

BC PENSION
CORPORATION

2019/20

Annual Report

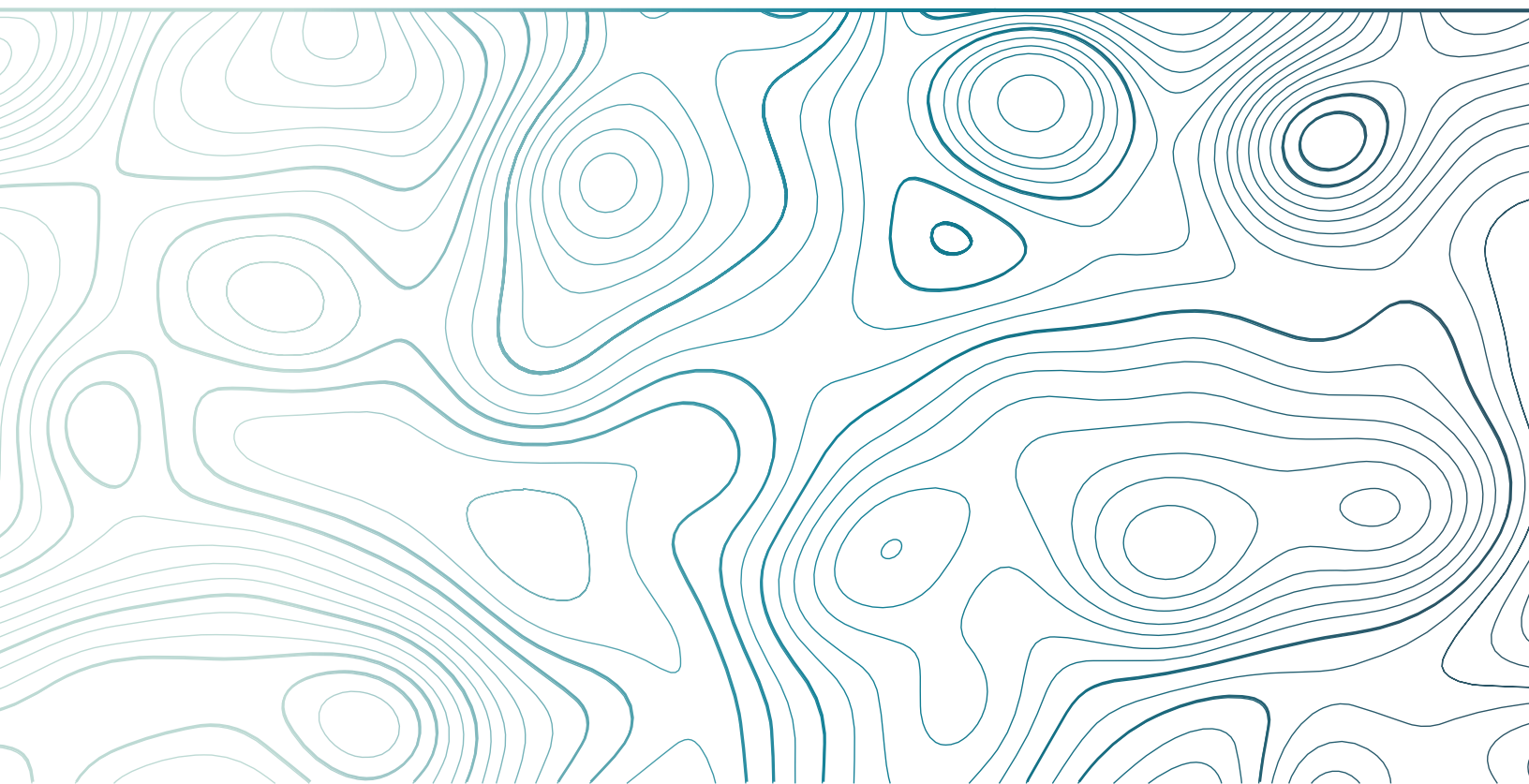


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Our journey

This past year, we united in a strong organizational community to adapt to change, rise to challenges and accept new opportunities with resilience.

As plan memberships grow, plans change, service becomes more complex and the world around us challenges how we do business, we continue to perform in the present while keeping our eyes set on the future.

In 2019/20, we invested in our technology, gained efficiencies and ensured we have the right staff with the right skills undertaking the right activities. We adapted when needed and reset our course to continue to deliver quality service to plan members, employers and boards of trustees.

With agility and flexibility, we are fulfilling our purpose to make the pension experience easy for those we serve.

Message from the CEO

“Recency bias” has a way of drawing our attention to the things that happened most recently instead of something that may have occurred a while back. And in this case, the recent and ongoing impacts of COVID-19 are inescapable and have a way of overshadowing the events and accomplishments that predate the pandemic. So let me start by addressing the recent events.

I am very proud of the entire team at Pension Corporation in our response to the pandemic. Our ability to move quickly and effectively from the initial crisis to a state of control speaks volumes about our business continuity plans, our progress on digitization, our prior technology investments and, above all, the resilience, commitment and engagement of our staff. Within days of the early news of the pandemic, most staff were working from home and establishing new work patterns and ways to connect with their colleagues to get the job done and maintain our positive corporate culture. I often talk about the part every person plays in our success, and it has never been so apparent as in the context of COVID-19. Everyone stepped up. Everyone played their part. In the end, we have come to understand that work is what we do, not where we do it.

This annual report highlights many of our accomplishments of the past year, aside from our response to the pandemic. As you will see, we’ve made important progress on digitization, increased online service for members, enhanced cybersecurity, introduced operational excellence, improved risk management and strengthened our leadership development—to name a few examples. And we’ve done all of this and more while being the lowest-cost service provider among our benchmark peers.

I’d like to thank the corporate board for their guidance and support as we navigated several challenges this year. And once again, my gratitude goes to the management and staff of Pension Corporation. Collectively, we are a stronger team and more productive than ever before with a culture that enables people to thrive. This is an outstanding place to work—whether remotely or in the office.



Laura Nashman, Chief Executive Officer

Message from the board chair

In 2012, CEO Laura Nashman and her team set a clear vision for BC Pension Corporation and created a nine-year strategic plan, *From 12 to 21*, that would help it transform into a more mature, high-functioning organization in every way. This past year, the corporation moved through the middle of the last phase of this transformation. It remains determined to meet the changing needs and expectations of plan members and employers.

The board of directors is pleased to share BC Pension Corporation's *2019/20 Annual Report*, a review of the organization's performance over the past year and a celebration of the initiatives begun, targets set and goals achieved. You'll see how the corporation moved forward in its transformation—how it digitized communications, added more online services for members and employers, improved online security and strengthened the organizational community—all while continuing to deliver excellent service every day to plan members and employers.

We know it's been a challenging year to navigate, with new plan designs requiring corporate-wide systems changes, cybersecurity continuing to evolve at a rapid pace and a global pandemic that shook the world. We are impressed with how Pension Corporation leaders and staff continue to rise to the occasion, finding growth opportunities in challenges and uniting when times are tough.

The people at Pension Corporation do important work for BC's public sector pension plans because they care about those they serve. They are passionate about understanding plan members and making their pension experience a positive one.

On behalf of the board of directors, I would like to thank Laura, her executive team and all Pension Corporation employees for their extraordinary efforts this past year. We are committed to offering our continued support.

A handwritten signature in black ink, appearing to read 'G Hutchings', with a stylized flourish at the end.

Geraldine Hutchings
Chair, Board of Directors

Who we are

Pension Corporation is one of the largest pension service providers in Canada and the largest in British Columbia. We apply our expertise in all areas of pension administration. We provide the right information at the right time so plan members can make informed decisions about their pension. We constantly learn and evolve our approach to client service to meet the changing needs of those we serve.

This year, we celebrate 20 years of service to BC public sector employees. Our success is thanks to our dedicated employees.

