2013 Annual Report

Service

Commitment

CSSB

Integrity

Security

75 years of benefits administration for Manitobans

For more information...

You may make an appointment to view any of the following at The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- A copy of The Civil Service Superannuation Act (Act) and all amendments
- The Annual Information Return submitted each year to the Pension Commission of Manitoba
- A copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

For further member information, visit our website www.cssb.mb.ca.

The Civil Service Superannuation Board

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MINISTER OF FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour the Honourable Philip Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour the 75th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2013.

Respectfully submitted,

Jennifer Howard

Honourable Jennifer Howard
Minister of Finance
Minister Responsible for
The Civil Service Superannuation Act

CSSB The Civil Service Superannuation Board

1200–444 St. Mary Avenue
Winnipeg, Manitoba, Canada R3C 3T1
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June 5, 2014

Honourable Jennifer Howard
Minister of Finance,
Minister Responsible for The Civil Service Superannuation Act

Madam:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 75th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2013 to December 31, 2013 and includes a review of the Board's activities for that period as well as the Report of the Office of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

A. Morin

Al Morin, Chair
The Civil Service Superannuation Board

THE CIVIL SERVICE SUPERANNUATION BOARD

Chair

Al Morin
Retired, President and Chief Executive Officer
Assiniboine Credit Union

Employee Representatives

Paul Desorcy
Manitoba Hydro Representative
Manitoba Hydro-Electric Board

Ray Erb
Civil Service Representative
Retired, Manitoba Government & General Employees Union

Monica Girouard
Civil Service Representative
Manitoba Government & General Employees Union

Doug Troke
Civil Service Representative
Department of Finance

Employer Representatives

Ed Balcewich
Investment Advisor, FMA, FSCI.

Gabriel Forest, f.c.a.
Chartered Accountant

Wayne D. McGimpsey
Chartered Accountant

C. Lynn Romeo
Solicitor

HR AND COMPENSATION COMMITTEE

Chair
Ed Balcewich - Employer Representative

Paul Desorcy - Employee Representative
Ray Erb - Employee Representative
Monica Girouard - Employee Representative

INVESTMENT COMMITTEE

Chair

Peter G. Munro *
Retired, Executive Vice-President, Chief Investment Officer,
The Great-West Life Assurance Company

Brian Allison *
Executive Vice-President, Chief Investment Officer,
The Great-West Life Assurance Company

Richard Brownscombe *
President
Montrose Mortgage Corporation Ltd.

Jim Hrichishen ^
Deputy Minister of Finance
Province of Manitoba

Monica Girouard ^
Civil Service Representative

Al Morin ^
Chair
The Civil Service Superannuation Board

A. Scott Penman*
Retired, Executive Vice-President and Chief Investment Officer,
Investors Group Inc.

Bruce Schroeder ^
General Manager
The Civil Service Superannuation Board

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

Manny Schulz
Corporate Treasurer
Manitoba Hydro-Electric Board

* Appointed based on investment expertise
^ Required by legislation

GOVERNANCE COMMITTEE

Chair
C. Lynn Romeo - Employer Representative

Ed Balcewich - Employer Representative
Paul Desorcy - Employee Representative
Ray Erb - Employee Representative

FINANCE AND AUDIT COMMITTEE

Chair
Gabriel Forest, f.c.a. - Employer Representative

Ray Erb - Employee Representative
Wayne McGimpsey - Employer Representative
Doug Troke - Employee Representative

The Civil Service Superannuation Board

The Board has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all Plan members and beneficiaries. It is also responsible to:

- Ensure that staff fulfil the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- Delegate the day-to-day management to the General Manager and staff
- Provide overall direction and approval of policy items

These duties are vested in four members that are elected by participating employees and five members including a chair that are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to:

- Manage The Civil Service Superannuation Fund (Fund) in accordance with the rules of the Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- Obtain an actuarial valuation every three years
- Regularly review its investment policy
- Obtain an independent audit each year
- Prepare an Annual Report

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of approximately 50 staff members.

CSSB Management Team

Bruce Schroeder
General Manager

Robert Derksen
Director, Communications and Client Services

Robert Riddell
Director, Management Information Systems

Dawn Prokopowich
Director, Client Services Administration

Rick Wilson
Director, Finance and Investment Communications & Management Services

Peter Josephson, CFA
Chief Investment Officer

Ellement and Ellement
Consulting Actuary

Fillmore Riley
Legal Counsel

Office of the Auditor General
Auditor

Your Pension Plan

Your Plan is a “defined benefit” plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. While some employers match (to the extent required by legislation) employee contributions, others are obligated to fund their share of benefits paid in the future.

