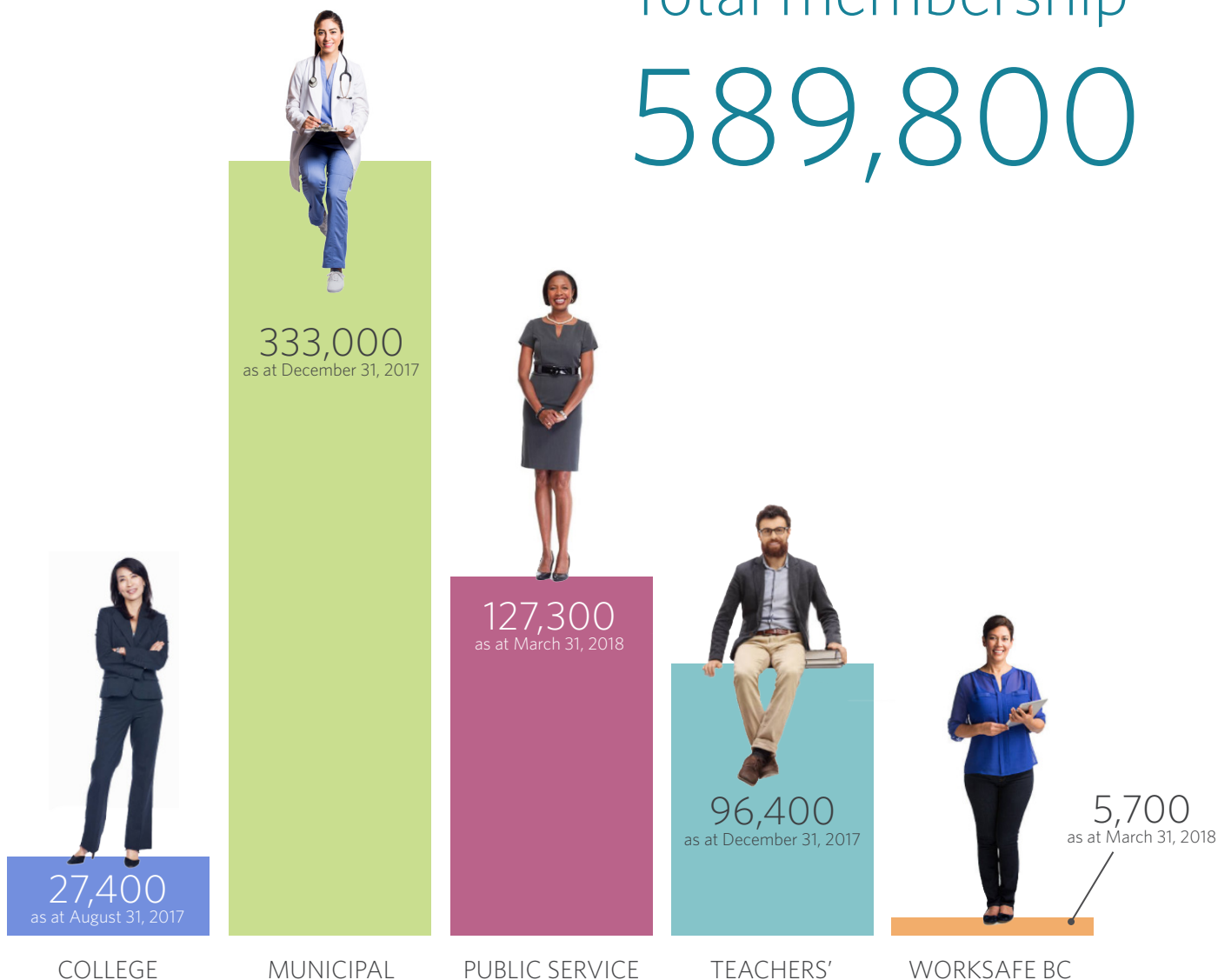
Who we serve

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 589,800 members. We ensure plan members have the right information at the right time so they can make informed decisions about their pension throughout their lives.

Plan membership

Total membership* in
each of BC's five public
sector pension plans

Total membership
589,800



*Refers to active, inactive, retired and limited 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

Our board of directors* includes a plan member and a plan employer representative from each plan board. The board members' collective knowledge and experience informs the strategic planning and direction of BC Pension Corporation.

APPOINTED BY THE

Teachers' Pension Board of Trustees



Wayne Jefferson
Appointed 2002
Term ended 2017



Dale Lauber
Appointed 2004

APPOINTED BY THE

College Pension Board of Trustees



Weldon Cowan
Chair
Appointed 2011



Carl Fischer
Appointed 2007

APPOINTED BY THE

Municipal Pension Board of Trustees



Mary Procter
Vice-chair
Appointed 2015



Gary Yee
Appointed 2014

APPOINTED BY THE

Public Service Pension Board of Trustees



John Mazure
Appointed 2011



David Vipond
Appointed 2011

*Represents board members in the 2017/18 fiscal year

Our leaders

Our executive team oversees the implementation of our strategic plan and maintains the corporation's focus on operational goals, so we can continue to perform in the present. The team guides the corporation as we serve plan members, employers, and trustees, and invest in our people.



Laura Nashman
Chief executive officer



Trevor Fedyna
Vice-president,
Corporate Services &
Chief financial officer

NOT SHOWN

Dave Marecek
Vice-president,
Transformation and
Information Services



Kevin Olineck
Vice-president,
Member Experience



Lanny Smith
Vice-president,
Pension Operations

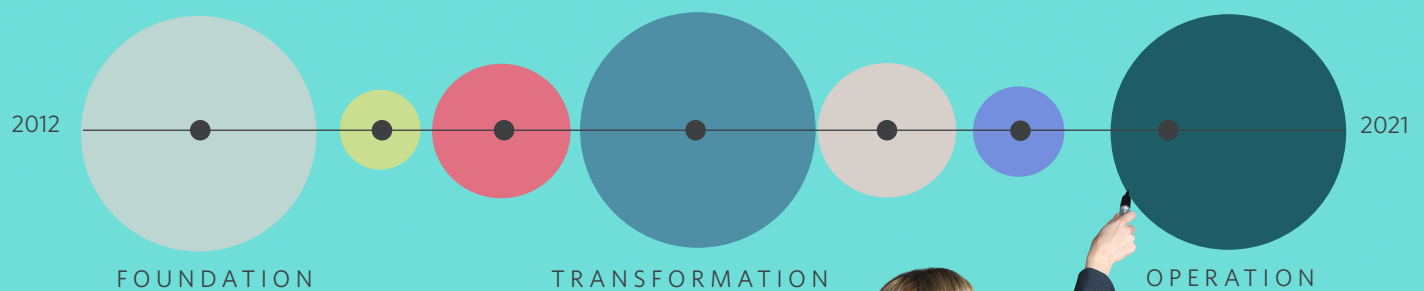


Aaron Walker-Duncan
Vice-president,
Board Services

We're delivering on an ambitious nine-year enterprise transformation plan to meet the evolving needs and expectations of those we serve.