Plan highlights

639,000

Plan members

36,000+

New active members

11,000+

New retirees

71

Average age of pensioner

1,000+

Participating employers

5

Pension plans we serve

\$0.4 billion

Benefits paid out
monthly

\$4.8 billion

Benefits paid out
annually

TOTAL MEMBERSHIP* IN EACH OF BC'S FIVE PUBLIC SECTOR PENSION PLAN

College Pension Plan	30,050	as at August 31, 2019
Municipal Pension Plan	364,484	as at December 31, 2019
Public Service Pension Plan	137,745	as at March 31, 2020
Teachers' Pension Plan	100,446	as at December 31, 2019
WorkSafeBC Pension Plan	6,226	as at March 31, 2020
Total	638,951	

* 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 based on each plan's year-end reporting cycle.

BC Pension Corporation came into being when the first pension plan joint trust agreement came into effect with the proclamation of the *Public Sector Pension Plans Act*. Previously, member pensions were managed by the Superannuation Commission as part of the provincial government.

WE ARE CELEBRATING OUR 20TH ANNIVERSARY

April 1, 2020, marked our 20th anniversary. While COVID-19, work-from-home and physical distancing prevented us from observing this milestone together, we found ways to connect and interact virtually. We reflected on our past, celebrated our current achievements and looked forward to our future. We also came together in a fun and engaging way with contests on our organization's intranet, where all corporation staff (from the newest to the longest serving) could participate. The anniversary created a revived sense of community for all.

While the way we work has changed over the last 20 years and will continue to transform in the next 20, what remains constant is the importance and impact of our people and culture.

WE'RE A BC TOP EMPLOYER

Pension Corporation was chosen as one of BC's Top Employers for 2020. This is a special designation recognizing BC employers that lead their industry as exceptional places to work with the most progressive and forward-thinking programs. Check out canadastop100.com/bc for our 2020 winner review.

"This award is a testament to our maturity as an organization. It's an acknowledgment of all of you who make our organization a special place to work." – Laura Nashman, CEO

WE SHARE OUR KNOWLEDGE

Pension Corporation hosted the annual Northwest Pension Peers Conference on October 23-25, 2019. It was an opportunity for us to interact with our pension peers, collectively share our knowledge and experiences, and discuss current topics of note in the pension industry, such as how to build an operational excellence program, aligning security program activities with organizational goals, and the evolving roles of employers in pension plans.

Our leaders

Our executive team carries out our strategic plan and keeps us focused on our operational and strategic goals. They guide Pension Corporation in serving plan members, employers and trustees, and investing in our people.

Laura Nashman, Chief Executive Officer

Trevor Fedyna, VP, Strategy and Insights, and Chief Financial Officer

Brett Emmerton, VP, Information and Technology Services, and Chief Information Officer

Aaron Walker-Duncan, VP, Board and Communication Services

Joel Levinson, VP, Member and Employer Experience

Erika Taylor, VP, People and Culture

WE BUILD OUR LEADERSHIP

Erika Taylor, our new VP of People and Culture, is an accomplished leader with close to 20 years' experience developing and delivering strategies for talent management to support high-performing workforces and workplaces. Erika will develop a structure for the new division to help us create the best alignment of people and processes, and put an even greater focus on people and culture as we embark on our new strategy in 2021.

Brett Emmerton, our new VP of Information and Technology Services, and chief information officer, has a depth of international experience in IT, public sector digital transformation, education and research. Brett has led public sector transformation initiatives in both federal and provincial governments. His leadership will be invaluable in our final year of *From 12 to 21* and as we move into our next strategic plan.

Our Board of Directors

The collective knowledge and experience of the BC Pension Corporation Board of Directors informs the strategic planning and direction of Pension Corporation. Trustees provide careful, thoughtful oversight and sound governance. The corporate board includes a plan member and plan employer representative from each of the following plan boards.

College Pension Board of Trustees

Geraldine Hutchings, Chair

Weldon Cowan

Public Service Pension Board of Trustees

David Vipond

Chan-Seng Lee

Municipal Pension Board of Trustees

Gary Yee

Philip Twyford¹

Mary Procter²

Teachers' Pension Board of Trustees

Elizabeth Baverstock, Vice Chair

Brad Underwood

¹Incoming appointment

²Outgoing appointment

Where we are in our strategic plan

We are in the middle of the third and final phase of our strategic plan, *From 12 to 21: Our Way Forward*, an ambitious plan of business transformation. Throughout, we have remained focused on improving the member experience, doing mission critical compliance work and supporting digitization for automation. We've also begun our effort to become an insights-driven organization.

KEY DRIVERS OF OUR FROM 12 TO 21 STRATEGIC PLAN

- Increasing need for information and process management
- Rising stakeholder expectations
- Growing complexity and diversity in plan design and administration
- Evolving demographics and client service expectations for service
- Shifting workforce characteristics



Adapted to change

Midway through the year, we realized we needed to make a course correction. We pivoted from process automation to a more focused effort on digitization to drive operational excellence.

Adapted our approach to digitization

As we adjusted our approach to digitization, we expanded digital services for members and employers, moved member and employer communications to digital channels, and provided staff with the digital tools, training and processes they needed to perform their work more efficiently. New digital tools include opting in to electronic communications and out-bound text for members.

Our shift to digitization set a clear path to truly modernize our core business processes.

WE'RE DIGITIZING INFORMATION

We brought in a certified imaging standard that complies with federal and provincial regulations, principles and standards. Our scanned documents are now recognized as official records, and we no longer have to send records offsite for long-term storage. This change eliminates the storage of 22,500 pages per month and reduces our carbon footprint.

WE LAUNCHED DIGITAL OPT-IN

We provided a more efficient, timely and environmentally friendly way to share member information with digital opt-in through My Account. As members sign in or register for My Account, they are now prompted to indicate if they wish to receive digital communications through digital opt-in consent. This allows us to send information electronically that has traditionally been printed. As of July 31, 2020, more than 8,400 plan members across all five plans had chosen to receive digital communications.

With the online version of the *Approaching Retirement* workshop launched in December 2019, we reached an exciting milestone: all pension education workshops for active and retired members are now available as online learning. Members can learn when and where it's convenient for them.

Continued building relationships

We worked with employers to leverage existing channels and relationships to increase plan members' engagement with our online digital services. We launched two different pilots that encouraged members' digital behaviour: registering for My Account and applying for retirement online. Initiatives like these will improve members' adoption of online tools, better educate employers and increase understanding of the value of pension plans.

WE MADE MY ACCOUNT REGISTRATION EASIER

We partnered with College Pension Plan employers for a My Account registration campaign. Employers used their internal communication channels to encourage their employees to sign up for My Account. The campaign was aligned with distribution of the annual statement so members could more easily find their Person ID (listed on the *Member's Benefit Statement*), which they need to register for My Account.

WE ENCOURAGED RETIRING ONLINE

BC Teachers' Federation helped us communicate the online retirement process to members and employers. The Teachers' Pension Plan online retirement campaign was a success: 72 per cent of the members who were retiring in July 2019 applied to retire online through My Account. This is up from 42 per cent in 2018. The campaign's success was due to employer engagement and increasing members' awareness of online services through promotion on the plan's website and in Member Services.

Improved the member experience

The goal of user experience (UX) design is to create a positive experience for plan members. Our UX team helps us fine-tune the member experience through research, testing, UX design and developing design strategies for the plan websites. The team has developed a deep understanding of user knowledge and insights, and industry best practices so we have a more complete picture of the plan member and employer experience.

WE MADE PLAN WEBSITES MORE ACCESSIBLE

We invested in a new web service tool to help us monitor and improve the maintenance of the plan websites. The tool checks the plan websites for quality assurance (identifying broken links, misspellings and readability), search engine optimization to help improve content for common search engines, and web accessibility so we can provide equal access to information for all our users.

WE LEARNED FROM RETIRED PLAN MEMBERS

We ran a cross-plan longitudinal behavioural study with retired plan members ("the retired member diary study"). Our goal was to gather information about retired members to help us better understand day-to-day retirement life attitudes, motivations and challenges. It was our first study of this kind, and we will learn from the process to help in future applications. What we learn will also help us improve the service experience for plan members, how we communicate with them and the kinds of resources we make available.

