

2015/16

Annual Report

BRITISH COLUMBIA PENSION CORPORATION

**PENSION
CORPORATION**

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WELCOME MESSAGES



MESSAGE FROM THE BOARD CHAIR



WAYNE JEFFERSON

Wayne was appointed to the board of directors in 2002 by the Teachers' Pension Board of Trustees. He chaired the corporate board in 2007/08, 2011/12 and 2015/16, and filled the vice-chair role in 2008/09, 2013/14 and 2014/15. From 2003 to 2012, he chaired the corporation's audit committee. Wayne has been a member of the Teachers' Pension Board of Trustees since April 2001.

The board of directors is proud to support BC Pension Corporation's strategic plan, *From 12 to 21: Our Way Forward*, which moved from the initial Foundation Phase to the Transformation Phase in 2015/16. As the framework for the corporation's transformation, *From 12 to 21* continues to guide their work to meet the needs and expectations of pension plan trustees, plan partners, plan members and employers in an increasingly complex and changing environment.

The professional services provided by Pension Corporation allow the board to remain focused on sound governance, confident in the knowledge that, even as the corporation moves through the Transformation Phase, it continues to fulfil its purpose, realize its direction and demonstrate its commitment to investing in people—members and staff alike.

It is a pleasure serving alongside the corporation, helping more than 1,100 employers provide the best pension experience for over 550,000 plan members. In 2015/16 we began seeing the results of efforts to work more efficiently, build stronger relationships and implement new technology.

We commend the ongoing efforts of our CEO and her team, and trust that the corporation will continue to provide high-quality, high-value service to members, even in the midst of transformation. The board also thanks the corporation's executive and staff, whose forward-thinking approach is shaping the current and future state of one of the largest pension plan service providers in Canada.

Finally, I would like to express my appreciation to my fellow directors for their continuing commitment to our shared strategic vision for BC Pension Corporation.

A handwritten signature in black ink, appearing to read 'Wayne Jefferson', written in a cursive style.

Wayne Jefferson
Chair, board of directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Today it seems as though every organization is “transforming.” But before it became part of the mainstream business lexicon, we at Pension Corporation were already thinking about and planning our transformation.

In 2012 we embarked on *From 12 to 21: Our Way Forward*, an ambitious nine-year strategic plan—our roadmap for business transformation. Our plan is not to change what we do, but how we do it.

From 12 to 21 has three distinct phases: (1) Foundation, (2) Transformation and (3) Operation. April 2015 marked the start of our second phase, in which our transformation began coming to life. We changed our structure, reshaping our organizational divisions and redeploying staff where needed. This was a massive effort involving hundreds of people, executed with care and attention to both the well-being of staff and limiting the impact on operations.

We established the Member Services Centre with a plan to implement supporting technology. We began to transform the language we use and introduced tools to facilitate member interactions with more online capabilities. We also implemented pension plan design changes, a significant accomplishment ensuring pension plan rules continue to be properly administered. All to enhance the service experience for pension plan members.

And while these changes occur around us, we continue to perform to all our service standards—never losing sight of our core business activities and ensuring every month \$298 million in pensions are paid accurately and on time to more than 173,000 retired members.

This is only possible because of the dedicated, professional and caring community of people who work at Pension Corporation. Whether they are focused on the transformation or core business activities, our staff are deeply committed to excellence, always seeking to improve service to plan members, employers and trustees, while enhancing our workplace for each other.

I would like to express my sincere gratitude to Pension Corporation staff and my appreciation to our board chair and board of directors for their guidance and continued support of our transformation.



Laura Nashman
Chief executive officer

LAURA NASHMAN

Laura has served as Pension Corporation’s Chief Executive Officer since December 2008. Recognized as a high-performing senior executive who focuses on customer service, clear vision and strategic leadership, Laura was named to *Vancouver Magazine’s* Power 50 list in 2011 and in 2010 was named one of Canada’s Top 100 Most Powerful Women by the Women’s Executive Network.





ON TRACK



CONTINUING OUR TRANSFORMATION

In 2012 we began our ambitious program of business transformation guided by our strategic plan *From 12 to 21: Our Way Forward*. In addressing five key drivers that would challenge our organization over the next nine years and beyond, *From 12 to 21* aims not to change what we do, but how we do it.

Four years later, Pension Corporation remains on track, maintaining high service levels in our day-to-day business while preparing our organization for the future. As the first year of our Transformation Phase, 2015/16 saw many of the improvements we imagined in 2012 coming to life. Most notably, we have realized meaningful efficiencies by introducing more online self-service options and improving core business operations.

The positive effects of new processes and technology implemented in 2015/16 are propelling us forward. We have also continued important planning exercises as we look ahead, focusing on online development and continued service enhancements for plan members, employers and trustees.



Tracy Tian

Information Technology Services

“We are working together and solving challenges, marking accomplishments every day. Our aim is to always move forward, do our best to offer high-quality service and achieve our enterprise transformation goals.”

The following are some of the major initiatives completed in 2015/16:

Member Services Centre

After two years of planning, the physical setup of the Member Services Centre was completed in November 2015. The centre is the touchpoint for all incoming member enquiries. A new physical space features sound-dampening products, a more open working environment and larger workstations, allowing assigned staff to be able to interact with members in a more efficient, client-focused manner.

Learn more about our Member Services Centre and how it is serving plan members on **page 14**.

Employer Information at Termination or Retirement

The Employer Information at Termination or Retirement (EITR) online tool for employers was launched in November 2015; it replaces PDF and paper forms that required staff to manually validate and input data. The new online tool is faster, greener and easier. EITR allows employers to validate the accuracy of information at the time of submission, contains 50 per cent fewer data fields and eliminates the need for time-consuming data entry and follow up. This minimizes the risk of human error while increasing the security and speed of information exchange between employers and the corporation when a member retires or ends their employment. Feedback from both employers and staff has been extremely positive, and over 85 per cent of employers now use the online tool.

College Pension Plan design

On January 1, 2016, we successfully launched updated processes, policies, calculations, systems changes and communications materials required to comply with College Pension Plan's (CPP) plan design changes. CPP members now earn their pension based on multiple benefit accrual formulas and early retirement reduction rules. This change is the culmination of a significant effort by many people within the organization over the last two years.



