BC 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

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.

KPMG LLP

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.

BC PENSION CORPORATION

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.

($ thousands except as otherwise noted)

4. CASH AND CASH EQUIVALENTS (CONTINUED)

	2020	2019
Cash	$ 1,234	$ 1,108
Cash equivalents	$ 9,586	$ 8,483
	$ 10,820	$ 9,591

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	$ 6,170	$ 6,030
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	$ 6,170	$ 6,030

($ thousands except as otherwise noted)

6. COMPUTER SYSTEMS AND OTHER ASSETS

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible assets				
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
Tangible assets				
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

($ 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.

($ 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

	2020	2019
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

	2020	2019
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

($ 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 trusteed 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 Corporations year end. The terms of the obligations under lease are described in note 8.

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

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.

BC PENSION CORPORATION

Supplemental Schedule

Total Charges to Pension Plans

Unaudited

($ thousands)

For the year ended March 31	Actual 2020	Budget 2020	Variance Over (under) budget		Actual 2019	Variance 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.