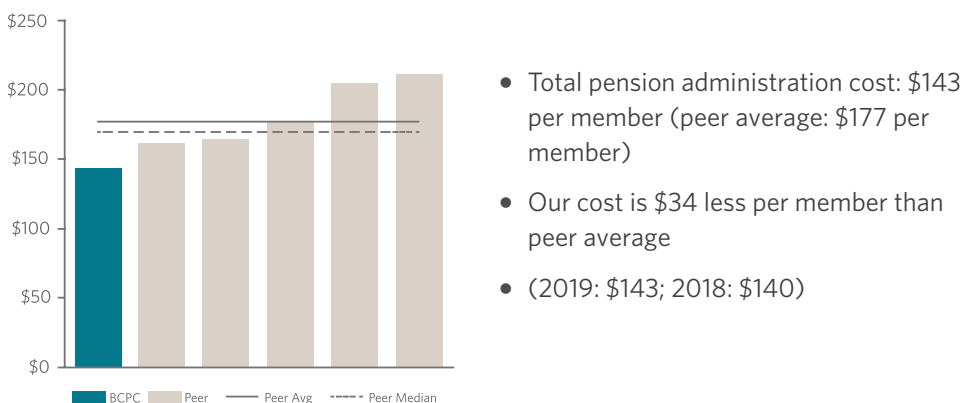
Rose to challenges

In the face of challenges, we continued to deliver excellent service every day and to thrive as a highly productive and engaged workforce. We completed plan changes, evolved the member experience and enhanced our user experience testing capabilities.

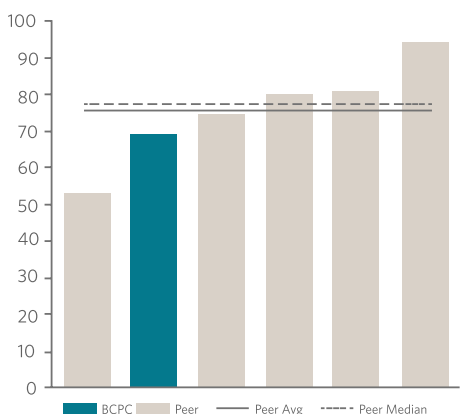
Maintained high service scores

Each year, we participate in the CEM pension administration benchmarking analysis, which gathers data on cost, service levels and complexity for 72 of the world's leading pensions systems. The CEM annual report provides insights into how we compare to the other participants as well as to a select group of six peer Canadian pension plan administrators. Results show we continue to be one of the lowest-cost-per-member service provider among our peer group.

COST PER MEMBER

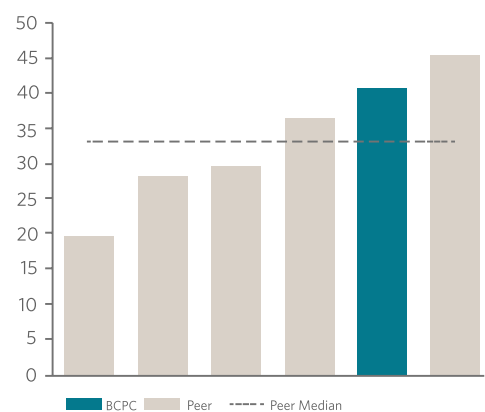


TOTAL SERVICE SCORE



- Total service score: 69 (peer median: 78)
- This score has remained roughly flat over the last four years
- (2019: 69; peer median: 78)

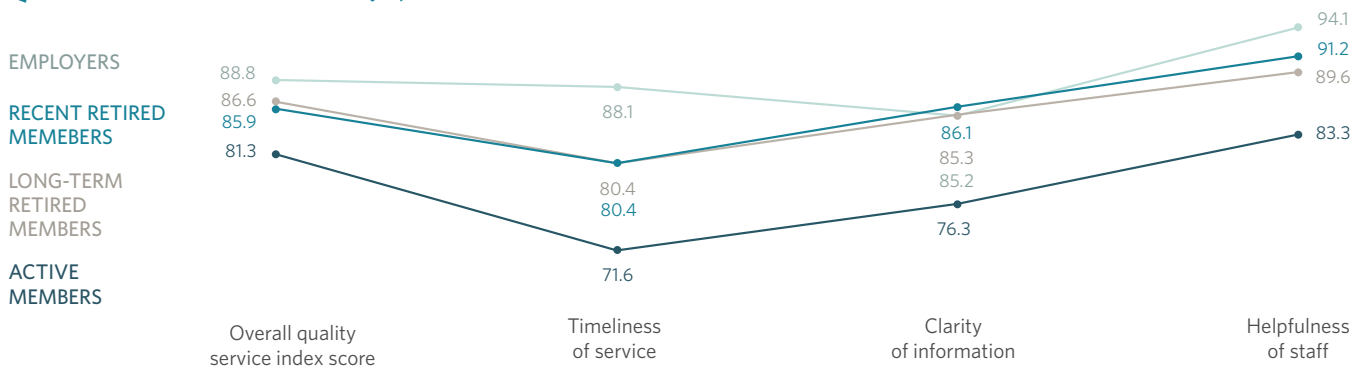
TOTAL COMPLEXITY



- Complexity score: 41 (peer median: 33)
- Our higher complexity is due to the number of plans we serve and the different plan rules.
- (2019: 41; peer median: 33)

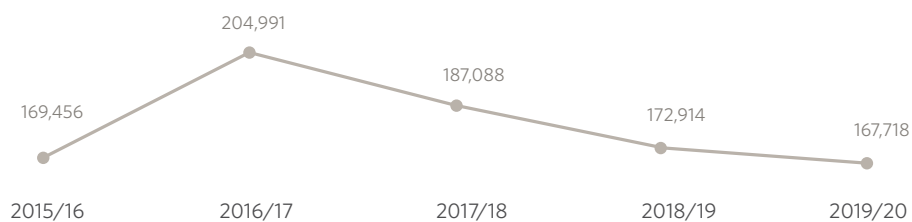
Our service scores, compiled by Ipsos, a third-party market research company, demonstrate how we are meeting members' and employers' expectations. These scores are based on satisfaction survey results.

QUALITY SERVICE MEASURES (%)



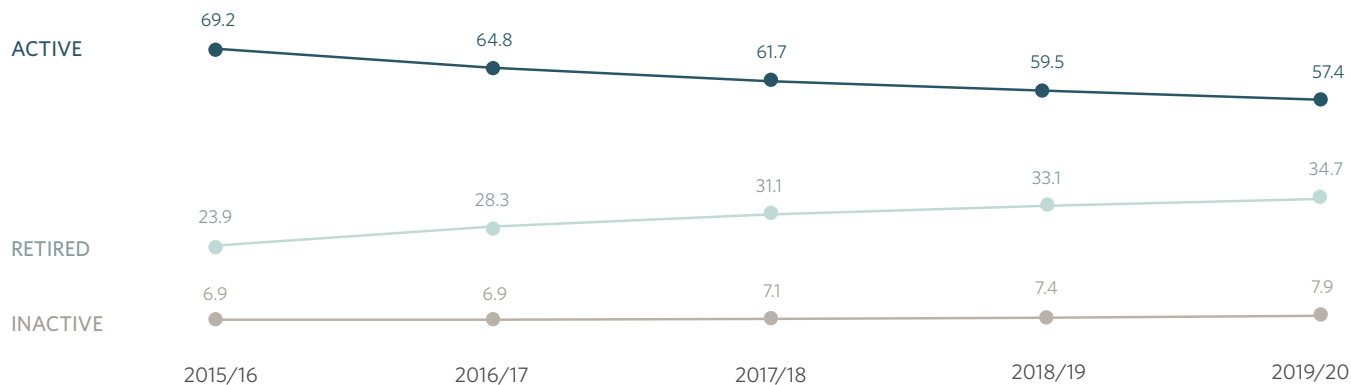
CALL VOLUMES

ALL PENSION PLANS
AND MEMBER TYPES



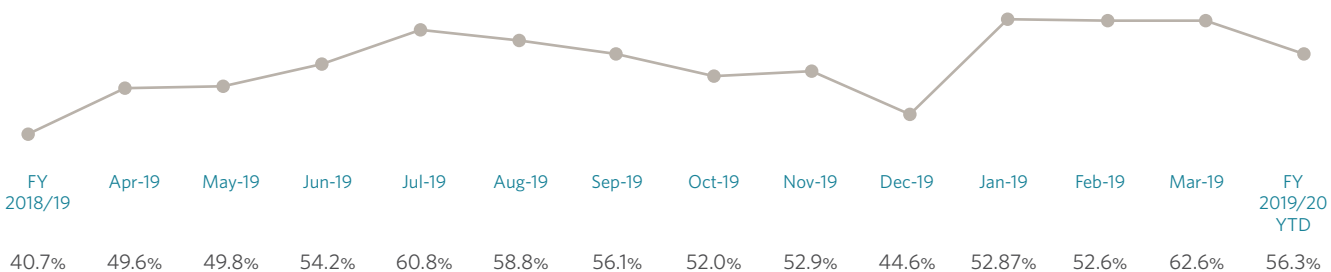
MY ACCOUNT REGISTRATION (%)

ALL PLANS, APRIL 2019 TO MARCH 2020



ONLINE RETIREMENT RATES

ALL PLANS, APRIL 2019 TO MARCH 2020



Strengthened our cybersecurity

We care about the safety and security of our staff and the plan members we support. We embrace our responsibility to protect the personal information and confidential business information in our care.