Our strategy: from transformation to operation

Our strategic plan, *From 12 to 21: Our Way Forward*, was launched in 2012 with the purpose of transforming the way we work to meet the evolving expectations of members, employers, trustees and staff. It is set in three phases—Foundation, Transformation and Operation.



In 2017/18, we completed the Transformation Phase and transitioned to the Operation Phase—the third and final phase of the plan; a major milestone for the corporation.

Why we transform— five strategic issues

one



Increasing need
for information
and process
management

two

Rising
stakeholder
expectations

three

Growing
complexity and
diversity in plan
design and
administration

four

Evolving
demographics and
client expectations
for service

five

Shifting workforce
characteristics



Digital first: transforming the experience

Delivering member online services

In spring 2016, we set a goal to deliver five new pension plan websites with online retirement functionality through My Account for members by March 2018. We successfully achieved this goal.

This work was a key component of the Transformation Phase. The new plan websites were also updated with member-centric language, improved navigation and search functions, and content based on extensive user testing.

Every pension plan member now has more channel choice when interacting with us and their pension. By giving members choices (i.e., they can contact us online; by email, mail or fax; and over the phone), we have put their needs at the centre of all member experience solutions.



Our digital first approach has been at the forefront of our work this past year, ensuring we meet expectations across client groups.

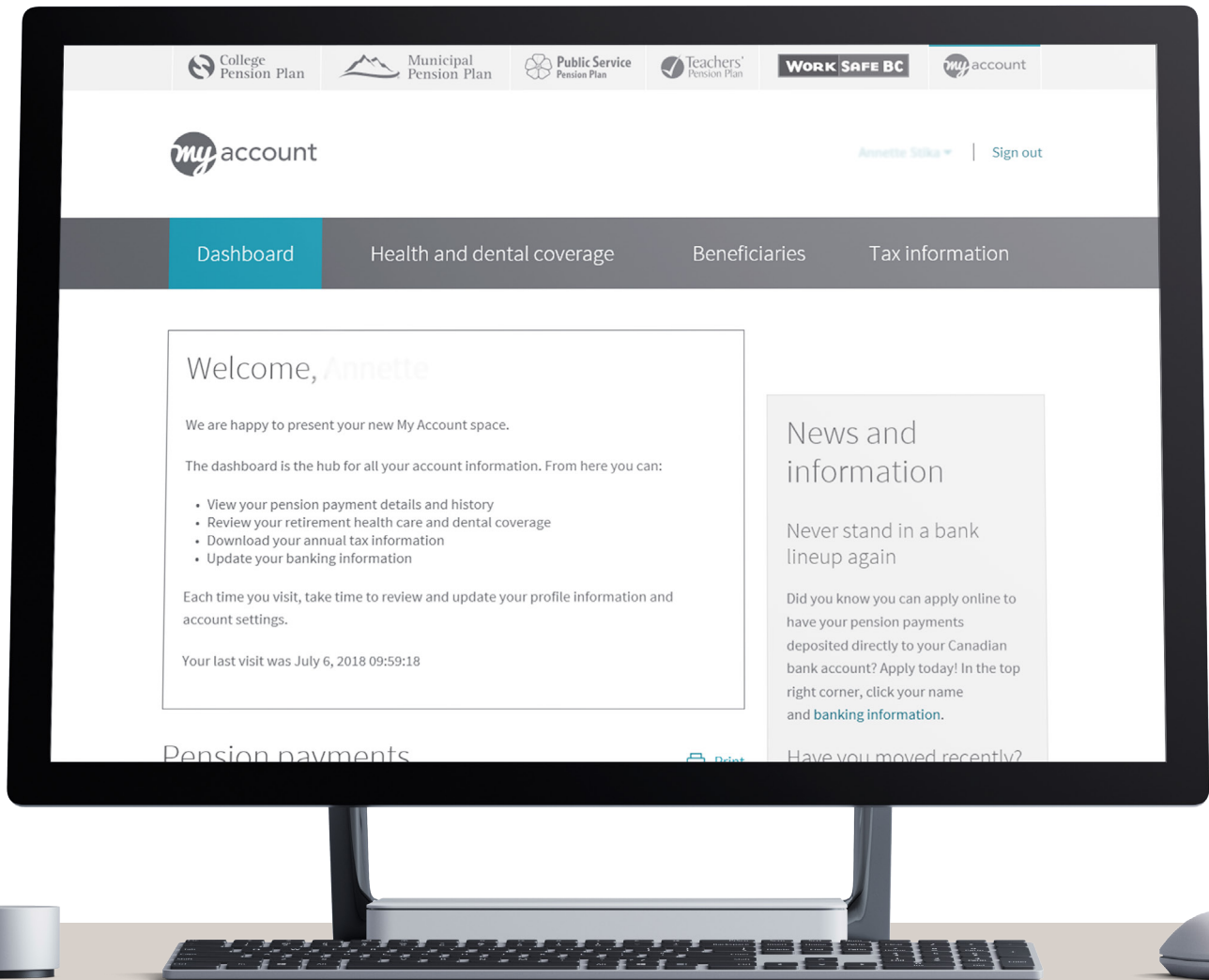
Dan, Teachers' Pension Plan active member, Victoria, BC



Digital first

Digital solutions are often the best for driving service satisfaction; enhancing quality, consistency and accuracy; and, in the long run, mitigating costs.

For more information on the Operation Phase and *From 12 to 21: Our Way Forward*, visit bcpensioncorp.ca.



My Account is a secure portal through which members can access their personal pension information. In My Account, members have many ways of interacting with their pension:

- Verify and update contact information
- Create a pension estimate
- Add or update beneficiaries
- Apply for a pension
- Change marital status
- View or download current and past benefit statements
- View a history of service and salary earned under the plan
- Calculate how much it will cost to buy service, if applicable

Enhancing how we serve members

In October 2017, we deployed a client relationship management (CRM) tool in the Member Services Centre. Through the new system's analytics we've gained invaluable insight into the reasons members call. Staff can record their interactions with members in the CRM and view previous notes from past interactions, resulting in a better member experience because staff know more about a person's situation and can deliver more efficient and effective service.

The CRM was the second major technology change for plan members and member services staff last year in support of our service enhancement goals; introduction of the CRM followed a new phone system implemented in late May 2017.

The system includes interactive voice response technology and a new call queue structure that directs members to representatives with specific expertise in subject areas most relevant to their questions. It also offers historical call volume information to help schedule staff, and call recording for coaching, supporting a consistent, high-quality member experience.

We also successfully launched an internal knowledge base solution and quality assurance program in January. With the knowledge base, staff can access member-centric content, job aides, internal procedures documents and links to the plan websites in one location, enabling them to serve members more consistently and efficiently.