Cini Pandi

Transformation Services

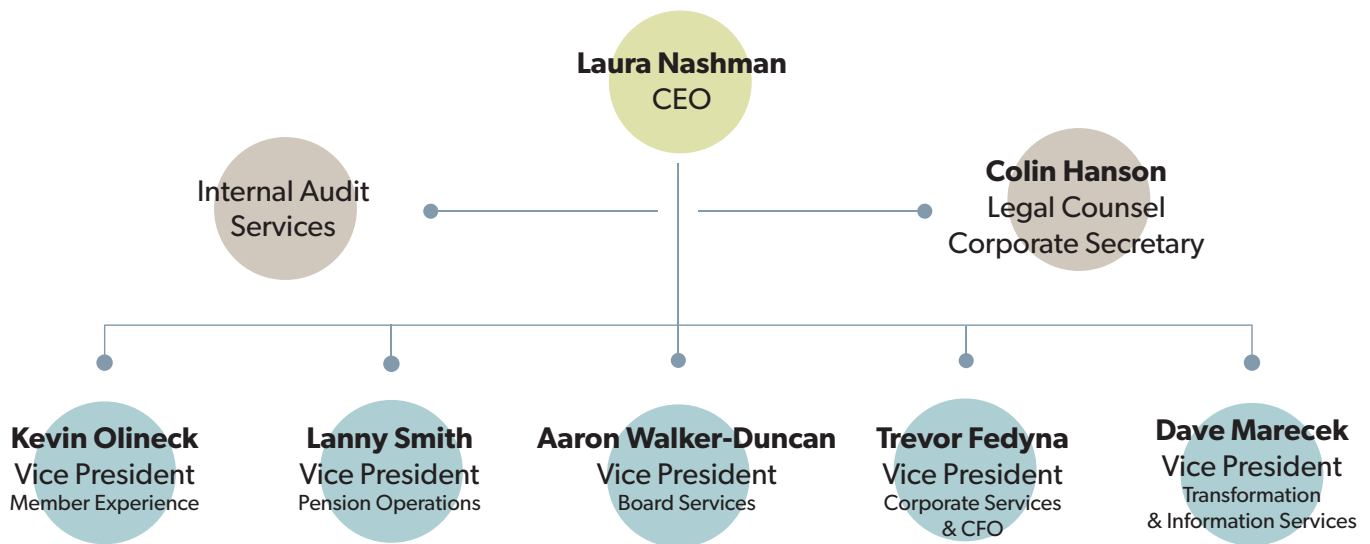
“The reorganization, Member Online Services project and other foundational projects have been very important to the way things are done at the corporation. Their benefits and positive impacts will be realized both short and long term.”



Organizational realignment

As we considered our strategic drivers, it became evident that our organization's structure was critical to support our strategy. A wholesale reorganization was completed in 2015/16, creating broad organizational efficiencies necessary to address increasing service volumes and support easier adoption of best practices and process improvements.

The new structure enables us to better serve key stakeholders (plan members, employers, trustees and staff) while strengthening accountability for end-to-end processes. It supports better coordination of activities across the corporation, and results in opportunities for succession and career growth.




My Account enhancements

In 2015/16, we made several enhancements to My Account, our secure online portal where plan members interact with their pension plan:

- inactive members—those not currently contributing to the plan—can now use the Personalized Pension Estimator;
- retired members can maintain and update their banking and address information online;
- WorkSafeBC members can use the Personalized Purchase Cost Estimator and Generalized Purchase Cost Estimator; and
- Pension Corporation moved to a single-source email for all online transactions for enhanced data accuracy.

Soon members will be able to apply for their retirement online through My Account. My Account will also be an important vehicle for secured communications between members and the corporation, as well as targeted direct contact with groups or segments of members.



Pension Corporation's *From 12 to 21: Our Way Forward* strategic plan addresses the following drivers, and the opportunities and challenges they create:

1 Growing complexity and diversity in plan design and administration

2 Evolving demographics and expectations for services among clients

3 Increasing importance of information and process management as a core competency

4 Rising stakeholder value expectations

5 Shifting internal workforce characteristics

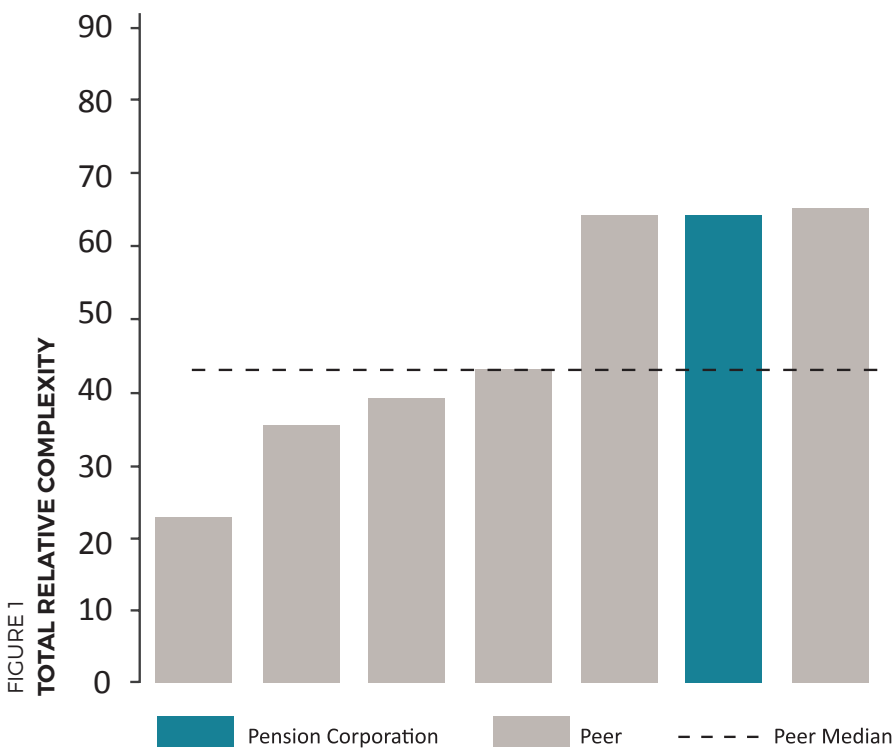
TRANSFORMATION DRIVERS

PERFORMING IN THE PRESENT

In 2012, we predicted a steady rise in retirements based on demographic changes. However, our data shows a large-scale trend of delayed retirement in all sectors, which is creating a growing number of eligible retirees who could retire at any time and en masse. For the corporation, this means retirements remained flat in 2015/16 at just over 10,700 new retirees. During this period, we increased our focus on our transformation to ensure we are well prepared for the future.

While the retired member segment has increased only five per cent year-over-year for all plans, our operational volumes have continued to rise in other areas. The corporation experienced more than a 10 per cent increase in post-retirement transactions.

Our complexity compared to other pension service providers continues to remain high, according to the international benchmarking organization Cost Effective Measurement (CEM) Benchmarking. CEM takes into account factors such as the number of plans served and plan rule complexity, as well as types of reciprocal transfer agreements and marital breakdown rules. Among a group of seven Canadian peer organizations, Pension Corporation remained well above the median for complexity and was the second most complex overall (see Figure 1).





As expected, we are also seeing more members shifting to online service delivery. More members (active, inactive and retired) are using My Account than ever before—there was a net increase of more than 24,000 plan members registered in 2015/16 over 2014/15. Improvements implemented in previous years are proving beneficial. For example, the View Saved Estimates feature implemented in 2014/15, which allows members to save up to 10 pension estimates in My Account for easy comparison, has lessened the need for members to recreate previous pension estimates. If we combine the number of new pension estimates completed in 2015/16 with saved estimates viewed, we can see that pension estimate activity in My Account increased by 17 per cent in 2015/16 over 2014/15.

About us

BC Pension Corporation is one of the largest pension service providers in Canada and the largest in British Columbia. We provide professional pension services on behalf of BC's College, Municipal, Public Service, Teachers' and WorkSafeBC pension plans, working with more than 1,100 employers and serving over 550,000 members. We ensure plan members have the right information at the right time to make informed decisions about their pensions throughout their lives.