WE'RE SAFEGUARDING MEMBERS' PERSONAL INFORMATION

We launched new features in My Account to enhance the online experience and make it more secure. An improved sign-in process simplifies access to My Account for members. Enhanced password security criteria help further protect member information; these include stronger password requirements, improved security questions and a new mobile number information field so we can communicate with members through texting.

WE'RE KEEPING STAFF SAFE

There's nothing more important than health and safety. We launched a mass notification tool that sends a message to staff on their corporate or personal cell phone when normal communication channels are not available. This will help staff stay up to date on office closures due to emergencies and other potential issues that may affect our workplace.

Improving our business continuity planning is an ongoing effort. In October 2019, we completed our annual corporate-wide tabletop exercise; we used the feedback to improve our business resiliency and ensure we can continue doing business as usual in an emergency.

Supported plan innovation

Over the course of the year, we completed many different projects for the plan boards—especially improvements to our digital services and offerings—to support plan innovation. However, the Public Service Pension Plan (PSPP) redesign was our largest endeavour. The complexity of the plan redesign required innovations in the way we do our work.

WE COMPLETED PSPP REDESIGN

This year, we completed PSPP redesign. It was one of the most comprehensive initiatives we've undertaken, with changes required to automate 26,000 pension amendments for a past service benefit enhancement, communicate to more than 90,000 PSPP members about changes to their RRSP room and introduce a new plan design for ambulance paramedics.

WE IMPROVED THE PENSION CALCULATION PROCESS

We improved the pension calculation process to enable automation and reduce reliance on manual-entry Excel-based calculations. This includes complex pension calculations, such as those needed for members with a marital breakdown claim on their file. These improvements have multiple benefits: reduced risk of manual-calculation errors, reduced time required to train staff to complete these transactions and increased efficiency in processing times.

We launched a new half temporary annuity option for the Public Service Pension Plan to provide plan members more options at retirement.



Quality assurance and risk report

Our quality assurance and risk management program plays an important part in our ability to navigate change, challenges and opportunities. We organize our program around four areas of practice:

- **Enterprise risk management:** identify, assess and manage risk, and report on it to the corporate and plan boards and within Pension Corporation
- **Business continuity management:** strengthen business resiliency and crisis management, and assess and report on risks during irregular operations
- **Quality management:** ensure we meet quality objectives (e.g., timeliness, accuracy, security) by assessing risk as we change process and technology, and designing appropriate controls into our business practices
- **Internal audit and advisory services:** provide independent assurance and advice on risks and controls, and report audit findings and action plans to management and the audit committee

Our approach to risk

Our risk management program is a coordinated enterprise-wide approach that helps us identify, assess, manage and monitor risks to successfully achieve our objectives at all levels (strategic, corporate, project and operating). We base our program on an internationally recognized risk management framework, and regularly report risks and risk management activities to the corporate enterprise risk committee and the corporate audit committee.

We also include in our coordinated approach to risk management:

- Business continuity planning
- Crisis, incident and emergency response
- Quality management
- Internal audit
- Insurance
- IT disaster recovery
- Cybersecurity planning and response

We regularly review our business continuity and incident response plans, test them through tabletop exercises and simulation events, and update them as required. The value of these plans and exercises was clearly demonstrated in our response to COVID-19.

Risk management is an ongoing process that we practise every day. Just as we adapt our business to challenges and opportunities, we also continuously review our program to improve both program delivery and Pension Corporation's overall risk awareness and intelligence. This year, program improvements included:

- Better integration of quality management into project delivery
- Assessment of risk posed by vendors and business partners
- Updates to incident response plans
- Revised risk assessment and reporting to provide greater focus on risk management plan execution

We assess our market, credit and liquidity risks as low. Funding for both operating and capital expenditures comes from the pension plans 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.

Information security

Of particular note in today's world is the use of information risk management to protect information technology systems and information assets. We continue to invest in information security to identify risks, prioritize activities, and ensure member and corporate data is protected.

We are keenly aware of our responsibility to plan members, plan employers and other stakeholders to protect their information. We have a multi-faceted approach to meeting this responsibility:

- Policies and procedures governing information management and information security
- An information security risk management program that includes technology, people, processes, culture and physical security
- Ongoing training and awareness campaigns so all staff are engaged in protecting information and privacy
- A security officer responsible for ensuring information systems are secure, and a privacy officer responsible for ensuring we adhere to privacy legislation and best practice

Special report on COVID-19: From crisis to control

Our COVID-19 response

At the end of January, when the World Health Organization declared a global public health emergency, we did not yet have a name for the new pandemic or appreciation for how fully it would change our day-to-day lives. However, we can see with hindsight that we were well poised in our final phase of our *From 12 to 21* strategic plan to not only weather the crisis but continue to thrive.

From the beginning, we understood that the safety of staff, members and employers—all our stakeholders—was paramount. In January, we reviewed our pandemic response plan. In February, we monitored staff travel, which soon led to restrictions. March brought an escalated response plan and enhanced cleaning, and we updated work-from-home options. By mid-March, we had cancelled all events, workshops and on-site appointments; closed our reception; stopped accepting paper submissions; and sent staff home to work. We worked with the plans and British Columbia Investment Management Corporation to provide communications on the website to reassure members their plan investments were secure, and we created dedicated COVID-19 web pages so members could find the information they needed most (e.g., impact of COVID-19 *Employment Standards Act* leave on pensions). Pension payments were not affected, as our core payment systems are automated for quality assurance and efficiency.

Throughout the process, we significantly increased the number of staff enabled to work from home and put in place procedures to minimize health and safety risks to staff remaining on our campus.

Our strategic digital transformation has served us well during this crisis. It is because of the plans and projects already in place through our forward-thinking efforts that we have been able to continue doing business—pay pensions, provide information, educate members online, and train employers and new staff—in our new virtual ways.

Effect on total operations

As a result of our quick response, we have had no disruption to delivery of our key services to plans, members and employers. While physical distancing on campus and work-from-home had some initial impact on staff productivity, we adapted and solved the impediments to effective work.

We would like to recognize the plan members and employers who stayed working on the front lines—for all of us. You have our gratitude and respect.

Changes in our risk profile

We identified a number of risks particular to the pandemic, either driven by our response or attributed to the broader impact of the pandemic. In the current environment, it's important to manage risk pragmatically.

We consider information security to be an area where risk has increased because of the pandemic. This risk is also closely related to inappropriate access risk and information management risk. After conducting a review of our practices in these areas, we are satisfied that any increase in risk is appropriate under the circumstances.

We increased security protocols for work-from-home to mitigate information security risk in these ways:

- Limited remote access to our network through a virtual private network and corporate laptops only
- Prevented corporate laptops from being connected to non-corporate networked peripherals (e.g., printers)
- Increased monitoring of network traffic and security alerts through our IT security partner, Deloitte
- Monitored remote network access at unusual times or from unusual IP addresses
- Put in place security protocols for online meetings
- Provided security training and reminders for staff

We continue to monitor risks related to the pandemic and adjust our risk management plans as appropriate. Using our pandemic response as a catalyst, we began reviewing business practices and where our work can be done to develop a future work state.