The amount of pension a member will receive is not directly related to investment returns. Good investment returns are necessary to secure the Fund’s ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

A member may be eligible to retire as early as age 55. Unless the person is age 60 or older with 10 years of service, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive an unreduced pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

		2013 (*)	2012 (*)
Financial	Rate of Return on Investments	14.74%	10.23%
	Investments at Market Value	6,086,952	5,450,922
	Net Investment Income	146,744	166,078
	Current Period Change in Fair Value of Investments	637,089	331,119
	Employee Contributions	136,390	120,358
	Employer Payments	207,253	189,218
	The Province of Manitoba Unfunded Pension Liability Trust Account	1,822,764	1,640,314
	Pension Payments	364,295	340,558
	Refunds and Transfers	72,252	60,847
	General Expenses - Net	1,774	1,703

* $Thousands unless otherwise noted

		2013	2012
Membership	Non-Retired Members	35,006	33,959
	Retired Members and Other Recipients	18,615	18,028
	Total Members	**53,621**	**51,987**
Other Plans Under Administration	Manitoba Telecom Services Inc.^	6,064	6,175
	Money Purchase Accounts Plan	2,723	2,559
	Centra Gas^	804	811
	Winnipeg Child and Family Services^	299	301
	MLA's^	103	107
	Legislative Assembly Pension Plan	79	77
	Total Membership (all Plans)	**63,693**	**62,017**

^ Active and Retired

AL MORIN

The past few years for the pension industry have been extremely difficult, to say the least. Volatile markets, low interest rates and increased longevity over the past few years has proven to be challenging for defined benefit pension plans.

The outlook for 2013 once again appeared uncertain with news of a sluggish U.S. recovery, recessions in China and Japan, threats of a U.S. government shutdown, lingering euro zone debt problems, worsening turmoil in the Middle East, and stock market glitches. Despite all of this, higher market returns was one of the key factors that sparked a turnaround in pension plan health.

Many pension plans that have been struggling to recover from losses and funding issues through some trying investment years experienced strong gains in 2013. A weaker Canadian dollar and higher long-term bond yields led to an increase in assets and has helped reduce liabilities for many Canadian pension plans.

The Civil Service Superannuation Fund (Fund) was no exception, producing a 2013 rate of return of 14.74%. This enabled us to exceed the Actuarial rate of return of 6%. The Actuarial rate of return is the benchmark established to help ensure the Fund is able to continue to meet its future financial obligations.

The Board's ongoing commitment to continue strengthening its Governance practices will take another step forward in 2014 with the approval of the newly revised Governance Manual. Plans are also underway for the development and oversight of strategic risk and the strategic planning process for the Board. In the fall of 2013, an outside consultant was brought in to help navigate the Board through the approval and oversight of the strategic planning process, strategic direction and the strategic business plans of the Board.

The Civil Service Superannuation Board continues to look for ways to enhance and expand the services offered to its membership. A couple of new projects in the works include providing members the ability to complete and submit both their retirement forms and termination option forms electronically. If you are looking to have some forms sent out to you, members signed up for Online Services can now have the forms sent electronically rather than waiting for them to arrive in the mail. The Annual Employee Pension Statements for employees who are active members of the Fund and who had accrued pensionable service during the past year will continue to be accessible this year through our Online Services. In addition to enhancing the services we provide to our membership, online initiatives also help to significantly reduce the cost of printing and mailing material, as well as helping the Board operate in a more environmentally responsible manner.

With the 2014 expiration of the terms for appointed members of the Board, there are two Board members who will be leaving us in 2014. On behalf of the Board, plan members, staff and management, we sincerely thank Ms Lynn Romeo and Mr. Gabe Forest for their dedication and contributions to the Board. Ms Romeo served on the Board for the past three years and Mr. Forest has been a Board member since 2000.

The new year also saw the Board say farewell to a highly respected member of our Investment Committee, Mr. Dick Archer. Throughout his 34 year relationship with the Board, Mr. Archer provided his investment expertise, serving as the Board Chairman, the Investment Committee Chair and most recently, Investment Committee member. I would like to extend our sincere gratitude, appreciation and best wishes.

Once again, I would like to thank the staff and management of the Civil Service Superannuation Board for their efforts throughout the year, and for providing the service, commitment, security and integrity that our membership expects.

Bruce Schroeder

2013 was a rewarding year that delivered a number of accomplishments resulting in improved administrative efficiencies and enhancements to the Civil Service Superannuation Board's (CSSB) Online Services. We continue to develop our Online Services by delivering to stakeholders improvements in access, service, and features. While some initiatives are visible to members, others increase the security of our data and increase our efficiency allowing the CSSB to continue to deliver superior service to stakeholders at a reasonable cost.

One of our most significant initiatives was the creation of our "Online retirement form" portal. This was a huge project that began in early 2013 and was fully operational by the end of the year. Members can now complete their entire retirement application through our Online Services website. This includes pension option selection, election for retirement insurance, etc. By enabling a member to complete retirement information online, a member has the convenience of being able to utilize the service at their leisure wherever they have an Internet connection. From an administrative perspective, online retirement form completion is efficient since inputs can be monitored and any errors can be corrected by the member immediately. This real time monitoring saves time and money. Under the manual system, if a form came into the CSSB completed incorrectly, staff would return the form to the member for correction, delaying processing time as well as the added expense of having to mail forms back and forth.

Another feature added to our Online Services site enables members to send and receive a variety of documents securely through their individual online accounts. This added convenience allows members to provide the CSSB with any necessary documentation (proof of birth, termination option forms, and buy back requests) by scanning and sending them to us through their online accounts with the knowledge that these documents are securely protected. Through the use of their online accounts, members are also able to receive documents and forms from us securely and quickly.

We also improved our data recovery capabilities through the development and testing of a disaster recovery "hot site". In the past, we backed up data onto tapes and stored the information offsite. In a disaster situation we would have been able to retrieve all data that was needed but the recovery time would have been a minimum of one to two weeks. With our new hot site, data is replicated real time and saved to an off-site computer server that we can switch over to in a very short time frame if required. This would enable us to be up and running in the event of a disaster much quicker than in the past.