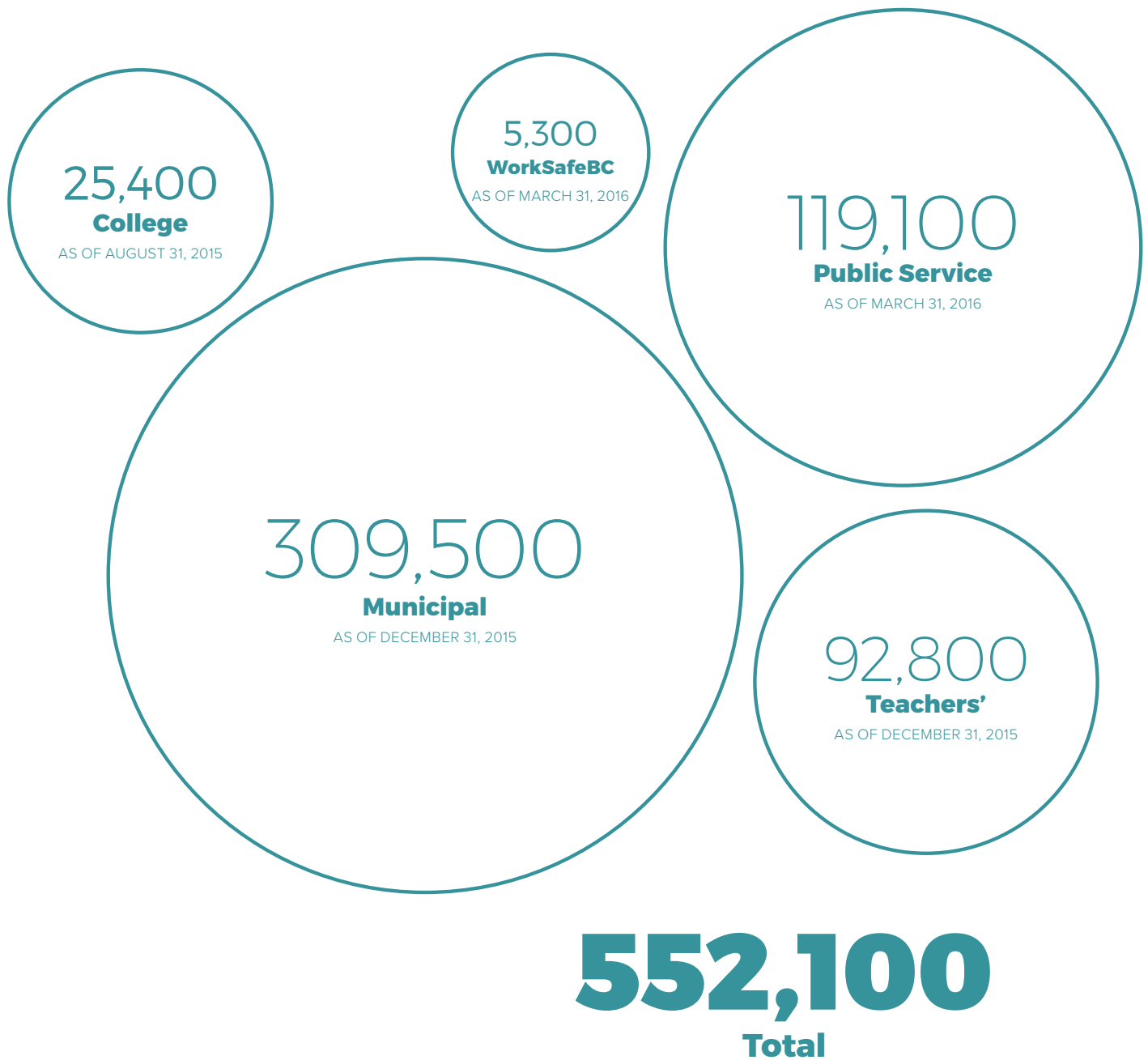


24,000 net increase

in registered My Account users
in 2015/16 over 2014/15

TABLE 1

TOTAL MEMBERSHIP* IN EACH OF THE FIVE PENSION PLANS



* Refers to active, inactive and retired membership. Inactive members are members who have ended their employment with a plan employer but left their contributions (or accrued benefit) in the plan.

Note: figures are rounded to the nearest hundred and based on each plan's year-end reporting cycle.



DELIVERING PROFESSIONAL PENSION SERVICES



PEOPLE FIRST

Whether transforming our business or managing day-to-day operations, our focus is on providing professional, high-quality service to plan members and trustees, and engaging in effective partnerships with employers. Corporation staff take pride in their commitment and dedication to meeting the needs of plan members at the various stages of their careers.

Our focus is on engaging with members through the channel of their choice, and our new organizational structure ensures each key stakeholder group has staff dedicated to serving them. We use a variety of methods to inform, interact and transact with plan members, employers and other stakeholders; measurement metrics tell us members and employers know we provide great service. Qualitative and quantitative data from 2015/16 proves our commitment to professional service and that our transformation is improving services to plan members, employers and trustees.

When asked how they would rate our service, nearly 95 per cent of plan members and employers answered “good” or “very good” (see Table 2)—up by five per cent overall compared to 2014/15.

As expected, our service rating through CEM rebounded this year due primarily to increased online service offerings. Last year, we placed slightly below the median when benchmarked against our peers; this year, we moved back to the median (see Figure 2). A higher service score reflects faster turnaround times, more product and service choices, and higher service quality.

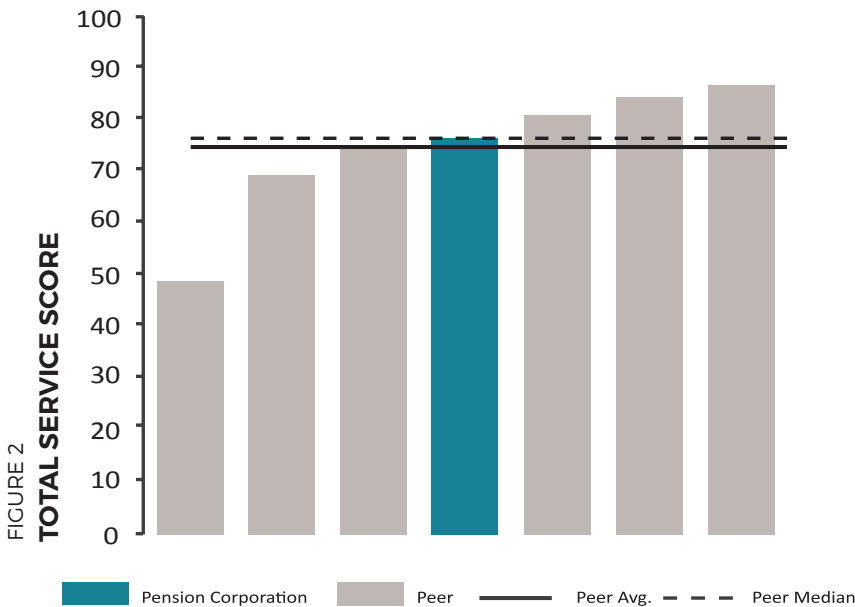


TABLE 2
QUALITY SERVICE INDEX SCORES*

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



Active members



Recent retirees



Long-term retirees



Employers



MEMBER SERVICES CENTRE

Enhancing communication with members

Members expect to interact with us in different ways—on the phone, online, in person and by written correspondence such as letters and email. Launched in November 2015, the Member Services Centre helps us support these different channels across all pension plans and addresses members’ evolving service expectations. It brings together physical space and new staff roles to support the plan member experience, as well as plans to implement enabling technologies. The focus, as always, is on delivering good customer service efficiently and professionally.

Our new Member Services Centre features:

- a cohesive, connected workspace that enhances communication, and increases privacy and confidentiality;
- online tools to provide accurate, timely and secure information to support members; and
- a new quality assurance program that will ensure members receive a consistent standard of service when they call and staff receive consistent and frequent support, coaching and training.