Through the quality assurance program, staff listen to recorded calls with their supervisors and receive personalized coaching based on call analysis. The program focuses on continuous improvement and consistent delivery of information and service to members. It also enhances first-call resolution and the security of member data.



"The CRM allows us to be better equipped to answer questions arising from previous interactions, or recognize when some members require extra assistance based on the number of times they've called in."

—Andrea Baulne,
Client service representative

Service and adapting to changing demands

Supporting plan design changes

We implemented plan design changes to both the Teachers' Pension Plan and the Public Service Pension Plan on time and on budget. During these times of change, we updated our systems, calculators, plan rules, websites and were ready to respond with accurate information across multiple channels.

"The service was prompt, friendly, and accurate. They even gave me information that I needed, but didn't know that I needed. They are so very proactive in their customer service!"

—Pension plan member



Performing in the present: how we are doing relative to our peers

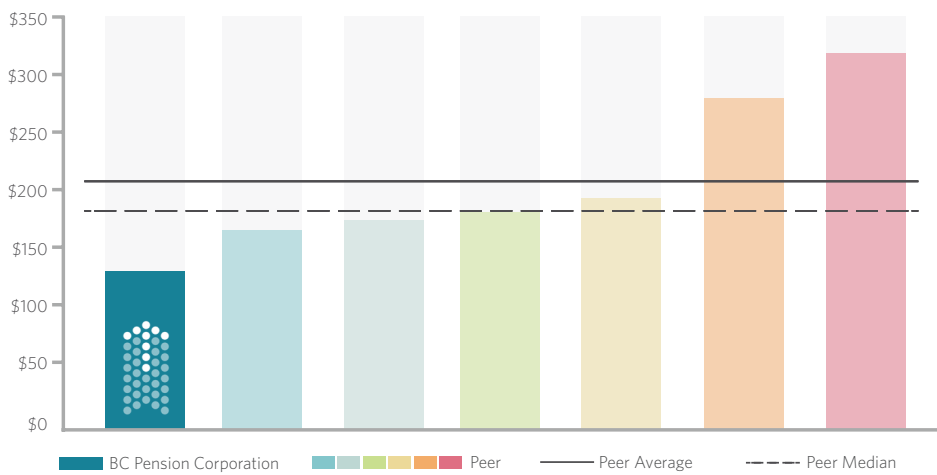
The corporation participates in an annual benchmarking initiative conducted by Cost Effective Measurement (CEM) to understand how we’re doing relative to peer organizations in Canada.

The report focuses on the following:

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

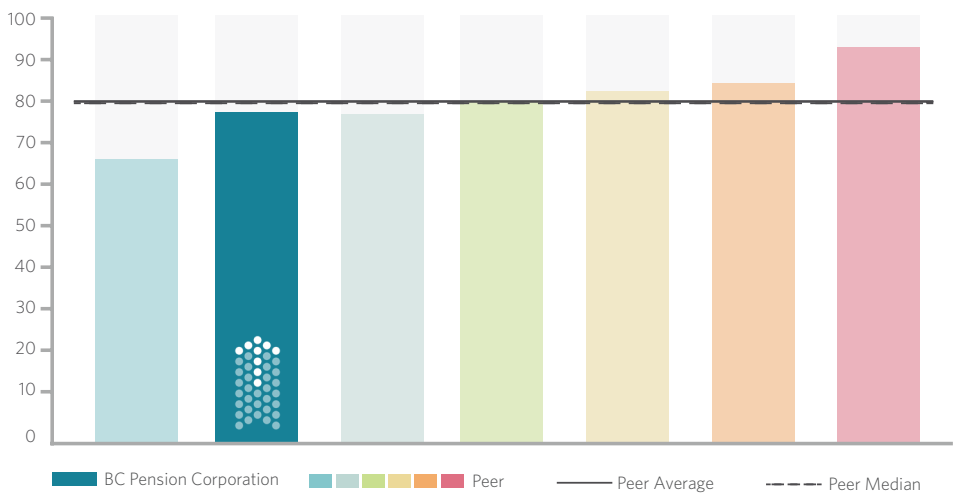
We have maintained our position as a low-cost service provider when benchmarked against our peers by CEM. The total pension administration cost for BC Pension Corporation was \$131 per member. The average pension administration cost for our peers was \$202 per member.

Figure 1
Pension administration cost per active member and annuitant (\$)



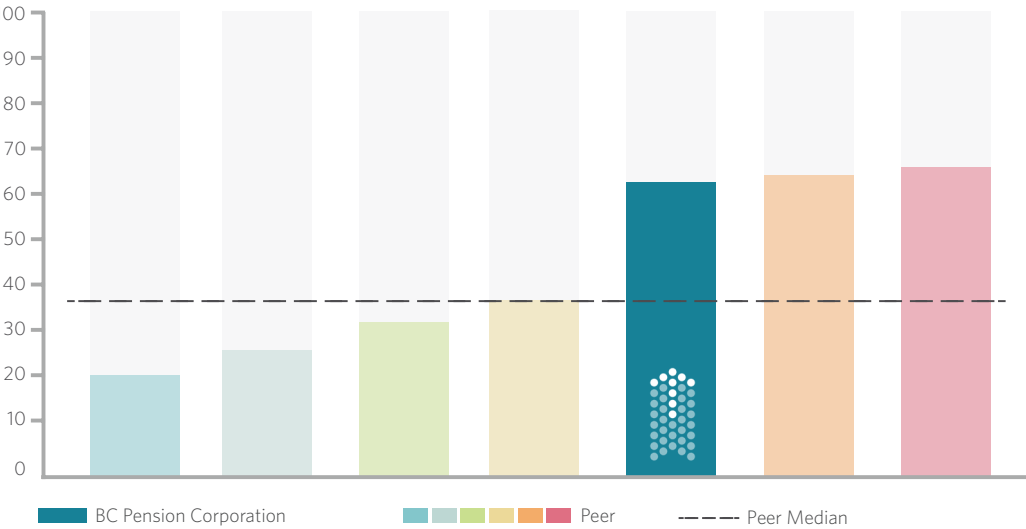
Our dedication to quality customer service shows through our consistent service scores. The scores are slightly low compared to those of our peers, but we anticipate they’ll rise once we have fully implemented the new Member Services Centre platform.

Figure 2
Total service score (%)



The corporation continued to work within a complex pension environment. By building out flexible, scalable systems, we have been able to manage changes to complexity brought about by legislative and plan design rule changes.