The conversion of printed Annual Employee Pension Statements to online access continued in 2013. Employees will now access their annual statements via their secure Online Services accounts. This allows members to retrieve current and historical documents via their online account and eliminates the need for members to keep paper copies of past statements. The full conversion will be completed in 2014.

We feel that 2014 will be an exciting year for the Civil Service Superannuation Fund (CSSF). We plan to continue to focus on enhancing and promoting the capabilities of our Online Services. The development of access to services for those members who terminate their participation in the CSSF is planned. The service will provide members the capability to complete the required documentation with respect to their option choices upon leaving the plan. As with the online retirement process, forms and information will be provided through their secure Online Services account. This will allow members quicker access to termination options when their employment ends. We are also considering the addition of online forms for other areas as well.

A dedicated employer portal is also in the plans. This will allow the CSSB to process and provide information more efficiently to and from participating plan employers.
The evolution of online capabilities has a number of advantages and we will continue our focus on our web services for the future. Using web based initiatives is convenient for members, more efficient for administration, and will save the CSSF money which will ultimately benefit its stake holders. Last but not least, web based services are the "greener" alternative by reducing paper and ink. Trying to be "greener" not only saves the environment but it also benefits the plan members by eliminating costs associated with inefficient practices.

As always, I'd like to thank the staff of the Board for their dedication and commitment. They provide excellent service to the membership and always strive to make any interaction with the CSSB a positive experience. I would also like to thank the Board for their support and commitment.

Investments

Guidelines and Practices

Policies and Procedures

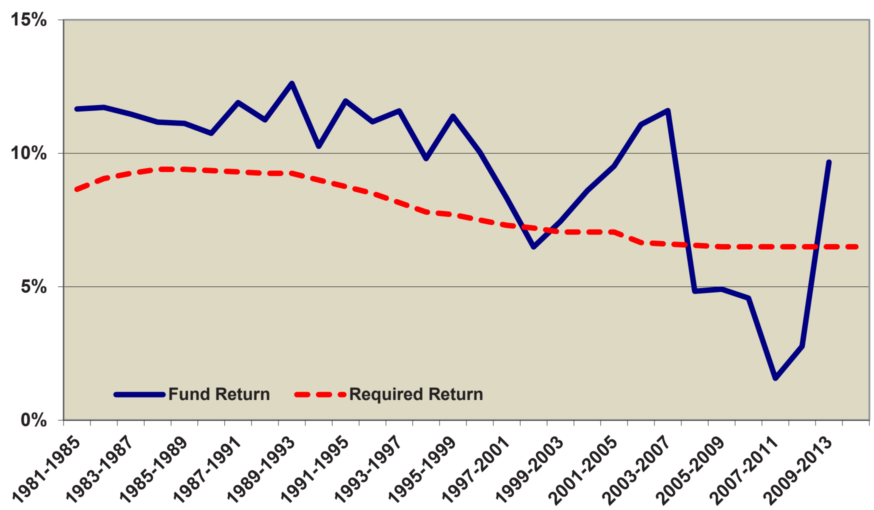
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into effect and is monitored for compliance. The SIP&P includes such things as appropriate asset mix limits, investment grade quality, holding limits, investment objectives, valuation procedures and investment management structure.

Asset mix is the single most important factor in determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions.

Long-term Success of Investment Policy

The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members. An actuarial valuation on the Fund is the best way to measure this obligation. The significant negative fund returns due to the world financial crisis in 2008 continue to pull down the moving five-year annualized returns. Should equity markets attain their historical levels of performance, Fund returns should move back above the actuarial rate of return. Pension fund rates of return are sometimes measured in five-year periods to emphasize longer-term trends which are more relevant to pension funding, rather than short-term volatility. The following chart compares the Fund's five-year moving rate of return and the actuarially required rate (converted from three-year rates to five-year moving rates for comparison).

Five-Year Annualized Return



Policies and procedures that continue to guide or impact investment decisions include:

- Statement of Investment Policies and Procedures
- Investment Manager Mandates
- Proxy Voting Policy and Guidelines

Overview

In 2013, capital markets were dominated by the breadth and magnitude of equity returns generated by global developed markets (all in CAD). The MSCI DM Index gained 35.18%, the MSCI AC World Index advanced over 31.04% and Japan returned 35.69%. In the U.S., the S&P500 produced its best return since 1997, advancing 41.6%. Other major U.S. indices generated similarly impressive results as the DJIA rose 38.35%, the NASDQ gained 49.57%, the S&P400 mid-cap index advanced 42.46% and the S&P600 small-cap index surged 50.79%.

The Canadian equity market significantly underperformed its U.S. counterpart, returning 13.0%. Emerging markets also underperformed in 2013, losing 5%. These markets were negatively impacted by rising U.S. interest rates, weak currencies and large capital outflows. In May of 2013, when Chairman Bernanke hinted that the Fed would begin tapering its bond buying program in September, emerging markets fell 15% in just one month. When the Federal Reserve did not taper in September, they recovered a good portion of these losses.