Moving forward, we will continue to enhance the Member Services Centre by continually improving business processes and fully implementing enabling technologies and services such as a Client Relationship Management system, an integrated knowledge base for staff as well as web chat and co-browse capabilities.



Colleen Macknak

Member Services

“We provide consistent information to our clients to respond to their needs. We are constantly looking for ways to improve the services we provide to exceed expectations. I have numerous clients every day that I assist and each interaction is significant to me as I tend to look through their eyes. The direct connection to members gives me so much energy. I love the satisfaction I get from helping clients understand their pension plan.”

SERVING PLAN MEMBERS

What members said about us

“I was impressed with the politeness, as well as the knowledge and speed in which I was able to talk to someone. I left feeling much better and knowing more than when I went.”

“Friendly, helpful staff. Made complicated process easier to navigate.”

“Every person that I spoke to really seemed to care about my situation and made me feel that they really wanted to help.”

“Great, personable, helpful staff that are making my retirement an easy process. The website, especially the pension estimator, was extremely helpful.”

“Your staff are all amazing and such a pleasure to deal with.”

“Their friendly and helpful knowledge put me at ease immediately and made my decisions much easier to work on. I was grateful for this.”

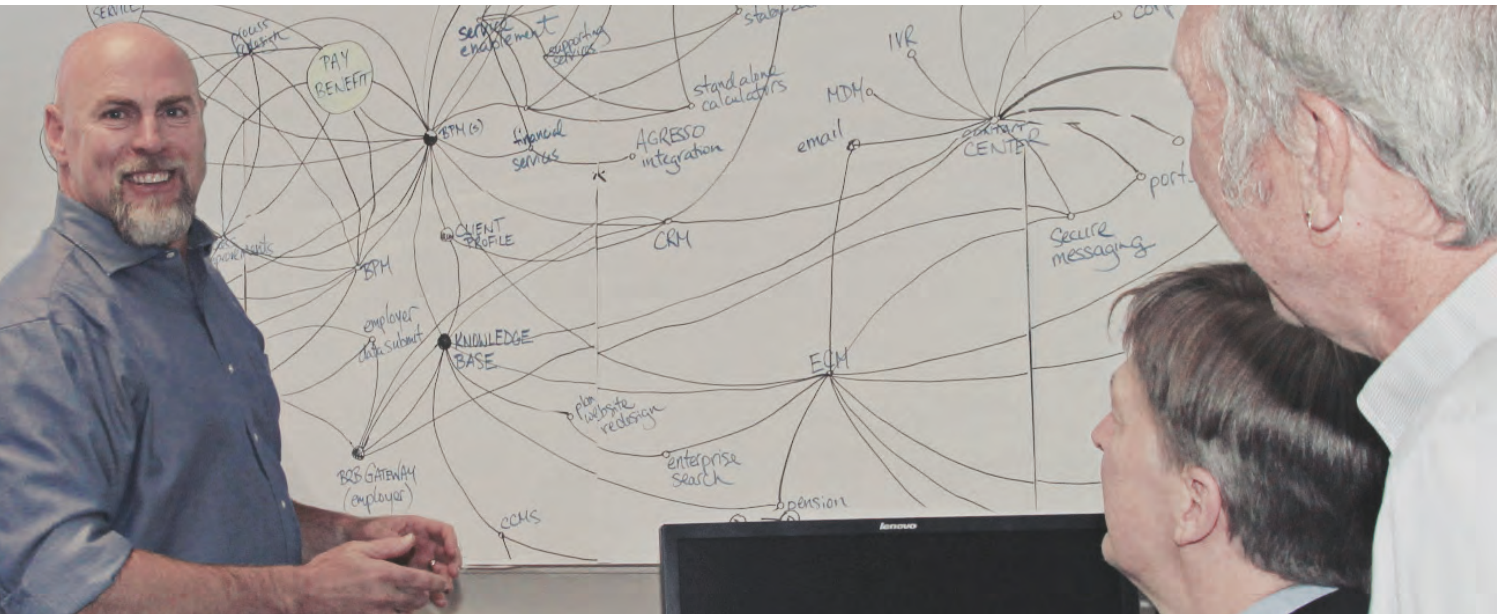
**PENSION
CORPORATION**



FINANCIAL PERFORMANCE AND ENTERPRISE RISK MANAGEMENT



MEETING OUR FINANCIAL TARGETS



As a financially responsible service provider, we successfully achieved our financial and service targets for the pension plans. Limited operational cost pressures from transactional and interventional service volumes enabled the corporation to dedicate more resources to advancing our strategic actions, which gained considerable traction during the year.

Total operations were under budget by two per cent due to limited increases in service volumes and monitoring of vacant positions (associated with the corporate reorganization) to ensure they would best meet future business needs. Total cost of operations increased four per cent over 2014/15 primarily from unionized staff wage increases and restructuring the organization to better service the pension plans and align the corporation with our *From 12 to 21* strategy.

Total strategic actions were 10 per cent over budget as savings in operations were shifted to advance new plan websites and online retirement functionality, which, when fully implemented, will further improve efficiency and help us meet increased service demands and evolving member service expectations.

The increase in budget allocated to strategic actions is as expected with the shift from the Foundation Phase in 2014/15 to the Transformation Phase in 2015/16.

Total secretariat service costs were six per cent under budget primarily due to the timing of professional fees, salaries and renovations to the Municipal Pension Plan (MPP) offices. The increase in secretariat service costs of 29 per cent over 2014/15 is primarily related to the MPP renovations. The Pension Board Secretariat and Municipal Pension Board Secretariat provide professional and operational support to the College, Public Service and Teachers' Pension Boards of Trustees, and the Municipal Pension Board of Trustees, respectively.

TABLE 3

TOTAL SERVICE DELIVERY CHARGES TO THE PENSION PLANS FOR THE YEAR ENDED MARCH 31, 2016¹

(Thousands except percentages)

	2015/16 actual	2015/16 budget	Variance over (under) budget		2014/15 actual	2015/16 variance over (under) 2014/15 actual	
Total operations	\$58,880	\$59,940	\$(1,060)	(2%)	\$56,431	\$2,449	4%
Total strategic actions	6,986	6,345	641	10%	2,239	4,747	212%
Total secretariat	1,991	2,108	(117)	(6%)	1,539	452	29%
Total charges to pension plans²	\$67,857	\$68,393	\$(536)	(1%)	\$60,209	\$7,648	13%

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

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

Although overall costs increased to provide service and mitigate risk, effective financial management and efficient service have allowed us to maintain our position as a low-cost service provider when benchmarked against our peers by CEM. Our total pension services cost was \$129 per member compared to the peer average of \$200.

Financial outlook

We are into the second year of the three-year Transformation Phase of our *From 12 to 21* strategy. Addressing strategic drivers and risks is at the heart of this phase and the 2016/17 budget of \$71.9 million. This upcoming year will be notable for its delivery of further visible and tangible evidence of a transformed Pension Corporation.

Year five of our strategic plan is unfolding as expected, with continued momentum on strategic actions. To mitigate risk and address the most pressing drivers, our strategic actions have been validated but remain mostly unchanged from 2015/16. Our 2016/17 strategic actions include:

- enhancing online services that will support plan members' ability to retire online in the future;
- preparing to launch new plan websites that will enable members to find information in a more consistent, user-friendly manner;
- initiating implementation of an enhanced suite of technology to support the Member Services Centre;
- improving the efficiency of our core business processes; and
- implementing plan design changes.