Work is what you do, not where you do it



LETTER FROM WELDON COWAN

As you know I have the privilege of having been on the board of directors of the corporation for nine years now. I have been thinking about Pension Corporation and its work over these last few weeks as the entire province deals with the impact of the COVID-19 crisis.

My first thought is that the 12 to 21 strategy has been a great success. The strategy has fortuitously, and by design, provided us with the tools necessary to keep the corporation functioning through this crisis. Hundreds of employees are able to continue their work from home. Members are still able to submit documents, get assistance and otherwise receive all the services they need. Tens of thousands of British Columbians continue to receive their pension cheques every month. All of this would have been impossible ten years ago, maybe even five years ago. But that's not the important part.

What has truly impressed me over these last weeks is not our technology, it's our people. At every level of the organization, corporation staff have risen to the occasion, working with determination and zeal to serve plan members and boards. Whether it's employees taking on the challenges of working from home while juggling family responsibilities or other employees courageously going into work when staying home is so much safer, every member of the staff is giving their very best and more at this crucial moment.

As a member of the corporate board, I have always known we have wonderful staff, but the COVID-19 crisis has really highlighted just how special our staff are. I have nothing but praise and admiration for all of our roughly 450 staff members. I am humbled and honoured to be associated with such a dedicated and engaged group of people. They have my deepest gratitude and respect.

Kind regards,



Weldon Cowan
Pension Corporation Board of Directors

HIDDEN HERO

Excerpt from Dan Pontefract's article "Incredible Stories From Hidden Heroes Leading Their Teams Through the Pandemic" Forbes, www.forbes.com.

“

In British Columbia, Robert Bowness is the assistant director of a unit known as "Employer Operations" at BC Pension Corporation. Multiple team members in his group were nervous about going into the office after the outbreak began. Instead of making them go into the office, Robert brought their office to them.

He went into headquarters, retrieved each employee's ergonomic chair and their computer equipment, and then drove it to their homes. He left the items in the driveway or building entrance, text[ed] the team member from the car, smiled, waved (social distancing rules, of course), and then drove back to the office and did it again for the next team member. Before dropping off the equipment and chair, Robert wiped everything down with isopropyl alcohol.

... You are setting a great example of caring and empathic leadership, one I wanted to ensure the world knew about.

”

THOUGHTS FROM OUR STAFF

"I am writing to say 'thank you.' Listening to you speak today sharing Weldon's letter and reflecting on the past weeks reminds me of how fortunate we are to work at the Pension Corporation. I have been an employee for over 25 years and it is truly the dedication and caring of the people that has kept me here. In the last few weeks, I have witnessed so much strength and caring in my co-workers, particularly as we asked people to be patient while everyone worked tirelessly to get them working from home. I truly appreciate your presence and caring for our people."

– Alana

"Being able to be as productive as I have been at home has been beyond satisfying. What is an incredibly difficult and stressful situation has been eased tremendously by all the support."

– Shaveeta

"Thank you for being candid and encouraging warmth throughout this confusing time. I never thought I'd be conducting member research in my garage while my husband works with a toddler on his lap in the house!"

– Lindsey



Accepted new opportunities

Our resiliency allowed us to see challenge as opportunity. We modernized how we get things done, with new technologies and greater efficiencies. We connected with each other in different ways. We used forward-thinking practices to prepare ourselves for the future and ensure we continue to meet the changing needs and expectations of those we serve.

Streamlined processes

We launched new initiatives and adjusted our processes to more effectively deliver on our expanded digital service priorities. We are finding technological solutions to streamline work and reduce manual effort by our staff. Our operations are becoming more efficient.

WE'VE MADE LEARNING EASIER

In December, we replaced our client registration and event management software to drive greater efficiency for plan members and staff. This was a first step to modernize our pension education. The new software allows us to fully automate the entire process from member registration (the front end) to staff event management (the back end) using only one tool.

WE MADE PENSION PAYMENTS EASIER

In an electronic world, paper cheques have become a thing of the past. Members who live outside of Canada and the United States were required to receive their pension by cheque only. In summer 2019, that changed. These members can now receive their pension payments through Western Union. It's quicker, easier and more environmentally friendly.

Supported operational excellence

We flexed new operational excellence muscles this past year. New teams were formed and specific operational excellence goals were established to improve efficiency and effectiveness in our core business activities—specifically in pension processing. This is just the beginning. Operational excellence will find its way to all parts of the organization; it will be embedded in our culture and become a part of how we do business every day.

Operational excellence is anything we do to drive effectiveness and efficiency, and improve the way we do work. It starts with measurement and understanding: what you're trying to improve, how you want to improve it and what you want to measure to determine if you are improving it.

WE'RE USING DATA TO IMPROVE OUR DECISION MAKING

We know better management of information helps drive better decision making and business value. To support that effort, we've set up our people for success. Through our insights program, we graduated our first group of data artists. These employees have been trained to structure and analyze data so they can help their business area make evidence-based decisions.

Data helps us have more informed conversations, which in turn helps us make better decisions. Metrics improve the conversation.

Focused on mental health

Mental health includes our emotional, psychological and social well-being; it is a growing health concern. Pension Corporation provides online resources accessible on our intranet, certified mental health first-aid attendants on staff and flexible work arrangements to help promote a healthy work-life balance. Mental health in the workplace and how we engage with one another is an important part of our work experience.

WE FOCUSED ON EMPLOYEE MENTAL HEALTH

We want to do all we can to create a safe, healthy, supportive and productive workplace. Every year, we run an employee survey. This year, our confidential employee survey included a mental health component. The goal was to gain an understanding of the organization's cumulative well-being and resilience. Staff feedback helps us create a workplace where everyone can thrive.

WE TRAINED OUR LEADERSHIP ON WORKPLACE MENTAL HEALTH

At the heart of productivity is a healthy workplace, one where people are empowered to share their perspective while maintaining positive relationships with their peers. Ensuring the health and wellness of our staff continues to be a focus. Seventy-two leaders in Pension Corporation participated in the Workplace Mental Health Leadership Certificate Program from Queen's University. Topics included the stigma surrounding mental health and how it can hold people back from accessing support services, and how to support staff through early performance coaching, recovery, absence and return to work.

Connected in different ways

The way we connected with each other and our community changed throughout the year. When COVID-19 physically separated us, we found new virtual ways to interact and continue to support our local community. Our shared vision, values and sense of accountability helps us create high-quality connections in a powerful positive community—even online.

WE CAME TOGETHER AS A TEAM

In the fall, we came together for a day of learning and inspiration, and to celebrate our strong ties. We learned about how we are connected to our work and each other, what modern service is, how to inspire teamwork and what makes Pension Corporation a special organization.

WE SUPPORTED OUR COMMUNITY

This year, Pension Corporation was a finalist in two of three Provincial Employees Community Service Fund award categories. We improved our participation and donation rates considerably over the previous year.

- Highest participation—60 per cent of staff participated in the fundraiser
- Most improved—staff raised a total of \$66,828

Staff also participated in the annual Public Service Blood Donor Challenge, Mustard Seed Food Bank's Fair Start for Kids Program, and BC Children's Hospital Jean Up campaign, which went virtual.

WE ENGAGED IN A VIRTUAL WORLD

As we adjusted our connections during COVID-19 to support physical distancing, we found new ways to interact. Virtual town halls gave staff a casual opportunity to engage with members of the senior leadership team; more than 470 staff regularly participated. Campus Connect offered real, unscripted video updates from senior leadership to help staff stay up to date.

We created an engaging space on our intranet for employees to communicate, collaborate and contribute. The Employee Forum allows staff to interact with others across the organization. Staff can share ideas, ask questions, make recommendations, swap recipes and more—it's like a virtual water cooler!

Financial report

Financial discussion

Pension Corporation takes its responsibility seriously to provide its services in a fiscally responsible way. We do not receive direct funding from the Province of British Columbia or any other level of government. We operate on a cost-recovery basis, as we receive funds from each pension plan for services provided. Every dollar we receive from the plans goes to support services for plan members, employers and boards of trustees, and sustain those services. For every pension dollar we collect on behalf of the plans, less than three cents is used to fund Pension Corporation services. In 2019/20, we continued to be the lowest-cost provider relative to our peers.