Many of the significant challenges/risks in the global system that have been present since the crisis in 2008 improved dramatically throughout 2013. In the U.S., the economic recovery broadened and gained momentum with improvements in housing, autos, and consumer & capital spending. In Europe, the financial system experienced relative stability, economic activity began to recover and interest rates declined significantly in countries that had previously been troubled (i.e., Greece, Portugal, Italy and Spain).

In Asia, fears of a hard landing in the Chinese economy proved unfounded as growth stabilized. This is expected to translate into an improved economic outlook for the emerging markets. Finally, Japan set in place a grand plan to finally address its economic malaise and deflationary trends. While the backdrop of these macro improvements was very supportive, market participants also had to absorb numerous events that previously would have negatively impacted capital markets. For instance, a banking crisis in Cyprus, a liquidity squeeze in the Chinese financial system, the possibility of U.S. military action in Syria, Fed tapering concerns, a spike in U.S. interest rates, another debt ceiling showdown, and a U.S. government shutdown. Each of these issues did cause some short-term volatility; however, markets quickly discounted the impact and resumed their uptrend. Essentially in 2013, capital markets certainly climbed the proverbial "wall of worry".

In summary, the improving global/macro environment increased confidence of market participants, and ongoing massive stimulus by world central banks, coupled with historically low interest rates and low levels of inflation all contributed to an exceptional year for global equity markets. With respect to fixed income markets, returns were negative in 2013 with the Canadian DEX Universe losing 1.2%, the long index falling 6.2% and the CSSB custom index declining 2.8%. This is only the third time in close to 20 years that fixed income markets have failed to produce a positive return. These markets also felt the brunt of Bernanke's comments regarding the withdrawal of QE. The Canadian 10-year yield surged 70 basis points (bps) from its low in May to the end of the year.

Concerning 2013 returns for our non-public assets, real estate, private equity and infrastructure, the final quarter is when the portfolios experience the majority of their appraisal or valuation adjustment. Real estate and infrastructure produced positive returns relative to their respective benchmarks for the year. The private equity (Superman Resources) return was disappointing and underperformed its benchmark as a result of weak natural gas prices.

For 2013 as a whole, the total fund outperformed its policy benchmark by 53 bps, returning 14.74% versus 14.21%. This relative outperformance was largely driven by the fund's asset allocation which emphasized equities over fixed income. Returns also benefitted from strong relative results in fixed income, Canadian equities and our external Non-North American portfolios. Total fund relative performance was hurt by underperformance in our internal U.S. and international portfolios.

Diversification, Growth and Stability

Fund Investments

	2013(*)	2012(*)
Contractual Investments		
Cash and Short-term	24,712	211,775
Bonds and Debentures	1,195,372	1,235,993
Mortgages	24,060	26,082
Public Equity Investments		
Canadian Equities	1,325,659	1,185,578
U.S. Equities	1,030,425	819,459
Non-North American Equities	1,517,853	1,313,153
Non-Public Equity Investments		
Real Estate	584,597	445,659
Private Equity	214,442	213,223
Infrastructure	169,832	-
Total Investments	6,086,952	5,450,922

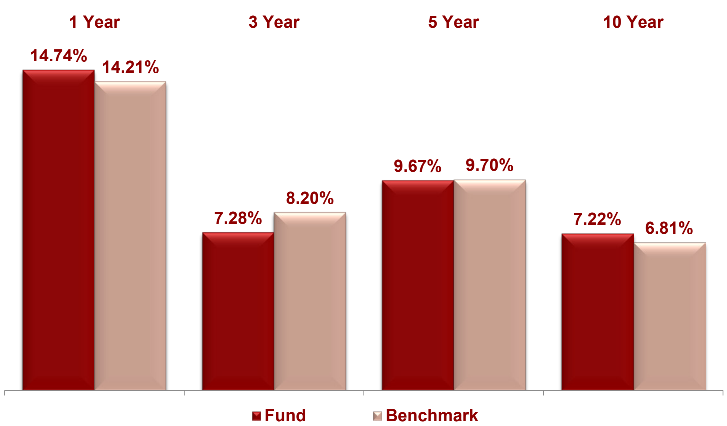
* $Thousands

Calculation Methodology

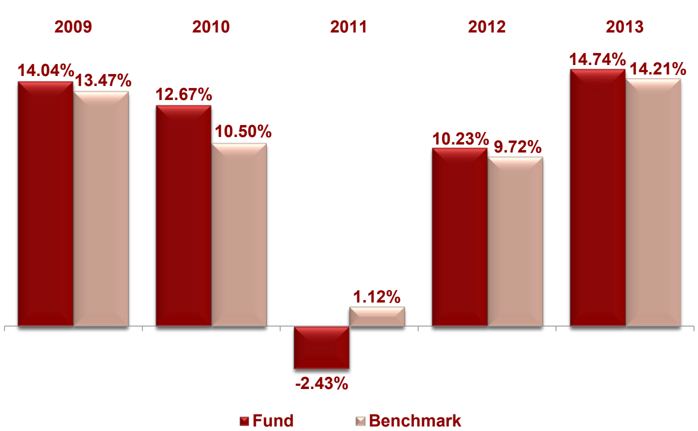
The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the Chartered Financial Analyst Institute.

Total Fund

The positive absolute and relative returns in 2013 raised the five year return to 9.67%. This five year period captures the Fund's underperformance during the 2011 European sovereign debt crisis. Despite this, the Fund return exceeded the actuarial required rate of return by over 3% for the five year period to the end of 2013.Over the long-term, we expect the Fund return should be able to exceed the actuarial assumption.