Figure 3
Total relative complexity (%)



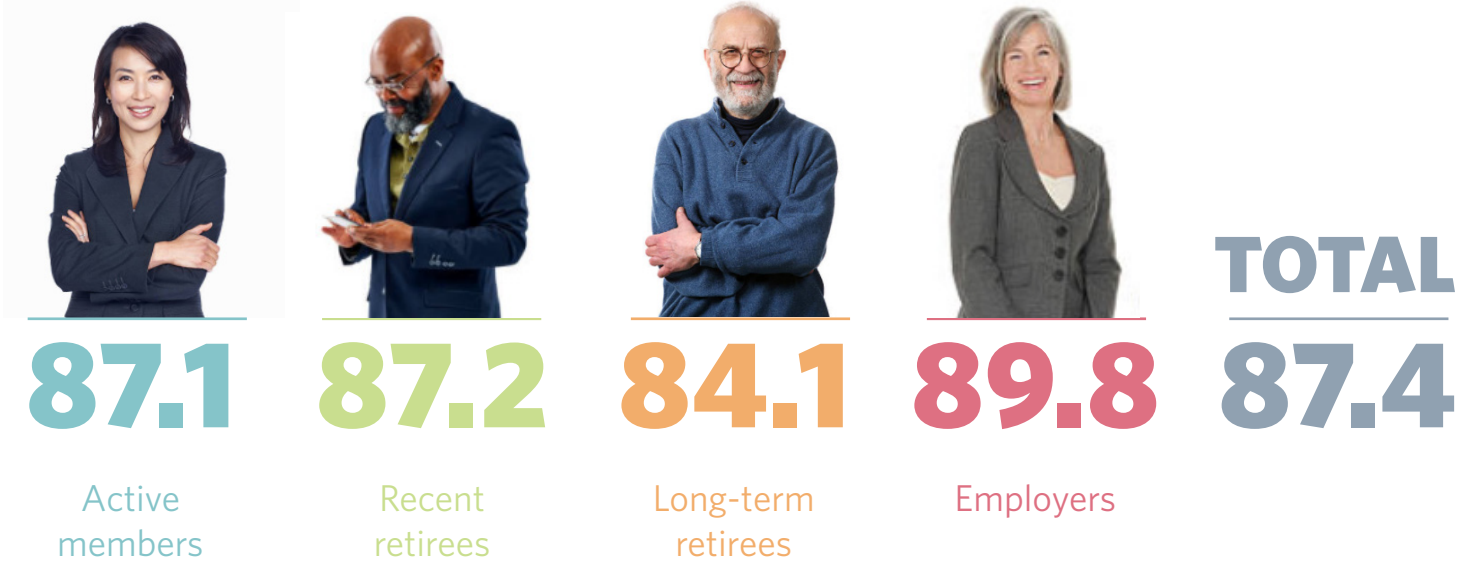
Metrics show our service is high quality

Member and employer satisfaction scores and feedback

Our service scores demonstrate how we continue to meet members’ and employers’ service expectations. These scores are compiled by an independent third-party market research company. Through 2017/18, our scores remained consistently high, averaging over 87 per cent satisfaction.

Quality service index scores (%)

Based on responses “good” or “very good:”



On-time first pension payments

First pension payment (%)

98.0

Target

99.5

Actual

The number of people receiving their first pension payment increased 5.9 per cent this year from 2016/17. Even in our busy environment, we exceeded our service target for making payments on time.

"They explained everything to me in such a nice manner, and didn't make me feel uneasy at all about any of my questions."

—Pension plan member

Supporting our staff and our community

A thriving future for our people

As our workforce changes, we are deliberate in our intentions to advance a positive employee experience.

In 2017/18, we changed the format of our flagship recognition event, the ACE Awards, to better recognize and celebrate our staff. The awards program is one way we celebrate our achievements and excellent work.



2017 ACE Award winners: Joanna Kyle, Kim Passmore, Kellie White, Amy Hillis, Cory Holt, Grant Denning (not shown: Caree Brignall)

We also engage staff through formal programs, such as Staff Day, that help us to connect, reflect and hear about our goals and our motivations for achieving them. With professional development in mind, we look back at our past year, celebrate our successes and look forward to what's ahead in our strategic direction. Staff leave the annual Staff Day event with information, knowledge and resources to better serve our clients and each other.

These and similar activities represent who we are and what's important to us.

Scenes from Staff Day 2017

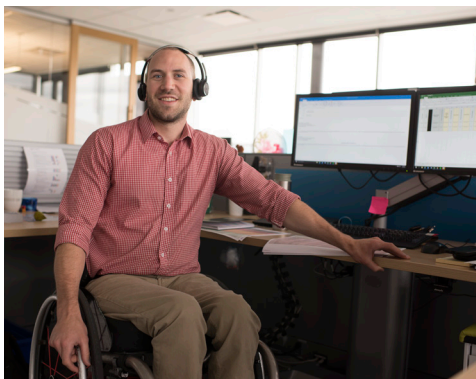


Early in 2018 we introduced new ways of working: compressed work weeks, part-time schedules, teleworking and mobility (i.e., working without individually dedicated workstations). We will continue to explore ways of working that enhance our employees' experience—and provide an outstanding experience to those we serve.

Our workplace is an inclusive, equitable, accessible and welcoming environment for all. We want everyone to feel they can be their authentic self at work.

Flexible work options at BC Pension Corporation





Workspace updates

As of June 2018, we began consolidating our office locations from five separate buildings to two main locations. The consolidation offers opportunities for us to enhance workspaces for flexibility, wellness and sustainability initiatives; it will also improve efficiencies, thereby enhancing our service to members and trustees.

We laid the groundwork for many of these workspace updates, including preparing to move a significant portion of our staff to a new building on the Selkirk campus. Here are the highlights:

- Renovated to modernize work environments and enhance building systems
- Completed space analysis to accommodate specialized teams working on transformational projects
- Planned space requirements for relocating staff to new locations on the Gorge Waterway
- Relocated staff to new and temporary locations

"By bringing the majority of employees together we will be an even more unified team."

—Trevor Fedyna, vice-president,
Corporate Services

Mindful of our environmental footprint

As a corporation, we have been doing our part to support a clean environment through energy-conscious workspace updates in 2017/18:

- Replaced fluorescent lights with LED lights
- Controlled lighting systems with timed and manual controls
- Designed space to take advantage of natural light sources (e.g., glass office walls)
- Used manufactured materials for workstation components that exceed most standards for green initiatives
- Used environmentally friendly paint with low or no VOCs (solvents that get released into the air as the paint dries)



Our community commitment to social responsibility

The corporation and our staff pursued social responsibility in 2017/18 through initiatives, including the following:

- Participated in the Provincial Employees Community Services Fund (PECSF), an annual fundraising campaign organized and run by volunteer staff. During the campaign, PECSF volunteers promoted donating to charity through pay deductions, and the PECSF committee encouraged staff to take part in additional promotional and fundraising events
- Hired local businesses (e.g., caterers, musicians) to serve at corporate events
- Our executive, directors and other staff volunteered regularly at the Burnside Gorge Community Association; they collected and donated clothing and household goods, and prepared and served Christmas dinners, summer barbeques and other meals for members of our community
- Partnered with local businesses to offer staff extracurricular and educational activities such as painting and nutrition classes
- In addition to programming staff health and wellness initiatives, our HealthWorks committee organized involvement in charitable events, including a blood drive, fundraisers for the Mustard Seed food bank, the Great Canadian Shoreline Cleanup, Pink Shirt Day to stand against bullying, and Jeans Day to raise money for the BC Children's Hospital Foundation
- Supported local Girl Guide units by purchasing flower bulbs through their fundraiser for a corporate event

Staff raised **\$54,300** through PECSF



Compensation and financial discussion

Board compensation and attendance

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. The board met four times for a total of six meeting days and the audit committee met three times for a total of three meeting days.