Pension Corporation



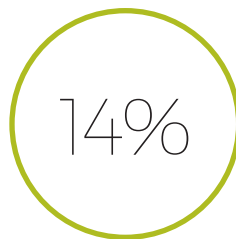
CEM Peer average

Although these actions are important, we have not lost sight of the need to perform in the present and serve plan members, employers and trustees. Our 2016/17 operations budget accounts for approximately \$60.4 million or 84 per cent of the total \$71.9 million budget. Strategic actions and enablers account for approximately \$9.8 million or 14 per cent of the budget. Secretariat services budgets are \$1.7 million or two per cent of the total.



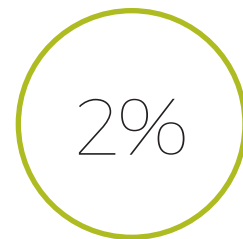
Operations

Approximately \$60.4 million or 84 per cent of the total budget



Strategic actions

Approximately \$9.8 million or 14 per cent of the total budget



Secretariat services

\$1.7 million or two per cent of the total budget

TABLE 4

2016/17 BUDGET

(Thousands except percentages)

	2016/17 budget	2015/16 budget	Variance over (under) 2015/16 budget		2015/16 actual	2016/17 variance over (under) 2015/16 actual	
Total operations	\$60,437	59,940	\$497	1%	\$58,880	\$1,557	3%
Total strategic actions	9,783	6,345	3,438	54%	6,986	2,797	40%
Total secretariat	1,725	2,108	(383)	(18%)	1,991	(266)	(13%)
Total charges to pension plans	\$71,945	\$68,393	\$3,551	5%	\$67,857	\$4,088	6%



Looking more closely at the budget increase of \$3.6 million, the majority (\$3.4 million) is for supporting strategic actions, which will help us address expected future service volume increases and meet member service expectations.

We are projecting to hold the line on operational costs as we expect limited service demand pressures in 2016/17 and improvements in operational efficiencies gained through the corporate reorganization and enhancing online services.

Secretariat service costs are expected to decrease in 2016/17 as renovations to the Municipal Pension Plan office are largely complete.

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

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

Disclosure

In this financial overview, we have presented forward-looking information based on assumptions and factors beyond our control that could cause results to differ from expectations. All forward-looking statements within this report should be understood to involve risks or uncertainties that could cause actual financial or operating results to differ significantly. BC Pension Corporation cautions that readers of the financial overview should not rely on the certainty of any forward-looking information included in this section.



Hakeem Ismaila
Information Technology
Services

“The corporation is innovative. Not only by bringing in technology, but in realizing that our clients’ needs are changing and transforming to meet their expectations. We are working to reposition the organization to meet the challenges we’ve anticipated, not waiting for them to hit us. That’s innovation. Honestly, it excites me every time I think about it.”

ENTERPRISE RISK MANAGEMENT



Florence Chan
Plan Operations

“I enjoy coming to work each day because I love the people I work with. I love assisting plan members, researching and calculating their pension files. I get the satisfaction of helping another person with their retirement plans, which is a major decision in their lives.”

We continue to advance our approach to risk management across all levels of the organization as we review, update and enhance our risk management infrastructure and practices. These improvements not only affect our risk management framework, but they also inform policies and processes that shape how we carry out our business in a risk-aware manner.

The corporation has a very low appetite for risk in areas of information security, and member benefit calculation and payment, and manages these areas accordingly. However, we are prepared to take on some risk in transforming our business as we seek out opportunities to improve stakeholder experiences and add value to the services we provide. These risks are aligned to our *From 12 to 21* strategy and are managed within our enterprise risk management (ERM) program.

The ERM program supports our ability to deliver services and implement the strategic plan. Consistently applying an internationally accepted risk management framework, we regularly review and confirm strategic, corporate and operational risks to be able to seize opportunities, and anticipate and manage negative events. The ERM program is part of an enterprise-wide approach integrated into our business processes; our risk management framework empowers staff to work within a transparent, well-managed structure.

Our Enterprise Risk Committee (ERC) provides governance and oversight for the program. The ERC has delegated responsibility for developing and implementing the enterprise risk management framework across the corporation to the chief financial officer. This provides a consistent application of risk management practices.

Strategic risks

In developing the nine-year strategy, the corporation identified a number of drivers (or strategic risks) related to our business model and the broader environment we operate in (see page 8, “**Transformation drivers**”). The risk of not adapting to the changes demanded by these drivers informs our strategic plan and the actions contained in it. Each year we review our strategy to ensure it continues to be relevant in guiding the corporation forward. As part of this process, strategic risks are reviewed annually by the ERC and board of directors.

Corporate risks

As part of strategy development and review, the corporation considers the risks inherent in the strategic actions we plan to undertake as well as the risks involved in realizing the objectives of these initiatives, which are classed as corporate risks. Each year, the ERC leads a formal assessment of these corporate risks, involving multiple layers of the organization. The ERC submits the formal corporate risk profile to the corporate audit committee and board of directors.

Throughout the year, the corporate risk profile is regularly reviewed by the ERC, our board's audit committee and management. At every board of directors' meeting, any changes to the risk profile are highlighted and discussed. These activities ensure risk awareness and alignment between branches, projects, management and the board.

The corporation has identified projects that form a critical part of the Transformation Phase of the *From 12 to 21* strategic plan and grouped those in support of a common objective into strategic programs. The risks associated with the delivery of these programs are identified and managed. The risks to achieving the corporate objectives of each program are also identified and risk management plans developed. This program view of risk is regularly reviewed by the ERC and presented at each meeting of the board of directors. Risks related to individual projects are considered at the operational level.

Operational risks

The corporation considers operational risks relating to service delivery, workforce, legislation and compliance, technology, and our use and storage of data.

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

- independent third-party review of our business continuity program and processes;
- contracting of a national accounting firm to deliver our internal audit program to improve the breadth and depth of our internal audit capabilities;
- independent third-party reviews of a number of aspects of cyber security; and
- operational risk review on behalf of the plans we serve.

The corporation also has a well-developed project risk management process that identifies and manages risks to the successful delivery of projects. Project risks are regularly reviewed by a management committee and reported to the ERC.

Planning for emergencies

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

Financial risks

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

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



Sue Reid
Business Services

“It’s been enormously rewarding to develop curriculum that supports Member Services Centre staff, which in turn, improves our relationship with plan members.”





APPENDICES



BOARD COMPENSATION

Appendix A

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

For more information on the board of directors and governance, visit pensionsbc.ca.

TABLE 5

BOARD MEMBER REMUNERATIONS FOR THE YEAR ENDING MARCH 31, 2016

Name and position	Remuneration (\$)
Wayne Jefferson, Chair	9,992
Weldon Cowan, Vice-chair	7,398
Carl Fischer, Director	5,655
Dale Lauber, Chair Audit Committee	8,120
John Mazure, Director	5,647
Mary Procter, Director	6,014
David Vipond, Chair Human Resources Committee	6,859
Gary Yee, Director	6,911

EXECUTIVE COMPENSATION

Appendix B

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

The board determines the chief executive officer's compensation; the executive team falls under the *Public Service Act* and its relevant compensation framework. Benefits include group life insurance and health benefits, disability plans and employer contributions to the Canada Pension Plan, employment insurance and the Public Service Pension Plan.

For more information on our executive team, visit pensionsbc.ca.