The benchmark return in the graph below reflects what the Fund could expect to return by indexing, or non-active management, versus the actual total fund return. With the exception of 2011, the Fund has managed to add value from active management quite consistently.

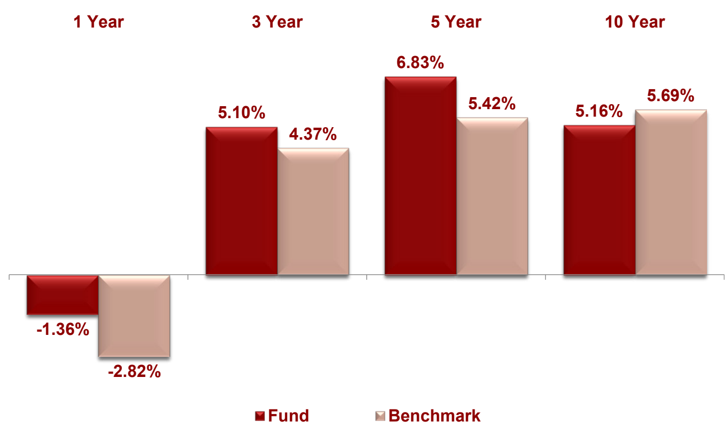


Cash and Cash Equivalents

Cash remains a relatively small portion of the Fund. Active management added 10 basis points, 1.11% over the DEX 91 Day T-Bill of 1.01%.

Bonds and Debentures

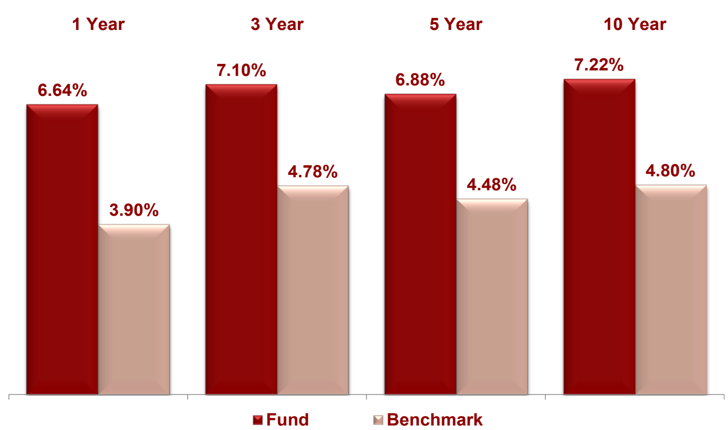
In 2013 the bond portfolio outperformed with a return of (1.36)% versus (2.82)% for the benchmark. Similar to 2012, a maturity at par in the work-out portfolio accounted for more than half of the overall performance for the year. The remaining performance was driven by a combination of the Fund being overweight corporate debt and maintaining a shorter duration relative to the benchmark.



Corporate bond spreads tightened on average 16 basis points in 2013 while Government of Canada mid and long-term yields increased close to 80 basis points.

Real Return

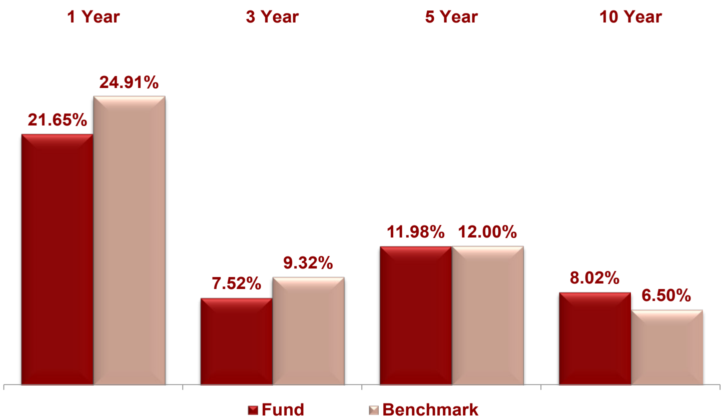
Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits.



Real return investments earned 6.64% in 2013 compared to its benchmark of 3.90%

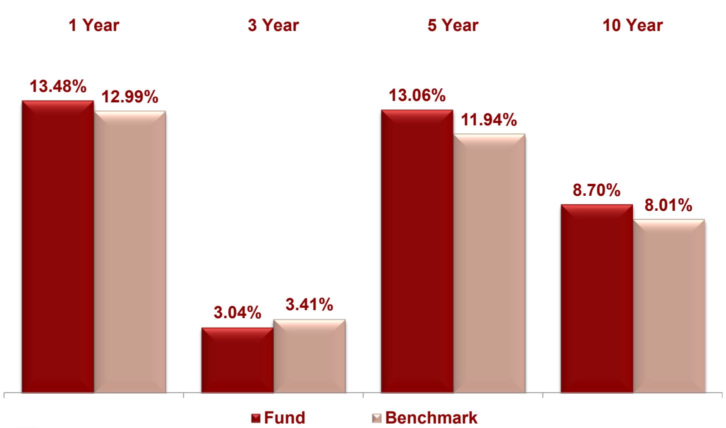
Total Equity

Globally, most publicly traded equity markets experienced exceptional double digit returns in 2013. Specific to CSSB, all equity asset classes, except private equity produced significant absolute performance in 2013. While returns were substantial, in some cases, they were below the asset class benchmark return. Regarding public markets versus their respective benchmarks, the best performing was U.S. equities which returned 40.07% versus 41.53%, Non-North American equities advanced 21.17% versus 24.38%, while Canadian equities lagged returning 13.48% versus 12.99%. Concerning non-public assets versus their respective benchmarks, Real Estate was up 8.28% versus 10.71%, Infrastructure returned 7.19% versus 3.96% and Private Equity provided 0.61% versus 12.99%.