For the year ended March 31, 2020, we were essentially right on budget (variance of 0.4 per cent or \$373,000).

Below is a summary of the supplemental statement. The supplemental statement is a management report that represents the corporation's performance against its approved budget and reflects 2019/20 charges to the plans for operations, strategic projects and secretariat requirements.

TOTAL SERVICE DELIVERY CHARGES TO THE PENSION PLANS

For the year ended March 31, 2020¹

	2019/20 actual (\$ thousands)	2019/20 budget (\$ thousands)	Budget variance	
			(\$ thousands)	(%)
Operations	68,544	67,500	1,044	1.5
Strategic actions	12,954	13,400	(446)	(3.3)
Major plan redesign	3,488	3,737	(249)	(6.7)
Secretariat services	2,333	2,309	24	1.0
Total charges to pension plans	87,319	86,946	373	0.4

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

Operations are the day-to-day costs of running our organization to serve plan members and employers. Operations were slightly over budget due to higher-than-anticipated salary costs and sourcing specialized skills.

Strategic actions are costs to implement forward-thinking projects to improve our organizational performance. Strategic actions were under budget as we adapted our approach to focus on digitization to drive operational excellence. We made investments to allow members to opt in to receiving electronic communications, enhanced protection of member information and enhanced our ability to derive insight from data.

Major plan redesign are costs associated with a significant redesign by one of the plans we serve. We completed the plan design changes over a two-year period on time and on budget.

Secretariat services are costs to carry out day-to-day board operations and serve as liaisons between plan boards, plan partners, Pension Corporation, British Columbia Investment Management Corporation, plan members and employers, pension plan stakeholders and others.

Audited financial statements

The audited financial statements on page 26 reflect a different perspective than the total service delivery charges to the pension plans. The audited statements, which are in alignment with Canadian accounting standards, present a view where some charges are capitalized and amortized over the period of time assets provide value. The total service delivery charges to pension plans is a report that supports the annual budgeted charge to the plans. We present both views in this annual report to be as transparent as possible with financial information.

The variances between this year and the previous year on the audited financial statements can largely be attributed to three main factors:

1. General increase in budgeted expenses
2. Substantial decrease in the amount of spending that was of a capital nature for accounting purposes
3. Increase in amortization—as we adapted our approach to focus on digitization, we revisited a past technology choice and made a prudent business decision to accelerate amortization on assets that are no longer required to support our strategy

A detailed reconciliation of the differences between the supplemental statement and the audited financial statements can be found in notes 11, 12 and 13 of the audited financial statements.

Financial outlook

As we look forward to future years, we will continue to provide excellent service to plan members and employers in a fiscally responsible manner. We see only modest cost pressure as we continue to make changes that strengthen our operational efficiency and enhance the quality of our services. COVID-19 has created some uncertainty; however, we expect to advance our services within approved budgets. We will continue to keep staff safe and healthy as we deliver on our commitments to our clients in a fiscally responsible way. We expect to maintain our position as a low-cost provider when compared to our peers.



Where we are headed

When we look back over the year, we can say with confidence that we not only adapted to change, rose to challenges and found opportunities to move forward, but that when we charted our course, it was the right course at the right time.

Our next strategic plan

Our next strategic plan, *Plan 20/30*, builds on our success and the momentum we've created. The planning has been thorough. Through research, consultation, staff engagement, deep introspection and forward-looking consideration of our purpose as an organization, we know where we're headed and how we're going to get there. In the process, we've discovered what makes Pension Corporation a unique organization and what it means to be at our best every day to support those we serve.

WE DISCOVERED WHAT IT MEANS TO BE AT OUR BEST

This year, we explored who we are as an organization and uncovered the magic of our culture by asking staff what Pension Corporation looks like on its best day. Our @our best campaign was a months-long initiative that involved all employees; together we discovered what attributes, traits and behaviours make us successful. These are traits already embedded in our culture.

Staff input helped us create a set of statements that connect us to our culture and unite us across the organization with a common understanding of what's important to each of us. Our discoveries helped inform the values in our new *Plan 20/30* strategy and will continue to help us thrive in the future.

"Our best day isn't necessarily our easiest day. Sometimes it's a hard day that shows us the traits we appreciate in others and that help us succeed."

– Ashley

Appendices

BOARD COMPENSATION AND COMMITTEE ATTENDANCE

The Pension Corporation Board of Directors oversees governance of BC Pension Corporation. Board members are remunerated through an annual retainer and per diem fee for board and committee meetings. 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 travel expenses.

Name	Position	Remuneration (\$)	Expenses (\$)	Total (\$)
Geraldine Hutchings	Chair	12,248	0	12,248
Elizabeth Baverstock	Vice-chair	9,226	6,157	15,383
Brad Underwood	Director	8,763	1,050	9,813
	Chair, audit committee			
Chan-Seng Lee	Director	6,594	5,706	12,300
David Vipond	Director	8,080	1,137	9,217
	Chair, HR and governance committee			
Gary Yee	Director	6,792	11,565	18,357
Mary Procter ¹	Director	6,219	1,694	7,913
Philip Twyford ²	Director	0	0	0
Weldon Cowan	Director	8,167	1,299	9,466

1. Outgoing, December 31, 2019

2. Incoming, January 1, 2020

Corporate board members also serve on the corporate board's audit committee, and human resources (HR) and governance committee.

AUDIT COMMITTEE

The audit committee helps the board fulfill its oversight responsibilities in the areas of financial administration and risk management, such as providing an annual report with audited financial statements, and monitoring and reporting on management of principal risks.

Name	Position
Geraldine Hutchings	Committee chair (April 1-June 30, 2019)
Brad Underwood	Committee chair (July 1, 2019-March 31, 2020)
Chan-Seng Lee	Member (April 1-December 31, 2019)
Mary Procter	Member (February 21, 2020-present)
Philip Twyford	Member
Ex officio members	Board chair and vice-chair

HUMAN RESOURCES AND GOVERNANCE COMMITTEE

The HR and governance committee helps the board fulfill its responsibilities for HR strategy and provide a focus on board governance that will enhance board performance, such as making recommendations on HR practices, policies and procedures, and best practices and current issues related to board governance.

Name	Position
David Vipond	Committee chair
Brad Underwood	Member
Gary Yee	Member
Weldon Cowan	Member
Ex officio members	Board chair and vice-chair

BOARD AND COMMITTEE MEETING ATTENDANCE

Name	Board meetings (days)	Audit committee meetings (days)	HR and governance committee meetings (days)	Attended (days)	Eligible (days)	%
Weldon Cowan	5.5	2	1.0	8.5	9.5	89
Geraldine Hutchings	5.5	3	0.5	9.0	9.5	95
Liz Baverstock	5.5	3	1.0	9.5	9.5	100
Gary Yee	5.5	2	0.5	8.0	9.5	84
Brad Underwood	5.5	3	1.0	9.5	9.5	100
David Vipond	4.5	1	1.0	6.5	9.5	68
Chan-Seng Lee	5.5	2	n/a	7.5	9.5	79
Mary Procter ¹	2.5	2	n/a	4.5	7.5	60
Philip Twyford ²	1.0	1	n/a	2.0	2.0	100

1. Outgoing appointment, December 31, 2019

2. Incoming appointment, January 1, 2020

EXECUTIVE COMPENSATION

As at March 31, 2020, Pension Corporation had four divisions, each led by a vice-president with a focused portfolio. This ensures the effective execution of core business functions along with 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.

Name	Position	Base salary (\$)	Incentive (\$)	Total salary (\$)	Employer pension contributions (\$)
Laura Nashman	CEO	364,390	40,242	404,632	35,892
Trevor Fedyna	Vice-president, Strategy and Insights, and CFO	212,901	-	212,901	20,971
Aaron Walker-Duncan	Vice-president, Board and Communication Services	212,901	-	212,901	20,971
David Marecek	Vice-president, Transformation and Information Services	212,901	-	212,901	20,971
Joel Levinson	Vice-president, Member and Employer Experience	212,000	-	212,000	20,882

Note: The pension is at an employer contribution rate of 9.85 per cent of base salary; there are other forms of benefits such as medical and health benefits estimated to be 6.98 per cent of salary, and a parking allowance.