TABLE 6

EXECUTIVE COMPENSATION FOR THE YEAR ENDED MARCH 31, 2016

Name and position	Base salary (\$)	Other remuneration*(\$)	Total remuneration (\$)
Laura Nashman, Chief Executive Officer	315,835	43,839	359,674
Trevor Fedyna, Chief Financial Officer and Vice-president, Corporate Services	180,687	1,080	181,767
Dave Marecek, Vice-president, Transformation and Information Services	180,687	1,080	181,767
Kevin Olineck, Vice-president, Member Experience	180,687	6,088	186,775
Lanny Smith, Vice-president, Pension Operations	171,687	1,080	172,767
Aaron Walker-Duncan, Vice-president, Board Services	171,687	7,290	178,977

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

FINANCIAL STATEMENTS

Appendix C

BRITISH COLUMBIA PENSION CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).

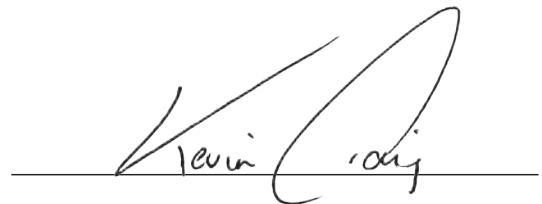
Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information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

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

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



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



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

June 27, 2016

Executive Offices

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of British Columbia Pension Corporation

We have audited the accompanying financial statements of the British Columbia Pension Corporation, which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

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KPMG Canada provides services to KPMG LLP.



Auditor's Responsibility (con't)

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Pension Corporation as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal black line.

Chartered Professional Accountants

June 27, 2016
Vancouver, Canada

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

KPMG Canada provides services to KPMG LLP.

BRITISH COLUMBIA PENSION CORPORATION


Statement of Financial Position

(\$ thousands)

As at March 31	Note	2016	2015
Assets			
Current			
Cash and cash equivalents	4	\$ 8,717	\$ 7,334
Due from pension plans	5	3,488	3,529
Accounts receivable		534	338
Prepaid expenses		734	861
		13,473	12,062
Computer systems and other assets	6	18,078	18,935
Total assets		\$ 31,551	\$ 30,997
Liabilities			
Current			
Accounts payable		\$ 4,405	\$ 3,422
Accrued salaries and benefits	7	9,068	8,640
Current portion of obligations under lease	8	478	415
		13,951	12,477
Obligations under lease	8	1,121	1,320
Deferred capital funding	9	16,479	17,200
		17,600	18,520
Shareholders equity			
Share capital		-	-
Total liabilities and shareholders equity		\$ 31,551	\$ 30,997

Commitments (note 10)

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


 British Columbia Pension Corporation
 Board of Directors


 British Columbia Pension Corporation
 Board of Directors

BRITISH COLUMBIA PENSION CORPORATION

Statement of Operations and Changes in Net Assets

(\$ thousands)

For the year ended March 31	Note	2016	2015
Revenues			
Benefit administration service revenue	11	\$ 66,979	\$ 60,731
Pension plan boards' secretariat service revenue	12	1,599	1,452
Investment income	13	104	129
Total revenues		68,682	62,312
Expenses			
Salaries and benefits		38,113	37,079
Professional services		11,900	7,443
Information services and systems		7,290	6,896
Amortization		4,152	3,933
Premises		3,217	3,078
Other	14	4,010	3,883
Total expenses		68,682	62,312
Excess of revenues over expenses		-	-
Opening balance, net assets		-	-
Ending balance, net assets		\$ -	\$ -

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

BRITISH COLUMBIA PENSION CORPORATION

Statement of Cash Flows

(\$ thousands)

For the year ended March 31	Note	2016	2015
Operating transactions			
Excess of revenues over expenses		\$ -	\$ -
Non-cash items			
Amortization of capital assets		4,152	3,933
Amortization of deferred capital funding		(4,152)	(3,933)
		-	-
Decrease in due from pension plans		41	1,077
(Increase) in accounts receivable		(196)	(9)
Decrease in prepaid expenses		127	257
Increase (Decrease) in accounts payable		983	(268)
Increase in accrued salaries and benefits		428	672
Total operating activities		1,383	1,729
Capital transactions			
Acquisition of tangible capital assets		(2,519)	(1,922)
Proceeds from disposal of tangible capital assets		38	-
Acquisition of intangible capital assets		(814)	(822)
Total investing activities		(3,295)	(2,744)
Financing transactions			
(Decrease) increase in obligations under lease		(136)	785
Deferred capital funding received		3,431	1,959
Total financing activities		3,295	2,744
Increase for the year		1,383	1,729
Cash and cash equivalents at beginning of year		7,334	5,605
Cash and cash equivalents at end of year		\$ 8,717	\$ 7,334

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

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation operates on a not-for-profit basis providing benefit administration services as agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair and vice chair of the board are elected by the directors.

Services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees. These services are provided pursuant to service agreements with each plan.

The corporation charges each pension plan with its respective share of the corporation's operating expenses, and computer systems and other asset purchases, less investment and miscellaneous income and amortization.

The issued share (\$10 par value) of the corporation is held by the Province of British Columbia (Province of BC), and accordingly the corporation is exempt from income taxes. The corporation collects and remits GST on the provision of services and recovers eligible taxes paid through the input tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (NFPO) under Part III of the Chartered Professional Accountants (CPA) Canada Handbook—Accounting.

b) Cash and cash equivalents

Cash and cash equivalents consists of cash and short term highly liquid investments, such as pooled money market funds, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes of value.

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

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows;

Major business application software	3 to 10 years
Computer systems	3 to 5 years
Furniture	10 years
Tenant improvements	5 to 10 years

or, over the term of the underlying lease, whichever is shorter.

Direct expenditures including salaries and benefits on specifically developed computer software are capitalized only after development approval.

Major business application software under development is not amortized until project completion, implemented and asset is ready for use.

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur, the excess of the net book value over any residual value will be recognized as an expense in the statement of operations and changes in net assets.

d) Capital lease

Leases where substantially all of the benefits and risk of ownership rest with the corporation are accounted for as capital leases. Assets held under capital leases are initially recognized as assets at their fair value at the inception of the lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to produce a constant periodic rate of interest on the remaining balance of the liability.

e) Revenue recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recognized as operating expenses are incurred and as assets are amortized. The corporation defers capital funding received in advance for computer systems and other asset purchases. This deferred capital funding is recognized as service revenue on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**g) Employee pension plan**

The corporation and its employees contribute to a multi-employer contributory defined benefit pension plan. Defined contribution plan accounting is applied, however, as the pension plan exposes current participating organizations to actuarial risks associated with employees of current and former participating organizations, with the result that there is no consistent and reliable basis for allocating the pension plan obligation, assets or cost to individual participating organizations in the pension plan.

h) Use of estimates

The preparation of financial statements, in conformity with Canadian Accounting Standards for NFPOs, requires management to make estimates and assumptions that affect the reported amounts on the Statement of Financial Position and Statement of Operations and Changes in Net Assets at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.

4. CASH AND CASH EQUIVALENTS

Cash equivalents consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation (bcIMC). Each unit gives its holder a proportionate share in the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper. These investments are recorded at fair value.