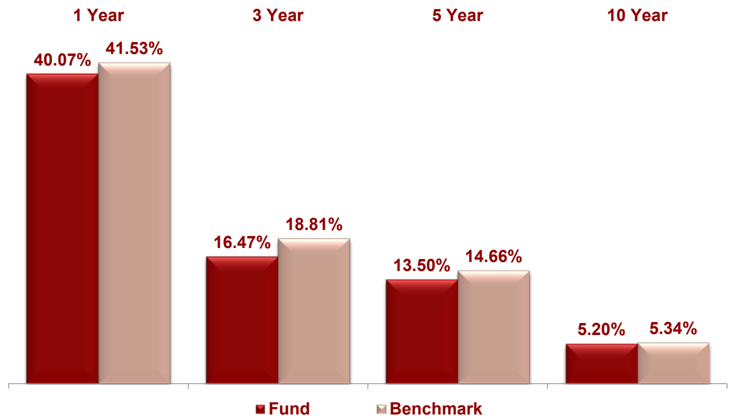
Canadian Equity

The S&P/TSX posted a strong result in 2013, gaining 12.99% on a total return basis as healthcare, consumer discretionary, technology and industrials all benefitted from an improving U.S. economy along with a notable expansion in earnings multiples. Only the utilities and materials sectors fell, with the latter dropping a staggering 30% during the year as precious and base metals producers were stung by significant falls in the underlying commodities. The Canadian Equity component of the fund returned 13.48% during the year. On a stand-alone basis, the Canadian Equity Fund returned 14.03%, beating the index by 104 basis points while the Canadian Equity II Fund returned in line with the index. Generally, strong stock selection in both funds was offset by overweight positions in the materials sector.



U.S. Equity

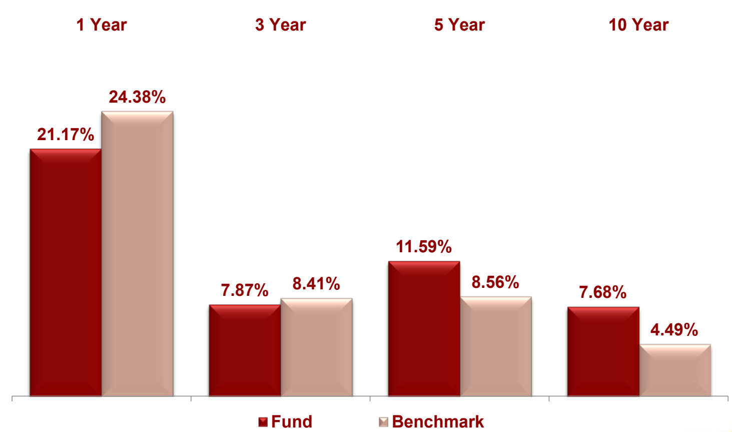
The U.S. Equity Fund had a very strong year in posting a gain of 40.07% in Canadian dollars. That was still less than the S&P 500 benchmark of 41.53%, which was driven by small cap stocks that managed to gain almost 49%. However, the U.S. Equity Fund return was in excess of the large cap S&P 100, which was only up 39.3%! The U.S. Equity Fund return was also dragged down by an average cash position of 4% - that total drag was approximately 160 bps.



U.S. Equities were one of the best performing asset classes in 2013 on the back of an improving U.S. economy, albeit at a rather anemic rate, but that was still better than most of the rest of global economies. Of note, during the year, 10 year Treasury yields rose as the Fed started to taper their large quantitative easing programs and that shifted funds flows from high yielding, low growth dividend stocks to riskier areas of the market. A few sectors of the market such as biotechnology and social media internet stocks witnessed huge multiple expansion to the point creating a potential bubble.

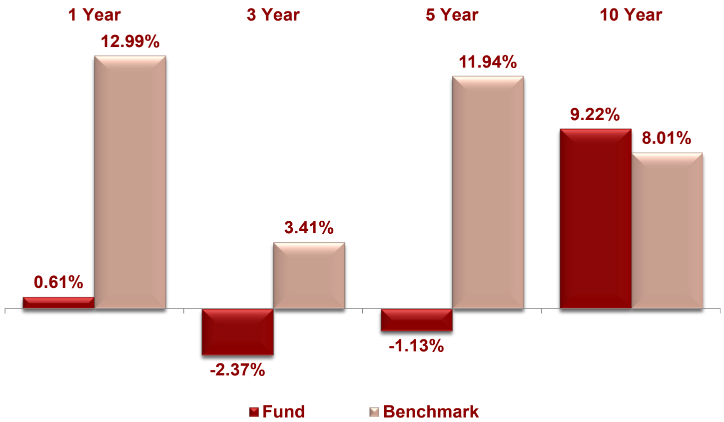
Non-North American Equity

The Non-North American Equity component of the fund returned 21.17% versus the benchmark return of 24.38%. In Japan, Prime Minster Abe pushed through ultra-loose monetary policy driving the stock market up 55%. Also performing strongly last year was the European markets, up 25%, driven by stabilization in the various economies and continued ECB support. Emerging markets saw significant outflows ahead of the US Federal Reserve tapering program, returning (2.33)%. The underweight Europe and overweight emerging markets bias resulted in the underperformance.