Table 1

Board member remunerations and attendance for the year ending March 31, 2018

Name	Position	Remuneration (\$)	Board meeting attendance
Weldon Cowan	Chair	13,418	Six meeting days
Mary Procter	Vice-chair Member, Audit Committee	10,673	Six meeting days Three meeting days
Dale Lauber	Director Chair, Audit Committee	13,956	Six meeting days Three meeting days
David Vipond	Director Chair, Human Resources Committee	12,519	Six meeting days
Carl Fischer	Director Member, Audit Committee	6,172	Four meeting days Three meeting days
John Mazure	Director Member, Audit Committee	5,982	Four meeting days Two meeting days
Wayne Jefferson	Director*	8,609	Six meeting days
Gary Yee	Director	7,646	Six meeting days
Brad Underwood	Director**	1,654	Six meeting days

*Appointment concluded December 31, 2017

**Appointment commenced January 1, 2018

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 2

Executive compensation for the year ended March 31, 2018

Name and position	Base salary (\$)*	Other remuneration** (\$)	Total remuneration (\$)
Laura Nashman, chief executive officer	347,019	38,323	385,342
Trevor Fedyna, chief financial officer and vice-president, Corporate Services	204,464	9,152	213,617
Dave Marecek, vice-president, Transformation and Information Services	195,719	9,500	205,219
Kevin Olineck, vice-president, Member Experience	201,126	12,931	214,057
Lanny Smith, vice-president, Pension Operations	185,969	8,761	194,730
Aaron Walker-Duncan, vice-president, Board Services	185,969	28,502	214,022

*Base salary includes retroactive salary and payout of unused vacation.

**Other remuneration includes taxable allowances (business travel, training, conferences, professional dues and business expenses) provided to the employee.

Financial performance right on budget

The corporation provides financially responsible services. Costs are on track as we achieved fiscal targets set out for 2017/18 and the entire Transformation Phase of our [strategic plan](#).

The corporation does not receive direct 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 services for members, employers and trustees and sustaining those services for the future.

The table below is a summary of the supplemental statement appended to the audited financial statements. This supplemental statement represents the corporation's performance against its approved budget. The supplemental schedule reflects charges to our clients in the year for operating and capital funding requirements.

Table 3

Total service delivery charges to the pension plans for the year ended March 31, 2018^{1,2}

March 31	2017/18 actual (\$ thousands)	2017/18 budget (\$ thousands)	Budget variance	
			(\$ thousands)	(%)
Operations	60,839	60,740	99	—
Strategic actions	12,111	12,330	(219)	(2)
Office consolidation	1,200	1,200	—	—
Total Pension Corporation	74,150	74,270	(120)	—
Secretariat	1,668	1,938	(270)	(14)
Total charges to pension plans	75,818	76,208	(390)	—

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

² The audited financial statements that start on page 25 reflect a different perspective for total charges to pension plans, revenue, and expenses as the audited statements capitalize some assets and amortize them over their useful life. We present both views in this annual report to be as transparent as possible with financial information. A reconciliation of the differences between the supplemental statement and the audited financial statements can be found in the notes of the audited financial statements.

Operations

Operations are our core day-to-day costs to operate our organization. The corporation ran tight to budget for daily activities at \$99,000, or 0.16 per cent over. We were slightly over in operations as we accelerated a purchase of used furniture that will enable us to save money down the road. In 2017/18, we were also able to generate savings in professional services, information services and premises costs by strengthening our in-house actuarial and communication services, and investing in new telephony technology.

Strategic actions

Strategic actions are our most forward-thinking actions and projects that we must take to ensure we are able to meet the changing needs and expectations of those we serve, now and into the future. We implemented the plan websites, strengthened information cyber security and performed mission-critical compliance work in 2017/18. Total strategic actions were two per cent under budget. We acquired core software that once implemented will assist us in the way we receive, process, measure, monitor, manage and control automated and non-automated pension transactions, modernizing the system. We spent more time planning for the software implementation than anticipated to ensure it would be done right, causing us to slow some work and finish slightly under budget at year-end.

Office consolidation

As previously stated, we have begun consolidating our office locations. Costs for this project incurred over two fiscal years. We have collected all office consolidation expenditures from the plan boards in the 2017/18 fiscal, and we expect the move to be on track and on budget.

Secretariat

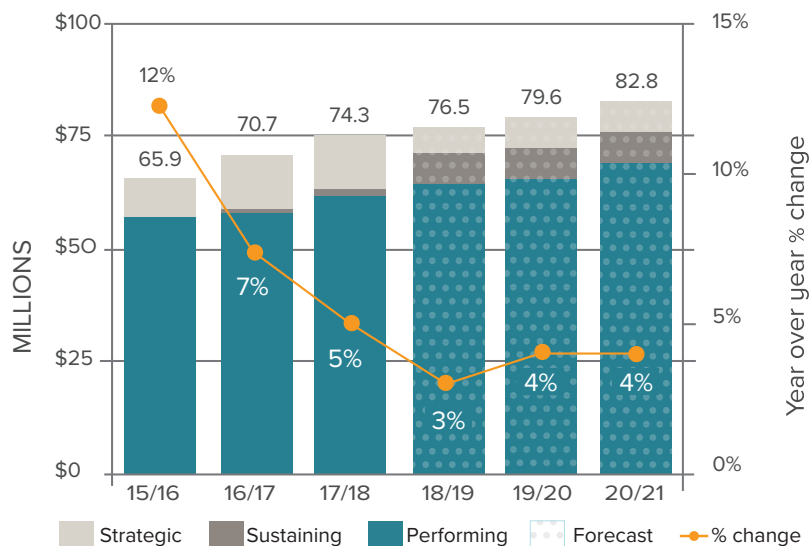
The Secretariat provides professional and operational support to the Boards of Trustees to meet their governance and fiduciary obligations. It carries out the day-to-day board operations and serves as liaison between the boards of trustees, plan partners, BC Pension Corporation, British Columbia Investment Corporation, plan members and employers, pension plan stakeholders and others. Total Secretariat service costs were 14 per cent under budget; moving costs included in the budget were reallocated to the 2018/19 fiscal year.