As well, Erika Taylor joined the executive team as vice-president, People and Culture, in the final days of the fiscal year; Brett Emmerton joined the executive team as vice-president, Information and Technology Services after fiscal year-end. Therefore their annual compensation is not disclosed for 2019/20.

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



Joy Van Helvoirt

Director Corporate Planning and Performance
Insights

British Columbia Pension Corporation



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholder of British Columbia Pension Corporation

Opinion

We have audited the financial statements of the British Columbia Pension Corporation (the "Corporation"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian standards for not-for-profit, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada

June 25, 2020



Statement of Financial Position

(\$ thousands)

As at March 31	Note	2020	2019
Assets			
Current			
Cash and cash equivalents	4	\$ 10,820	\$ 9,591
Due from pension plans	5	6,170	6,030
Accounts receivable		366	551
Prepaid expenses		760	1,147
		18,116	17,319
Computer systems and other assets	6		
Intangible assets		14,753	28,128
Tangible assets		8,173	8,893
		22,926	37,021
Total assets		\$ 41,042	\$ 54,340
Liabilities			
Current			
Accounts payable		\$ 11,092	\$ 9,764
Accrued salaries and benefits	7	7,033	7,564
Current portion of obligations under lease	8	405	90
		18,530	17,418
Obligations under lease	8	1,249	162
Deferred capital funding	9	21,263	36,760
		22,512	36,922
Share Capital		-	-
Total liabilities and net assets		\$ 41,042	\$ 54,340

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	2020	2019
Revenues			
Benefit administration service revenue	11	\$ 100,483	\$ 74,081
Pension plan boards' secretariat service revenue	12	2,333	2,387
Investment income	13	375	379
Total revenues		103,191	76,847
Expenses			
Salaries and benefits		50,144	43,957
Professional services		16,746	7,448
Information services and systems		9,461	8,609
Amortization		18,160	7,828
Premises		4,623	4,840
Other	14	4,057	4,165
Total expenses		103,191	76,847
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	Note	2020	2019
Operating transactions			
Excess of revenues over expenses	\$	-	\$ -
Add (deduct) items not involving cash			
Amortization of computer systems and other assets		18,160	7,828
Amortization of deferred capital funding		(18,160)	(7,828)
		-	-
Change in non-cash working capital balances			
(Increase) decrease in due from pension plans		(140)	23
Decrease (increase) in accounts receivable		185	(128)
Decrease (increase) in prepaid expenses		387	(456)
Increase in accounts payable		1,328	1,110
(Decrease) increase in accrued salaries and benefits		(531)	328
Total operating activities		1,229	877
Investing transactions			
Acquisition of computer systems and other assets		(4,065)	(15,530)
Total investing activities		(4,065)	(15,530)
Financing transactions			
Increase (decrease) in obligations under lease		1,402	(355)
Deferred capital funding received		2,663	15,874
Total financing activities		4,065	15,519
Increase for the year		1,229	866
Cash and cash equivalents at beginning of year		9,591	8,725
Cash and cash equivalents at end of year	4	\$ 10,820	\$ 9,591

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

(\$ 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 (NFPO) 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 supporting services and other services specifically approved by the individual boards of trustees. These services are provided pursuant to service agreements with each pension 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 (the Province), 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.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. As at March 31, 2020, the impact of the pandemic on the Corporation has not resulted in significant difficulties in managing the operations of the Corporation. Based on assessments carried out by Corporation, Management is of the opinion that going forward the pandemic will not have any significant impact on the Corporation.

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.

(\$ thousands except as otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Computer systems and other assets

Effective April 1, 2019, the Corporation adopted Section 4433, *Tangible Capital Assets Held by Not-for-Profit Organizations* and Section 4434, *Intangible Assets Held by Not-for-Profit Organizations*. This standard did not have a significant impact on implementation and resulted in no transition differences.

Computer systems and other assets are classified into four categories:

- Major business application software which consists of the Corporation's pension administrative systems, financial systems, and websites;
- Computer systems include the Corporation's servers, networking systems and computer hardware and software;
- Furniture consists of Corporation furniture and other miscellaneous equipment; and
- Tenant improvements include changes and improvements to current accommodations.

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 incurred directly in the development, improvement, betterment or implementing Computer systems or other assets are recorded at cost.

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

Computer systems and other assets are adjusted to fair value or replacement cost 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 adjustments 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. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful lives for computer systems and other assets are 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.

(\$ thousands except as otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Corporation receives cash funding 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 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 and impairment 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.

British Columbia Pension Corporation

Notes to the financial statements for the year ended March 31, 2020

(\$ thousands except as otherwise noted)

4. CASH AND CASH EQUIVALENTS (CONTINUED)

	2020	2019
Cash	\$ 1,234	\$ 1,108
Cash equivalents	\$ 9,586	\$ 8,483
	<u>\$ 10,820</u>	<u>\$ 9,591</u>

5. DUE FROM PENSION PLANS

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

	2020	2019
Beginning balance, due from pension plans	\$ 6,030	\$ 6,053
Total charges to pension plans for		
Benefit administration services (note 11)	84,986	82,108
Pension plan boards' secretariat services (note 12)	2,333	2,387
Operating funding received	(84,516)	(68,644)
Deferred capital funding received	(2,663)	(15,874)
Ending balance, due from pension plans	<u>\$ 6,170</u>	<u>\$ 6,030</u>
Comprised of:		
Municipal Pension Plan	3,728	3,539
Public Service Pension Plan	1,478	1,463
Teachers' Pension Plan	917	825
College Pension Plan	37	88
WorkSafe BC	10	115
Due from pension plans	<u>\$ 6,170</u>	<u>\$ 6,030</u>

British Columbia Pension Corporation

Notes to the financial statements for the year ended March 31, 2020

(\$ thousands except as otherwise noted)

6. COMPUTER SYSTEMS AND OTHER ASSETS

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<u>Intangible assets</u>				
Major business application software	71,802	(57,399)	14,403	27,545
Held in name of service provider:				
Data centre transformation	1,633	(1,283)	350	583
Total intangible assets	73,435	(58,682)	14,753	28,128
<u>Tangible assets</u>				
Computer systems	14,600	(12,606)	1,994	3,572
Furniture	6,111	(3,597)	2,514	2,905
Tenant improvements	5,552	(3,489)	2,063	2,135
	26,263	(19,692)	6,571	8,612
Held in name of service provider:				
Computer systems	340	(327)	13	34
Computer systems under capital lease	3,289	(1,700)	1,589	247
	3,629	(2,027)	1,602	281
Total tangible assets	29,892	(21,719)	8,173	8,893
Total	103,327	(80,401)	22,926	37,021

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.

During the year, a computer system and major business software with a remaining life of four years was determined to have reached the end of its useful life in the current year. As a result, a charge of \$10.78 million has been included in amortization expense, and a corresponding amount amortized into revenue in the current year.

7. ACCRUED SALARIES AND BENEFITS

	2020	2019
Accrued salaries and benefits	\$ 5,121	\$ 5,925
Leave liability	1,912	1,639
	\$ 7,033	\$ 7,564

British Columbia Pension Corporation

Notes to the financial statements for the year ended March 31, 2020

(\$ thousands except as otherwise noted)

7. ACCRUED SALARIES AND BENEFITS (CONTINUED)

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 3.96% to 5.95%. The minimum future lease payments under leases are as follows:

Year ending March 31	2020	2019
2020		103
2021	466	89
2022	410	32
2023	410	32
2024	394	22
2025	122	0
	1,802	278
Amount representing interest	(148)	(26)
Obligation	1,654	252
Less: current portion	(405)	(90)
	\$ 1,249	\$ 162
Opening balance, obligations under lease	252	607
Additions	1,707	233
Less: principal payments	(305)	(588)
Increase/(Decrease) in obligations under lease	1,402	(355)
Closing balance, obligations under lease	\$ 1,654	\$ 252

All of the \$1,654 lease obligations are capital.