Private Equity

Despite weak natural gas pricing, Superman Resources posted a 1.3% return in 2013 and was able to grow its reserves by 4%, driven by both a successful drilling program and net reserve additions made through acquisitions. Natural gas prices continued to be depressed through most of the year due to oversupply in the market, however a much colder and prolonged winter worked to drive Canadian gas storage to record lows where by year-end, AECO gas prices were 31% higher on a year over year basis. Oil pricing was up moderately in the year, offset by a similar fall in liquids pricing.



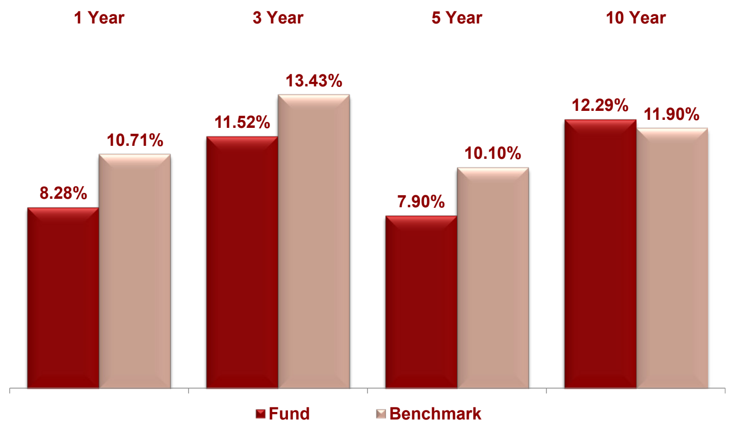
Looking ahead, management continues to focus on its highly profitable liquids rich plays as well as its enhanced oil recovery opportunity with a partner. Previously shut-in dry gas production has been turned back on with the recovery in prices. Superman's production is approximately 67% weighted to gas and therefore should benefit from continued strong gas pricing. This in turn should have a positive impact on cash flow through the year ahead.

Infrastructure

The Borealis Infrastructure Fund had a strong year in posting a gain of 11.4% for the 11 months that CSSB was invested in the Fund. Included in the return was a cash on cash yield of 3.8% and a return of profits amounting to another 1.9%. The cash returned therefore represented 50% of the total return for the year. The total return exceeded the Infrastructure benchmark of 6% by 5.4% for the year. As the audited final return for Borealis was not received prior to CSSB's year end cut off, the Fund return and corresponding benchmark return included in the 2013 CSSB Total Fund return were for the 8 month period ended September 30, 2013 (7.2% for the Fund vs. 4.0% for the benchmark). Borealis continues to exceed expectations and is now a $13 billion Fund comprised of 25 well diversified infrastructure investments globally.

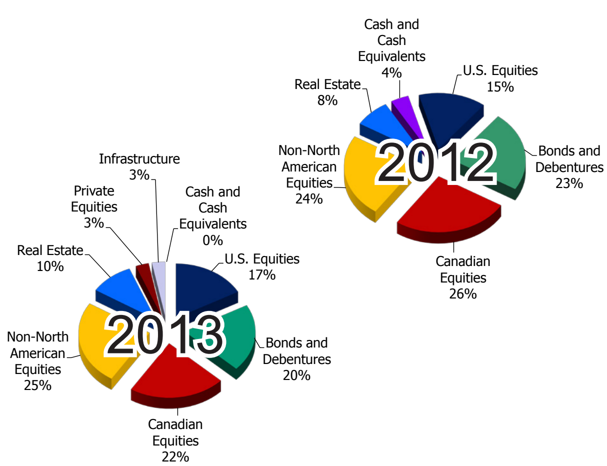
Real Estate

Real estate values posted modest gains in 2013 as the cycle in cap rate compression comes to an end. Publicly traded real estate companies had been a driving force in the acquisition of commercial real estate, however this came to an abrupt change half way through 2013 with an increase in interest rates. This has opened the door for other institutional investors who continue to drive transaction volume in all asset classes and markets across Canada.

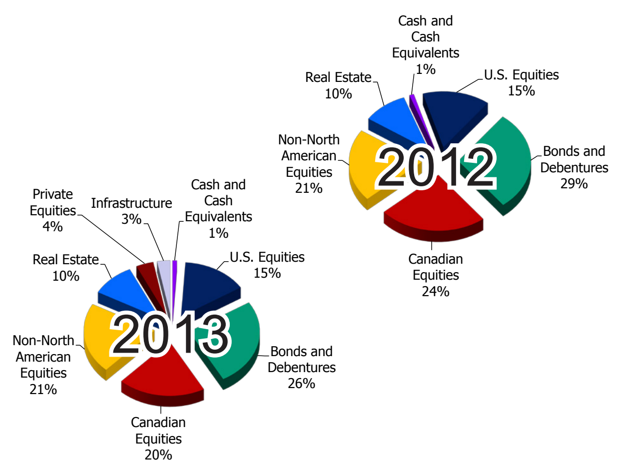


Overall, the commercial real estate market demonstrates low vacancy and sound property fundamentals with no areas of major concern at the moment. We continue to have success purchasing properties on an off-market basis to grow our portfolio and undertake select development opportunities where appropriate.