Financial outlook

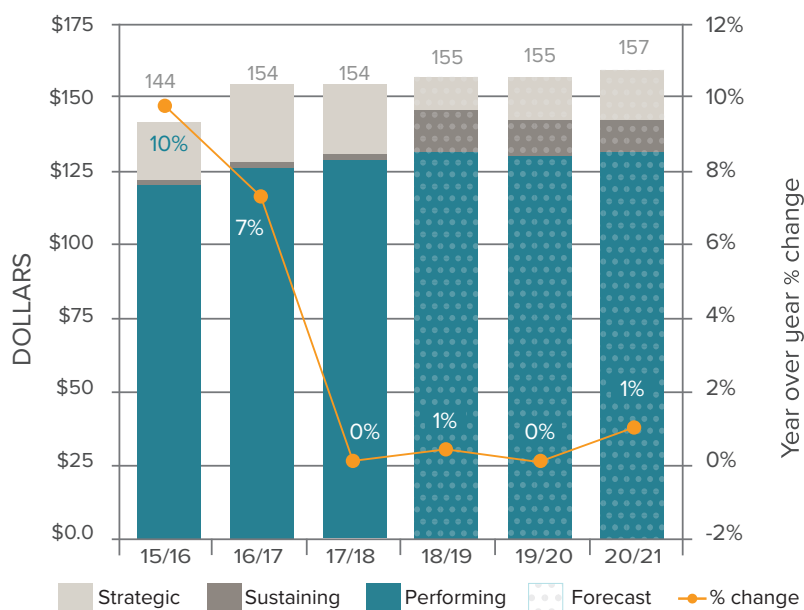
As we look forward to the third phase of our strategic plan, the Operation Phase, we anticipate our budget will increase by about four per cent per year through fiscal years 2018/19 and 2020/21, exclusive of the costs to implement the Public Service Pension Plan's (PSPP) changes that were announced in the spring of 2018. Although the budget exclusive of the costs to implement the PSPP changes will grow, the increases will be substantially lower than those of the past few years.

Performing in the present, sustaining and strategic costs



Performing in the present, sustaining and strategic costs per member

Cost increases per member will be lower still, in the range of zero to one per cent. Our low cost per member demonstrates that we are fiscally responsible.



We believe this indicative financial picture will help us deliver on our strategic priorities and address risks. We also have confidence that our approach will help us remain a low-cost service provider compared to our peers.

Forward-looking information is subject to change. What we forecast may differ from what occurs for a variety of reasons: differing salary assumptions, changing currency valuation, fluctuating service events, changing technological costs shifting timing and complexity of plan and post-retirement group benefit design changes.

Risk management

We are committed to reducing risk. To do so we monitor our risks through an enterprise risk management program. This ensures we have a coordinated enterprise-wide approach to identifying, assessing, managing and monitoring risk at the strategic, corporate, project and operating levels. Our program is based on an internationally recognized risk management framework; using this framework, the program regularly reports risks and risk management activities to the corporate Enterprise Risk Committee and Audit Committee.

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

We are addressing our strategic and corporate risks as part of our continuing implementation of *From 12 to 21*. The new plan websites, online retirement, new Member Services Centre tools and other projects have been designed and implemented so identified risks are minimized. In the 2018–2021 Operation Phase of our strategic plan, we have identified a number of actions that will decrease our strategic and corporate risk.

Over the past year, we have continued to improve our enterprise risk management program by increasing the maturity of our risk assessment and reporting processes, and our business continuity management program. We consider risk management an ongoing process, and regularly review all aspects of the program for opportunities to improve both its delivery and the corporation's overall risk intelligence.

Today's digital security environment demands we protect our IT systems and information assets. We continue to invest in this area to ensure member and corporate data is safe. We view information security as a corporate capability and engage staff from across the organization to identify, assess and manage information security risk—not only as related to technology, but also considering people, process, culture and physical security. We have an ongoing training and awareness program that involves all staff. We use specialized threat and risk assessments, and an information security capability and maturity model to identify risks and prioritize risk management activities.

We have assessed that our market, credit and liquidity risks are low. Funding for both operating and capital expenditures comes 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, so they are available to meet financial obligations as they become due.

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



Our enterprise risk management program is designed to be:



Accountable

Board and audit committee oversight



Sustainable

Foundation of strong governance; internationally recognized framework



Repeatable

Regular updates and reporting; commitment to continuous improvement

Financial statements

BRITISH COLUMBIA PENSION CORPORATION

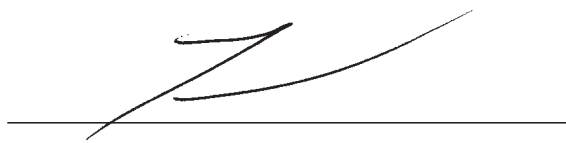
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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.

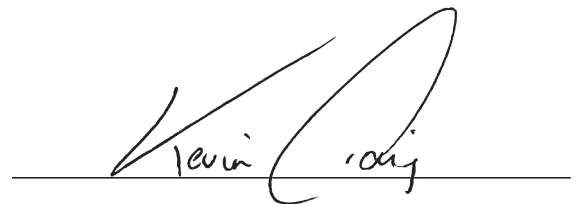
The firm of KPMG LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is 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

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Fax (604) 691-3031

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, 2018, 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 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, 2018, and its results of operations, change in net assets, 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 that tapers at both ends.

Chartered Professional Accountants
Vancouver, Canada
June 18, 2018

Statement of financial position

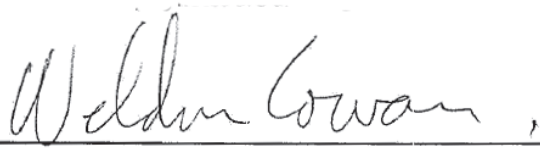
(\$ thousands)

As at March 31	Note	2018	2017
Assets			
Current			
Cash and cash equivalents	4	\$ 8,725	\$ 8,617
Due from pension plans	5	6,053	3,420
Accounts receivable		423	490
Prepaid expenses		691	724
		15,892	13,251
Computer systems and other assets			
Intangible assets	6	20,286	19,378
Tangible assets	6	9,033	6,408
		29,319	25,786
Total assets		\$ 45,211	\$ 39,037
Liabilities			
Current			
Accounts payable		\$ 8,654	\$ 6,362
Accrued salaries and benefits	7	7,236	6,890
Current portion of obligations under lease	8	525	514
		16,415	13,766
Obligations under lease	8	82	607
Deferred capital funding	9	28,714	24,664
		28,796	25,271
Share capital		-	-
Total liabilities and net assets		\$ 45,211	\$ 39,037

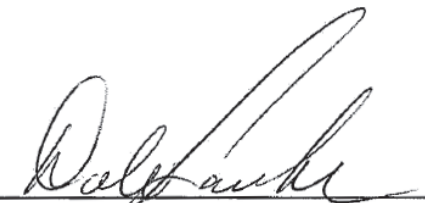
Commitments (note 10)

