Connection

The Civil Service Superannuation Board

Member Newsletter • Volume 11 - 2010

Greetings

Welcome to our member newsletter, ***Connection***. In this edition, we hope to bring you up-to-date with news that we feel is important to our members.

In This Issue...

Pension and Insurance Seminars

We conduct seminars for all Departments, Boards and Commissions who are interested in having their employees learn more about their pension plan and group life insurance plan.

The seminars are approximately one to three hours in duration, often conducted right at the employee workplace, and would be scheduled at the convenience of interested groups of 15 or more.

If interested, please notify your Payroll/Human Resource Department.

Employee Contribution Rate

A pension plan valuation looks at two different funding periods. It estimates whether past contributions and investment returns are likely sufficient to fund benefits already earned. It also estimates whether future contributions and investment returns are likely sufficient to fund benefits that may be earned in the future.

As much as these are two different funding periods, they are both parts of the overall funding for one pension plan, and one period can impact on the other. For example, if there is an estimated surplus for past service contributions, that surplus may be used to reduce or maintain future service contributions. Similarly, if there is a past service estimated deficit, future service contributions may be increased to help address the deficit.

The actuary has estimated that contributions for future service are likely insufficient to fund benefits that may be earned in the future, and has recommended a contribution increase of approximately 2% on all pensionable salary. The Employer Advisory Committee and the Employee Liaison Committee have been made aware of this recommendation.

If these committees endorse a change in contribution rates, it would be up to the legislature to formally approve the change.

Board Employee Representatives Elected

This past fall, The Civil Service Superannuation Board (CSSB) held its election for employee representatives to sit on the Board.

The CSSB would like to welcome its newest Board members, Ms Denise Hickson and Mr. Stephen Watson. Ms Hickson was elected as the Manitoba Hydro employee representative while Mr. Watson joins re-elected members Mr. Ray Erb and Ms Monica Girouard as employee representatives for the Government Employee Group. Their terms will become effective January 1, 2010.

Ms Hickson replaces Mr. Ryan Wiebe as the Manitoba Hydro employee representative on the Board and Mr. Watson replaces Mr. Chris Kowalski as an employee representative.

Acknowledgements

The CSSB would like to thank Mr. Wiebe and Mr. Kowalski for their time spent on the Board and various Committees. Plan members, the Board, and Board staff benefited from their dedication and knowledge. Their commitment and hard work in serving the members of the Plan was greatly appreciated.

The Civil Service Superannuation Amendment Act Receives Royal Assent

The Civil Service Superannuation Act was amended in 2009, with the majority of the changes being made effective October 8.

The more significant changes to the Act include:

- **Last survivor full pension is now a specified option.**
  Previously, a member applying for a last survivor full pension was required to provide the Board with proof of satisfactory health. A statement of health is no longer required for members selecting a last survivor full pension if retiring on or after October 8, 2009.

- **Normal retirement age is 71 (previously age 69).**
  A member must stop making pension contributions and begin receiving a pension no later than the end of the year in which he or she reaches normal retirement age. This does not mean that the member must stop working at that age.

  Under the amended legislation, normal retirement age has been increased from 69 to 71, as permitted under the Income Tax Act (Canada). This change affects members who continue working after age 69 and members with a deferred pension who are over age 69 and have not yet commenced their pension.

- **Indexing Reserve Transfer to Superannuation Adjustment Account**
  The amount of $145 million that was previously held in the Superannuation Fund as an indexing reserve has been transferred to the Superannuation Adjustment Account.

  Estimates now suggest that cost-of-living increases of up to ⅔ of the increase in the CPI should be sustainable over the next decade if the CPI increases by no more than 3% per year. The Bank of Canada target for inflation is currently 3% or less, and the most recent Superannuation Fund valuation assumes inflation of 2.5%. Should inflation reach higher levels, cost-of-living increases could be less than ⅔ of the increase in the CPI.

  The indexing reserve transfer increases funding for future cost-of-living payments, but sustainable indexing is still not expected in the long-term without further changes to the program. The next Superannuation Adjustment Account actuarial report will provide a better picture of how recent events such as this transfer and market fluctuations have affected this program. That report will likely be available in late June 2010.

- **Enabling Legislation for Manitoba Hydro enhanced benefits.**
  The Lieutenant Governor in Council may make regulations to provide enhanced pension benefits for Manitoba Hydro employees and pensioners. *No such regulation has been made at this time.* The legislation does not provide for any enhanced benefits or administrative costs to be funded by the current Civil Service Superannuation Fund.

  It is not within the Board's mandate to negotiate pension benefits. The Board would simply administer any regulation which provides for enhanced benefits.

  Any questions regarding enhanced benefits should be directed to either Manitoba Hydro or, where applicable, your union representative.

Market Developments

The most recent valuation of the Civil Service Superannuation Fund was done for December 31, 2007. The Fund was in a neutral position, with neither a surplus nor unfunded liability, but held a reserve in excess of 10% of its assets for unforeseen adverse market events - like the one that occurred in late 2008 and early 2009. The Fund had negative returns of just over 17% for 2008, the worst in its history. In 2009, we've seen an improvement in returns.

With world market turmoil not seen since the Great Depression, the 2007 valuation has probably become less meaningful than any report within its usual three year lifespan.

As a result, the Board is having a valuation done for December 31, 2009, which is prior to the statutory requirement for a report in 2010. This report will provide a better picture of how recent events have affected the Fund, although it likely wouldn't be available until mid-2010.

Questions? Comments?

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