	(\$ thousands)	
	2016	2015
Cash	\$ 5,331	\$ 1,683
Cash equivalents	3,386	5,651
	<u>\$ 8,717</u>	<u>\$ 7,334</u>

5. DUE FROM PENSION PLANS

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

	(\$ thousands)	
	2016	2015
Beginning balance, due from pension plans	\$ 3,529	\$ 4,606
Total charges to pension plans for		
Benefit administration services (note 11)	65,866	58,670
Pension plan boards' secretariat services (note 12)	1,991	1,539
Operating funding received	(64,467)	(59,327)
Deferred Capital funding received	(3,431)	(1,959)
Ending balance, due from pension plans	<u>\$ 3,488</u>	<u>\$ 3,529</u>
Comprised of:		
Municipal Pension Plan	\$ 2,252	\$ 2,275
Public Service Pension Plan	566	709
Teachers' Pension Plan	468	550
College Pension Plan	162	(51)
Other plans	40	46
Due from (to) pension plans	<u>\$ 3,488</u>	<u>\$ 3,529</u>

6. COMPUTER SYSTEMS AND OTHER ASSETS

(\$ thousands)

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Intangible assets				
Major business application software	\$ 44,023	\$ 33,400	\$ 10,623	\$ 11,441
Held in name of service provider:				
Data centre transformation	1,633	350	1,283	1,516
Total intangible assets	45,656	33,750	11,906	12,957
Tangible assets				
Computer systems	16,932	14,784	2,148	2,837
Furniture	4,082	1,973	2,109	1,451
Tenant improvements	3,595	2,720	875	549
	24,609	19,477	5,132	4,837
Held in name of service provider:				
Computer systems	277	105	172	228
Computer systems under capital lease	1,360	492	868	913
	1,637	597	1,040	1,141
Total tangible assets	26,246	20,074	6,172	5,978
Total	\$ 71,902	\$ 53,824	\$ 18,078	\$ 18,935

The corporation has entered into a contract for the provision of services to maintain and manage its data centre operations (note 10). Under the agreement, assets purchased for use in the data centre are held in the name of the service provider and can be either funded directly by the corporation or by way of lease with a third party (note 8). The assets are dedicated to the provision of services to the corporation and the corporation has the option to take possession of the assets on termination of the master agreement with the service provider.

Funding obtained from the pension plans to acquire capital assets are recorded as unamortized deferred capital funding. The recovery of costs is recognized on the same basis as the capital assets are amortized.

7. ACCRUED SALARIES AND BENEFITS

	(\$ thousands)	
	2016	2015
Accrued salaries and benefits	\$ 7,690	\$ 7,202
Leave liability	1,378	1,438
	<u>\$ 9,068</u>	<u>\$ 8,640</u>

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

8. OBLIGATIONS UNDER LEASE

The corporation entered into lease agreements to fund the data centre transformation and related computer systems equipment through a service provider that also maintains and operates those assets. The leases have five year terms, with interest rates ranging from 5.35% to 7.32%. The minimum future lease payments under leases are as follows:

	(\$ thousands)	
Year ending March 31	2016	2015
2016	\$ -	\$ 535
2017	582	535
2018	582	535
2019	555	505
2020	56	-
2021	30	-
	<u>1,805</u>	<u>2,110</u>
Amount representing interest	(206)	(375)
Obligation	<u>1,599</u>	<u>1,735</u>
Less: current portion	(478)	(415)
	<u>\$ 1,121</u>	<u>\$ 1,320</u>
Opening balance, obligations under lease	\$ 1,735	\$ 950
Additions	337	1,100
Disposals	(38)	-
Less: principal payments	(435)	(315)
(Decrease) increase in obligations under lease	<u>(136)</u>	<u>785</u>
Closing balance, obligations under lease	<u>\$ 1,599</u>	<u>\$ 1,735</u>

8. OBLIGATIONS UNDER LEASE (CONTINUED)

Of the \$0.3 million lease obligation additions, \$0.2 million relates to equipment purchases and \$0.1 million to data centre transformational operating costs. These lease increases are non-cash transactions. Of the \$1.6 million of lease obligations \$1.5 million are capital and \$0.1 million are operating.

9. DEFERRED CAPITAL FUNDING

	(\$ thousands)	
	2016	2015
Opening balance	\$ 17,200	\$ 19,174
Capital assets additions	3,087	1,753
Principal payments on obligation under lease	435	315
Data centre transformational operating costs	(91)	(109)
Capital funding received	3,431	1,959
Amount amortized into revenue	(4,152)	(3,933)
Ending balance	\$ 16,479	\$ 17,200

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

Through the Province of BC, the corporation has committed to building rental and accommodation agreements for a number of locations within the Selkirk campus, for which the estimated costs are \$2.9 million for the years ending March 31, 2017, \$1.1 million March 31, 2018 and \$0.1 million to September 30, 2018.

The corporation is currently in negotiation to extend accommodation agreements on its primary locations while also looking at options to consolidate its other locations within the same Selkirk campus.

On January 6, 2016, the corporation signed an offer to sublease a larger office building in the Selkirk campus area from the British Columbia Investment Management Corporation, with the intention of consolidating its non-primary locations.

The corporation also entered into an agreement to purchase \$0.9 million in used furniture and equipment contingent on the offer to sublease being accepted.

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

In fiscal 2014, the corporation entered into a contract for the provision of service to maintain and manage its data centre operations. The terms of the agreement fall within the master agreement that the service provider has negotiated with the Province of BC.

The initial term of the corporation's agreement for provision of server management, network management and network security services expires on March 31, 2021, with options to extend for additional 3 and 5 year terms. The initial term of the agreement for provision of data centre facility services expires on March 31, 2024 with an option to extend for an additional 5 year term. Projected contract costs, excluding obligations purchased under lease (Note 8) and inflation, are as follows:

(\$ thousands)				
For the year ended March 31	Managed services	Data centre facilities	2016 total	2015 total
2016	\$ -	\$ -	\$ -	\$ 4,912
2017	4,455	237	4,692	4,221
2018	4,502	237	4,739	4,221
2019	3,903	237	4,140	3,967
2020	3,903	237	4,140	3,967
2021	3,903	237	4,140	3,967
2022	-	237	237	234
2023	-	237	237	234
2024	-	237	237	234
	\$ 20,666	\$ 1,896	\$ 22,562	\$ 25,957

10. COMMITMENTS (CONTINUED)

There is provision under the contract for the corporation to terminate for convenience with not less than twelve month notice. Termination costs include the residual value of any prepaid costs, costs related to the relocation of equipment and staff for the service provider, and a termination fee to compensate the service provider for data centre facilities that have been reserved on behalf of the corporation. Based on service commitments made to March 31, 2016, the estimated one-time termination costs are:

Date of termination as at March 31	(\$ thousands)			
	Managed services	Data centre facilities	2016 total	2015 total
2016	\$ -	\$ -	\$ -	\$ 2,334
2017	816	1,121	1,937	1,859
2018	603	981	1,584	1,408
2019	442	841	1,283	952
2020	294	701	995	811
2021	267	420	687	420
2022	-	280	280	280
2023	-	140	140	140

c) Contractual obligations—Province of BC

In order to participate under the Province of BC's master agreement with the service provider for data centre services, the corporation has entered into an agreement with the Province of BC to provide contract administration services on its behalf. Estimated costs for each of the years ending March 31, 2017 to 2021 are \$50,000.

d) Other contracts and commitments

In fiscal 2016, the corporation entered into agreements with various vendors to provide expert services in the design and development of enhanced online services to plan members and employers for which the estimated are \$5.7 million for the years ending March 31, 2017 and \$0.2 million to October 2017.

At fiscal year end, the corporation has committed to \$0.9 million (2015: \$0.8 million) for various IT software licenses and maintenance fees commencing on April 1, 2016 and ending in March 31, 2017.