Contingent liabilities (note 18)

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

Statement of operations and changes in net assets

(\$ thousands)

For the year ended March 31	Note	2018	2017
Revenues			
Benefit administration service revenue	11	\$69,306	\$62,528
Pension plan boards' secretariat service revenue	12	1,668	1,568
Investment income	13	189	206
Total revenues		71,163	64,302
Expenses			
Salaries and benefits		41,207	39,009
Professional services		7,854	5,704
Information services and systems		8,107	7,793
Amortization		6,316	4,362
Premises		3,391	3,282
Other	14	4,288	4,152
Total expenses		71,163	64,302
Excess of revenues over expenses		-	-
Opening balance, net assets		-	-
Ending balance, net assets		\$-	\$-

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

Statement of cash flows

(\$ thousands)

For the year ended March 31	2018	2017
Operating transactions		
Excess of revenues over expenses	\$ -	\$ -
Add (deduct) items not involving cash		
Amortization of computer systems and other assets	6,316	4,362
Amortization of deferred capital funding	(6,316)	(4,362)
	-	-
Change in non-cash working capital balances		
(Increase) decrease in due from pension plans	(2,633)	68
Decrease in accounts receivable	67	44
Decrease in prepaid expenses	33	10
Increase (decrease) in accounts payable	2,292	(1,127)
Increase in accrued salaries and benefits	346	905
Total operating activities	105	(100)
Investing transactions		
Acquisition of computer systems and other assets	(9,849)	(12,069)
Total investing activities	(9,849)	(12,069)
Financing transactions		
Decrease in obligations under lease	(514)	(478)
Deferred capital funding received	10,366	12,547
Total financing activities	9,852	12,069
Increase (decrease) for the year	108	(100)
Cash and cash equivalents at beginning of year	8,617	8,717
Cash and cash equivalents at end of year	\$8,725	\$8,617

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

Notes to the financial statements for the year ended March 31, 2018

(\$ 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 (\$10.00 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.

c) Computer systems and other assets

Computer systems and other assets are classified into four categories:

- Major business application software which consists of the corporation's active member, retired member, imaging system, website design and financial systems
- Computer systems include the corporation's servers, networking systems and computer hardware and software
- Furniture consists of corporation furniture and other miscellaneous equipment
- Tenant improvements include changes and improvements to current accommodations.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**c) Computer systems and other assets (continued)**

In determining the total cost of computer systems and other assets the following criteria are applied:

- Computer systems and other assets acquired or constructed are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost includes overhead directly attributable to construction.
- Salaries and benefits costs in the development, improvement, betterment or implementing computer systems or other assets.

Computer systems and other assets under development are not amortized until project completion, implemented and asset is ready for use.

Computer systems and other assets are written down to residual value when conditions indicate they no longer contribute to the ability of the corporation to provide services or when the value of future economic benefits associated with the sites and buildings are less than their net book value. The write-downs are accounted for as expenses in the statement of operations and changes in net assets.

The cost, less residual value, of computer systems and other assets is amortized on a straight-line basis over the estimated useful life of the asset. It is management's responsibility to determine the appropriate useful lives for tangible capital assets. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful life is 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.

The corporation monitors all 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.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 statement of financial position date. Any resulting exchange gains and losses are included in the determination of income.

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 (BCI). 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.

	2018	2017
Cash	\$ 1,122	\$ 3,001
Cash equivalents	7,603	5,616
	\$ 8,725	\$ 8,617

Notes to the financial statements for the year ended March 31, 2018

(\$ 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:

	2018	2017
Beginning balance, due from pension plans	\$ 3,420	\$ 3,488
Total charges to pension plans for		
Benefit administration services (note 11)	73,343	70,698
Pension plan boards' secretariat services (note 12)	1,668	1,583
Operating funding received	(62,012)	(59,802)
Deferred capital funding received	(10,366)	(12,547)
Ending balance, due from pension plans	<u>\$ 6,053</u>	<u>\$ 3,420</u>
Comprised of:		
Municipal Pension Plan	\$ 3,724	\$ 2,054
Public Service Pension Plan	1,111	638
Teachers' Pension Plan	1,065	535
College Pension Plan	115	136
WorkSafe BC	38	57
Due from pension plans	<u>\$ 6,053</u>	<u>\$ 3,420</u>

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

6. COMPUTER SYSTEMS AND OTHER ASSETS

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
<u>Intangible assets</u>				
Major business application software	\$ 54,711	\$ 35,242	\$ 19,469	\$ 18,328
Held in name of service provider:				
Data centre transformation	1,633	816	817	1,050
Total intangible assets	56,344	36,058	20,286	19,378
<u>Tangible assets</u>				
Computer systems	16,838	13,187	3,651	1,779
Furniture	6,070	2,674	3,396	2,622
Tenant improvements	4,562	3,001	1,561	1,243
	27,470	18,862	8,608	5,644
Held in name of service provider:				
Computer systems	340	239	101	168
Computer systems under capital lease	1,360	1,036	324	596
	1,700	1,275	425	764
Total tangible assets	29,170	20,137	9,033	6,408
Total	\$ 85,514	\$ 56,195	\$ 29,319	\$ 25,786

The corporation has entered into a contract for the provision of services to maintain and manage its data centre operations (note 10b). 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.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

7. ACCRUED SALARIES AND BENEFITS

	2018	2017
Accrued salaries and benefits	\$ 5,502	\$ 5,256
Leave liability	1,734	1,634
	\$ 7,236	\$ 6,890

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	2018	2017
2018	\$ -	\$ 582
2019	559	555
2020	56	56
2021	30	30
	645	1,223
Amount representing interest	(38)	(102)
Obligation	607	1,121
Less: current portion	(525)	(514)
	\$ 82	\$ 607
Opening balance, obligations under lease	\$ 1,121	\$ 1,599
Less: principal payments	(514)	(478)
Decrease in obligations under lease	(514)	(478)
Closing balance, obligations under lease	\$ 607	\$ 1,121

Of the \$607 of lease obligations \$555 (2017: \$1,021) are capital and \$52 (2017: \$100) are operating.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

9. DEFERRED CAPITAL FUNDING

	2018	2017
Opening balance	\$ 24,664	\$ 16,479
Capital assets additions	9,849	12,069
Principal payments on obligation under lease	517	478
Capital funding received	10,366	12,547
Amount amortized into revenue	(6,316)	(4,362)
Ending balance	\$ 28,714	\$ 24,664

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

In 2016, the corporation entered into a building and rental accommodation agreement, starting in early fiscal 2019, 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	
2019	\$ 4,561
2020	4,304
2021	4,347
2022	4,396
2023	4,531
Thereafter	13,910

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:

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

10. COMMITMENTS (CONTINUED)**b) Contractual obligations – data centre operations**

For the year ended March 31	Managed services	Data centre facilities	2018 total
2019	\$ 3,903	\$ 237	\$ 4,140
2020	3,903	237	4,140
2021	3,903	237	4,140
2022	-	237	237
2023	-	237	237
2024	-	237	237
	\$ 11,709	\$ 1,422	\$ 13,131

There is provision under the contract for the corporation to terminate for convenience with not less than twelve months 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, 2018, the estimated one-time termination costs are:

Date of termination as at March 31	Managed services	Data centre facilities	2018 total
2019	\$ 300	\$ 701	\$ 1,001
2020	270	561	831
2021	-	420	420
2022	-	280	280
2023	-	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.