9. DEFERRED CAPITAL FUNDING

	2020	2019
Opening balance	\$ 36,760	\$ 28,714
Computer systems and other assets additions	4,065	15,530
Net changes in obligations under lease	(1,402)	344
Capital funding received	2,663	15,874
Amount amortized into revenue	(18,160)	(7,828)
Ending balance	\$ 21,263	\$ 36,760

(\$ thousands except as otherwise noted)

10. COMMITMENTS**a) Contractual obligations – operating lease commitments**

The Corporation has two primary locations with minimum future lease payments under leases as follows:

Year ending March 31	
2021	\$4,504
2022	4,497
2023	4,618
2024	4,644
2025	4,689
Thereafter	4,757

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.

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. A notice of intent to renew the managed services for the first renewal option 2022-2024 was sent to the service provider on September 30, 2019. The initial term of the agreement for provision of data centre facility services expires on March 31, 2024 with an option to extend for an additional 5 year term. Projected contract costs, excluding obligations purchased under lease (Note 8) and inflation, are as follows:

For the year ended March 31	Managed services	Data centre facilities	Total
2021	3,903	237	4,140
2022	-	237	237
2023	-	237	237
2024	-	237	237
	\$ 3,903	\$ 948	\$ 4,851

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

(\$ thousands except as otherwise noted)

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

reserved on behalf of the Corporation. Based on service commitments made to March 31, 2020, the estimated one-time termination costs are:

Date of termination as at March 31	Managed Services	Data centre facilities	Total
2021	-	420	420
2022	-	280	280
2023	-	140	140

In order to participate under the Province master agreement with the service provider for data centre services, the Corporation has entered into an agreement with the Province to provide contract administration services on its behalf. The estimated cost for the year ending March 31, 2021 is \$50.

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. The Province 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. Should the Corporation exercise its termination rights the Corporation may be required to pay termination fees to the Province for unrecovered capital costs and initial unrecoverable costs for the service provider.

The unrecovered capital costs payable to the Province are \$450 less an amount of \$7 each month for the number of months expired in the agreement after March 31, 2018. The unrecovered capital cost as at March 31, 2020 is \$282.

d) Contractual obligations – managed security services

On June 1, 2019, the Corporation entered into a two-year contract to provide information security monitoring and device management services. The contract covers the period June 1, 2019 through to August 12, 2021 with a total cost of \$1,832.

e) Contractual obligations – other contracts and commitments

The Corporation has committed to \$81 (2019: \$322) for various IT software licenses and maintenance fees on April 1, 2020 and ending on March 31, 2021.

British Columbia Pension Corporation

Notes to the financial statements for the year ended March 31, 2020

(\$ 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.

	2020	2019
Total charges to pension plans for benefit administration services and purchase of assets (a)	\$ 84,986	\$ 82,108
Purchase of computer systems and other assets	(4,065)	(15,530)
Lease obligation funding received, net of disposals	1,402	(325)
	82,323	66,253
Capital funding recognized as service revenue:		
Amortization of deferred capital funding	18,160	7,828
Benefit administration service revenue	\$ 100,483	\$ 74,081

(a) Total charges to pension plans for benefit administration services were

Municipal Pension Plan	\$ 45,842	\$ 42,356
Public Service Pension Plan	21,240	22,854
Teachers' Pension Plan	13,329	12,491
College Pension Plan	3,587	3,404
WorkSafe BC	988	1,003
	\$ 84,986	\$ 82,108

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.

	2020	2019
Total charges to pension plans for plan boards' secretariat support services and purchase of assets (a)	\$ 2,333	\$ 2,387
Pension plan boards' secretariat service revenue	\$ 2,333	\$ 2,387

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

Municipal Pension Plan	\$ 1,355	\$ 1,202
Public Service Pension Plan	328	395
Teachers' Pension Plan	325	395
College Pension Plan	325	395
	\$ 2,333	\$ 2,387

British Columbia Pension Corporation

Notes to the financial statements for the year ended March 31, 2020

(\$ thousands except as otherwise noted)

13. INVESTMENT INCOME

	2020	2019
Interest from Cash	70	135
Interest from Cash equivalents	305	244
	\$ 375	\$ 379

14. OTHER EXPENSES

	2020	2019
Communication products and distribution	\$ 1,399	\$ 1,299
Travel and business expenses	1,022	1,039
Staff training	585	713
Office supplies	474	560
Bank charges and regulatory fees	426	420
Corporate board	95	92
Lease financing	56	42
Total	\$ 4,057	\$ 4,165

15. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

The Corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trustees pension plan. The plan is a multi-employer contributory defined benefit pension plan.

Members 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.

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. The plan does not attribute surplus or unfunded liability to individual employers, however valuation results are used to determine future contribution rates.

As at March 31, 2020, the Corporation has approximately 573 (2019: 504) employees contributing to the plan, which has approximately 64,500 active plan members and approximately 49,600 retired plan members.

In 2020, the Corporation paid \$3,918 (2019: \$3,484) for employer contributions to the plan. Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year.

Employees are entitled to specific retirement benefits and the cost of these future benefits is included in salaries and benefits expense as well.

(\$ thousands except as otherwise noted)

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. 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 \$13,605 (2019: \$9,665) 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. 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 BCI and are regularly monitored by 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 \$9,585, are classified as level 1 (2019: \$8,483—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 is financial commitment on the obligation is very strong. The credit risk associated with the receivable from pension plans is minimal.

(\$ thousands except as otherwise noted)

17. FINANCIAL INSTRUMENTS (CONTINUED)

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 \$1,500 in place should it be required to meet temporary fluctuations in cash requirements. As at fiscal 2020 (2019: 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 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. STATUTORY DEDUCTIONS ASSURANCE

The BC Public Service Agency confirms that all payroll remittances for the Corporation for the period April 1, 2019 to March 31, 2020 were submitted on time.

Supplemental Schedule

Total Charges to Pension Plans

Unaudited

(\$ thousands)

	Actual	Budget	Variance		Actual	Variance	
For the year ended March 31	2020	2020	Over (under) budget		2019	Over (under) 2019	
Operations							
Salaries and benefits	41,887	41,130	757	1.8%	39,872	2,015	5%
Professional services	2,757	1,883	874	46.4%	2,216	541	24%
Information services and systems	15,992	15,825	167	1.1%	12,608	3,384	27%
Premises	4,389	4,513	(124)	(2.7%)	4,500	(111)	(2%)
Other	3,519	4,149	(630)	(15.2%)	3,758	(239)	(6%)
Total Operations	68,544	67,500	1,044	1.5%	62,953	5,591	9%
Strategic actions							
Plan and benefit changes	1,967	2,000	(33)	(1.6%)	2,012	(45)	(2%)
Member Experience	2,335	2,000	335	16.8%	2,658	(323)	(12%)
Information security	1,254	2,200	(946)	(43.0%)	1,535	(281)	(18%)
Modernize	5,017	4,700	317	6.7%	5,914	(898)	(15%)
Automate	1,308	2,000	(692)	(34.6%)	-	1,308	-
Analytics (Insight)	1,072	500	572	114.5%	-	1,072	-
Subtotal sustaining and strategic actions	12,954	13,400	(446)	(3.3%)	12,120	833	7%
PSPP plan design (automate)	3,488	3,737	(249)	(6.7%)	6,259	(2,771)	(44%)
Total strategic actions	16,442	17,137	(695)	(4.1%)	18,380	(1,938)	(11%)
Total charges to pension plans for benefit administration services and purchase of assets before office consolidation	84,986	84,637	349	0.4%	81,333	3,653	4%
Office consolidation ¹					775		
Total charges to pension plans for benefit administration services and purchase of assets	84,986	84,637	349	0.4%	82,108	2,877	4%
Total charges to pension plans for plan boards secretariat support services	2,333	2,309	24	1.0%	2,387	(54)	(2%)
Total charges to pension plans	\$ 87,319	\$ 86,946	\$ 373	0.4%	\$ 84,495	\$ 2,824	3%

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 All office consolidation expenditure have been collected from the plan boards in 2018.