11. BENEFIT ADMINISTRATION SERVICE REVENUE

The corporation's benefit administration service revenue consists of charges to the pension plans for the corporation's operating expenses, and computer systems and other asset purchases, less capital funding received, plus amortization of deferred capital funding.

	(\$ thousands)	
	2016	2015
Total charges to pension plans for benefit administration services and purchase of assets (a)	\$ 65,866	\$ 58,670
Purchase of computer systems and other assets	(2,941)	(2,657)
Lease obligation funding received, net of disposals	(98)	785
	<u>62,827</u>	<u>56,798</u>
Capital funding recognized as service revenue:		
Amortization of deferred capital funding	4,152	3,933
Benefit administration service revenue	<u>\$ 66,979</u>	<u>\$ 60,731</u>
(a) Total charges to pension plans for benefit administration services were		
Municipal Pension Plan	\$ 36,507	\$ 32,350
Public Service Pension Plan	14,039	12,733
Teachers' Pension Plan	11,288	10,123
College Pension Plan	3,289	2,820
Other plans	743	644
	<u>\$ 65,866</u>	<u>\$ 58,670</u>

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.

	(\$ thousands)	
	2016	2015
Total charges to pension plans for plan boards' secretariat support services and purchase of assets (a)	\$ 1,991	\$ 1,539
Purchase of computer systems and other assets	(392)	(87)
Pension plan boards' secretariat service revenue	\$ 1,599	\$ 1,452

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

Municipal Pension Plan	\$ 1,169	\$ 624
Public Service Pension Plan	274	305
Teachers' Pension Plan	274	305
College Pension Plan	274	305
	\$ 1,991	\$ 1,539

13. INVESTMENT INCOME

	(\$ thousands)	
	2016	2015
Interest from cash	\$ 63	\$ 62
Interest from pooled investment portfolios	41	67
	\$ 104	\$ 129

14. OTHER EXPENSES

	(\$ thousands)	
	2016	2015
Communication products and distribution	\$ 1,338	\$ 1,307
Travel and business expenses	947	836
Staff training	596	757
Office supplies	540	417
Bank charges and regulatory fees	389	382
Lease financing	125	98
Corporate Board	75	86
	\$ 4,010	\$ 3,883

15. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the act, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trustee pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2016, the corporation has approximately 500 employees contributing to the plan which has approximately 56,000 active plan members and approximately 43,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194 million for basic pension benefits.

Employee contributions are 7.93% of salaries up to the YMPE and 9.43% of salaries above that. Employer contributions made by the corporation are 9.43% of salaries up to the YMPE and 10.93% of salaries above that. Employee and corporation contributions include 1.25% and 2.75% of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements.

The next valuation will be March 31, 2017, with results available in early 2018.

The actuary does not attribute portions of the unfunded liability to individual employers. In 2016, the corporation paid \$2.9 million (2015: \$2.7 million) for employer contributions to the plan. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

16. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans and bcIMC are related parties to the corporation. The pension plan boards appoint members to the corporate board, and the corporation provides services to the pension plans. These transactions are in the normal course of operations and consist of the recovery of the corporation's operating expenses, and computer systems and other asset purchases.

The corporation engages in transactions with the Province of BC. These transactions are considered to be in the normal course of operations and include some limited supporting services; payroll, building occupancy and some information technology support services. Included in accounts payable and accrued salaries and benefits is \$8.7 million (2015: \$7.6 million) due to the Province of BC.

17. FINANCIAL INSTRUMENTS

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

Cash equivalents are recorded at fair value using current market yields and are held in a pooled investment fund managed by the bcIMC and are regularly monitored by bcIMC and management. Risks associated with financial instruments include market risk, credit risk and liquidity risk.

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The three levels of the fair value hierarchy are:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2—Inputs other than unadjusted quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3—Inputs that are not based on observable market data.

Cash equivalents, which total \$3.4 million, are classified as level 1 (2015: \$5.7 million—level 1).

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

17. FINANCIAL INSTRUMENTS (CONTINUED)

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.

Liquidity risk is the risk of not being able to meet the corporation's cash requirements in a timely and cost effective manner. The corporation's financial investments consist of highly liquid cash and units in money market funds. The corporation forecasts its cash requirements over the near term to determine whether sufficient funds are available to meet forecast expenditures. The corporation's primary source of liquidity is amounts charged to pension plans. The corporation has a short-term unsecured bank facility of up to \$0.3 million in place should it be required to meet temporary fluctuations in cash requirements. As at March 31, 2016 and March 31, 2015 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. COMPARATIVE FIGURES

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

SUPPLEMENTAL STATEMENT

Appendix D

The Supplemental Statement summarizes the total charges to pension plans for benefit administration services and plan boards' secretariat services and reconciles to note 11 and 12 in the financial statements. This statement is unaudited and does not form a 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 minor differences between total charges to pension plans and net budget, and audited revenue and expenses per the statement of operations and changes in net assets, due to generally accepted accounting practices. Please note that some line items in total operations (for example, salaries and benefits, professional services) are not separately disclosed (netted) in total strategic actions and total charges to pension plans for plan boards secretariat support services.

BRITISH COLUMBIA PENSION CORPORATION SUPPLEMENTAL STATEMENT

Total Charges to Pension Plans

Unaudited

(\$ thousands)

For the year ending March 31	Actual 2016	Budget 2016	Variance Over (under) budget		Actual 2015	Variance Over (under) 2015	
Operations							
Salaries and benefits	\$ 37,403	\$ 38,912	\$ (1,509)	(4%)	\$ 35,984	\$ 1,419	4%
Professional services	5,499	5,350	149	3%	5,357	142	3%
Information services and systems	7,148	7,039	109	2%	6,720	428	6%
Premises	2,958	2,935	23	1%	2,892	66	2%
Other	3,774	4,035	(261)	(6%)	3,773	1	0%
	56,782	58,271	(1,489)	(3%)	54,726	2,056	4%
Non-strategic actions capital							
Tenant improvements	459	314	145	46%	278	181	65%
Furniture and equipment	714	594	120	20%	730	(16)	(2%)
Computer systems	931	570	361	63%	1,611	(680)	(42%)
	2,104	1,478	626	42%	2,619	(515)	(20%)
Lease obligations	98	296	(198)	(67%)	(785)	883	(112%)
	2,202	1,774	428	24%	1,834	368	20%
Miscellaneous income	(104)	(105)	1	(1%)	(129)	25	(19%)
Total operations	58,880	59,940	(1,060)	(2%)	56,431	2,449	4%
Strategic actions							
Compliance	73	468	(395)	(84%)	166	(93)	(56%)
Enhance Online Services	2,200	2,336	(136)	(6%)	649	1,551	239%
Member Service Centre	532	1,347	(815)	(61%)	453	79	17%
Improve Efficiency	1,500	1,074	426	40%	417	1,083	260%
IPAS	2,681	1,120	1,561	139%	554	2,127	384%
Total strategic actions	6,986	6,345	641	10%	2,239	4,747	212%
Total charges to pension plans for benefit administration services and purchase of assets	65,866	66,285	(419)	(1%)	58,670	7,196	12%
Total charges to pension plans for plan boards' secretariat support services	1,991	2,108	(117)	(6%)	1,539	452	29%
Total charges to pension plans	\$67,857	\$ 68,393	\$ (536)	(1%)	\$ 60,209	\$ 7,648	13%



Our Purpose

We make the pension experience easy for those we serve.

Our Direction

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

Our People

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

**PENSION
CORPORATION**