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 final implementation fee which is to be invoiced no later than early fiscal 2019.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

c) Contractual obligations—Member Services Centre (continued)

The initial unrecoverable costs for the server 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 final implementation fee which is to be invoiced no later than early fiscal 2019.

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, 2019 to 2021 are \$50.

e) Other contracts and commitments

The corporation has committed to \$475 (2017: \$200) for various IT software licenses and maintenance fees on April 1, 2018 and ending on March 31, 2019.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

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.

	2018	2017
Total charges to pension plans for benefit administration services and purchase of assets (a)	\$ 73,343	\$ 70,698
Purchase of computer systems and other assets	(9,852)	(12,054)
Lease obligation funding received, net of disposals	(501)	(478)
	62,990	58,166
Capital funding recognized as service revenue:		
Amortization of deferred capital funding	6,316	4,362
Benefit administration service revenue	\$ 69,306	\$ 62,528
(a) Total charges to pension plans for benefit administration services were		
Municipal Pension Plan	\$ 40,932	\$ 39,401
Public Service Pension Plan	15,706	14,920
Teachers' Pension Plan	12,593	12,228
College Pension Plan	3,289	3,264
Worksafe BC	823	885
	\$ 73,343	\$ 70,698

Notes to the financial statements for the year ended March 31, 2018

(\$ 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.

	2018	2017
Total charges to pension plans for plan boards' secretariat support services and purchase of assets (a)	\$ 1,668	\$ 1,583
Purchase of computer systems and other assets	-	(15)
Pension plan boards' secretariat service revenue	\$ 1,668	\$ 1,568

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

Municipal Pension Plan	\$ 891	\$ 813
Public Service Pension Plan	259	257
Teachers' Pension Plan	259	257
College Pension Plan	259	256
	\$ 1,668	\$ 1,583

13. INVESTMENT INCOME

	2018	2017
Interest from cash	\$ 30	\$ 115
Interest from cash equivalents	159	91
	\$ 189	\$ 206

14. OTHER EXPENSES

	2018	2017
Communication products and distribution	\$ 1,360	\$ 1,506
Travel and business expenses	994	927
Staff training	853	644
Office supplies	521	484
Bank charges and regulatory fees	406	398
Corporate board	81	89
Lease financing	73	104
	\$ 4,288	\$ 4,152

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

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 trusteesd pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2018, the corporation has approximately 536 (2017: 521) employees contributing to the plan which has approximately 62,000 active plan members and approximately 48,000 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, 2017, indicated a funding surplus of \$1,896 million for basic pension benefits.

For the fiscal period 2018, the 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. Effective April 1, 2018, a single contribution rate will replace the two-tiered contribution rates for members and employers. Members will pay a contribution rate of 8.35% of salaries and employers pay 9.85% of members' salaries. 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, 2020, with results available in early 2021.

The actuary does not attribute portions of the unfunded liability to individual employers. In 2018, the corporation paid \$3,300 (2017: \$3,100) 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 BCI 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 \$8,700 (2017: \$8,600) due to the Province of BC.

17. FINANCIAL INSTRUMENTS

The corporation's financial instruments recorded at amortized cost consists of accounts receivable, including dues 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.

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

17. FINANCIAL INSTRUMENTS (CONTINUED)

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

Level 3—Inputs that are not based on observable market data.

Cash equivalents, which total \$7,603, are classified as level 1 (2017: \$5,616—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.

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 fiscal 2018 (2017: nil) 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.

On April 6, 2018 the corporation's short-term unsecured bank facility was increased from \$250 to \$1,500.

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

Notes to the financial statements for the year ended March 31, 2018

(\$ thousands except as otherwise noted)

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.

Supplemental Statement: Total Charges to Pension Plans

Unaudited

(\$ thousands)

For the year ended March 31	Actual	Budget	Variance		Actual	Variance	
	2018	2018	Over (under) budget		2017	Over (under) 2017	
Operations							
Salaries and benefits	\$38,385	\$38,373	\$12	-	\$37,054	\$1,331	4%
Professional services	4,234	4,931	(697)	(14%)	4,246	(12)	-
Information services and systems	7,789	8,027	(238)	(3%)	7,402	387	5%
Premises	3,081	3,188	(107)	(3%)	2,975	106	4%
Other	4,005	4,296	(291)	(7%)	3,892	113	3%
	57,495	58,815	(1,321)	(2%)	55,569	1,926	3%
Non-strategic actions capital							
Tenant improvements	654	415	239	58%	503	151	30%
Furniture and equipment	1,341	500	841	168%	844	497	59%
Computer systems	1,026	601	425	71%	915	112	12%
	3,021	1,516	1,505	99%	2,262	760	34%
Lease obligations	516	514	2	-	478	38	8%
	3,537	2,030	1,507	74%	2,740	797	29%
Miscellaneous income	(192)	(105)	(88)	84%	(206)	13	(6%)
Total operations	60,839	60,740	99	-	58,103	2,736	5%
Strategic actions							
Compliance	146	277	(131)	(47%)	427	(281)	(66%)
Member Experience	4,183	3,809	374	10%	8,213	(4,030)	(49%)
Improve Efficiency	842	1,350	(508)	(38%)	154	688	447%
IPAS	4,409	4,362	47	1%	634	3,775	596%
Estimated incremental salaries	2,532	2,532	-	-	2,553	(21)	(1%)
Employer Online Services	-	-	-	-	614	(614)	(100%)
Total strategic actions	12,111	12,330	(219)	(2%)	12,595	(484)	(4%)
Office consolidation	416	1,200	(784)	(65%)	-	-	-
Remaining commitment ¹	784	-	784	100%	-	-	-
Total office consolidation	1,200	1,200	-	-	-	-	-
Total charges to pension plans for benefit administration services and purchase of assets	74,150	74,270	(120)	-	70,698	3,453	5%
Total charges to pension plans for plan boards secretariat support services	1,668	1,938	(270)	(14%)	1,583	85	5%
Total charges to pension plans	\$75,818	\$76,208	\$(390)	-	\$72,281	\$3,537	5%

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 board secretariat support services.

¹ \$784 is due to the delay in the existing tenant departure in 2018/19. All office consolidation expenditure have been collected from the plan boards in this fiscal. Any variance adjustments from early collection and actual costs in 2018/19.