Fund Investments



Investment Policy Normal Allocation



The global financial crisis marked its fifth year anniversary in September of 2013. As we enter 2014, we are now in year five of a global economic recovery that to date by all measures has been sub-par, fragile, and supported by extreme central bank measures, highlighted by significant market volatility. Currently, the consensus among economic prognosticators is that global economic growth is on a more sustainable path, monetary reflation is working to bolster world economic activity, fiscal restraint has peaked and global growth will be synchronized in 2014. This thesis is supported by various economic indicators which have moved into positive territory and are indicative of expansion. These include the OECD leading economic indicator, global manufacturing indices, purchasing manager indices (PMI), and global services PMI. U.S. economic growth appears to be gaining momentum, European economic activity has stopped contracting, Japan has seen a pickup in real GDP, and China's economy appears to have stabilized. As these economies move ahead, this will provide the support for an improvement in the outlook for emerging market economics which have struggled over the past few years. Taken together, these various factors seem supportive of an improvement in global GDP in 2014 to 3.5% from approximately 3.0% in 2013.

With respect to the U.S. economy, the headwinds to growth are diminishing. Employment has steadily improved, auto sales have been strong, housing starts sales and prices are all improving. The financial system is in good shape, corporate balance sheets are healthy and fiscal restraint will be less in 2014. While the wild card in 2014 is the impact of the Federal Reserve tapering QE, they have stated that a reduction of these purchases is data dependent and that their intention is to keep interest rates low well into 2015. All of these factors suggest that U.S. real GDP should better the 2 – 2 ½% estimate for year-end 2013. It remains our view that U.S. real GDP growth beyond 2.5% in 2014 will require a more sustainable pace of employment and an expansion of corporate capital expenditures.

It appears that Europe has moved from a two year economic contraction into a modest, albeit fragile, recovery. Our concern remains the health of the European banking system. It does not appear that sufficient asset restructuring/write-downs have occurred since the crisis and capital ratios are insufficient. However, we remain of the Draghi view that the European central bank will do whatever it takes to save the Euro and support European economic growth. This was demonstrated by a cut in the central bank rate in late December to 0.25%. Further, statements were made that the ECB would take other extraordinary measures if they felt deflation was a threat or growth was faltering. Despite this, European politics and the ECB are unpredictable and a policy error is always a significant risk.

The Japanese economy has responded positively to the first two phases of Abenomics, those being quantitative easing and fiscal policies in order to stimulate demand. Real GDP has improved and inflation is projected to increase to just below 1% in 2014, still below the 2% target. The third arrow of Abenomics – structured and regulatory reform – has yet to be revealed in detail. The risk to the Japanese economy in 2014 is the impact of the consumption tax increase that is set for April 1st. Should this have a significant impact on economic activity, the Bank of Japan may be forced to expand its already aggressive QE program.

In November of 2013, China held its third Plenum of the 18th Central Committee where it introduced substantial reforms for its economy. The new policies are far reaching and encompass a reduction of government influence on markets, financial deleveraging, fiscal policy, land and citizenship reform, implications for state owned enterprises, demographic implications with changes to the one child policy and financial reform. Additionally, policy makers will implement a prudent monetary policy to ensure growth remains sufficient to allow for a smooth transition of these ambitious new policies. The overriding theme of the third Plenum is to move the Chinese economy towards a consumer driven economy from a dependence on fixed asset investment and exports in order to have more sustainable growth in the future. It is our view that these reforms will be positive for the Chinese economy over the long-term; however, implementation risk is our main concern. On balance, the Chinese have the capability to manage growth and have stated the 7% real GDP growth is the downside boundary that they will tolerate.

The emerging market economies have underperformed over the last year largely due to a downshift in Chinese economic growth, rising U.S. rates and capital outflows. These economies are highly dependent on global GDP growth and more specifically Chinese economic growth. As the latter has stabilized and the former is expected to gain momentum in 2014 the outlook for the growth prospects for the emerging markets should at a minimum stabilize in 2014.

From a geopolitical risk perspective, the Middle East risks have moderated somewhat with the Iran nuclear accord and Syria tensions have subsided. However, there has been an increase in political/social issues in East Asia. This has been particularly evident in Thailand, Turkey and even Singapore. In addition, the Ukraine has experienced rioting as the populace is unhappy with government actions to align their economy with Russia.

Despite some challenges, the global economic outlook is suggestive of a positive backdrop for equity markets in 2014. The overwhelming consensus is for global equities to return mid- to high-single digit returns this year and for developed markets to outperform emerging markets.

While this may be the case, it is our view that further gains in equity markets will have to be driven by earnings as valuations are at or near fair value. In fact, over 80% of the U.S. equity market returns in 2013 were provided from price/earnings expansion as earnings growth was tepid. Further, when valuations are at or above fair value, volatility in equity markets is more pronounced as there is little room for error should fundamentals deteriorate or expectations disappoint. Therefore, we would expect market volatility and more significant corrections to be prevalent in the upcoming year. This is in stark contrast to 2013 where market drawdowns were short and of limited magnitude.

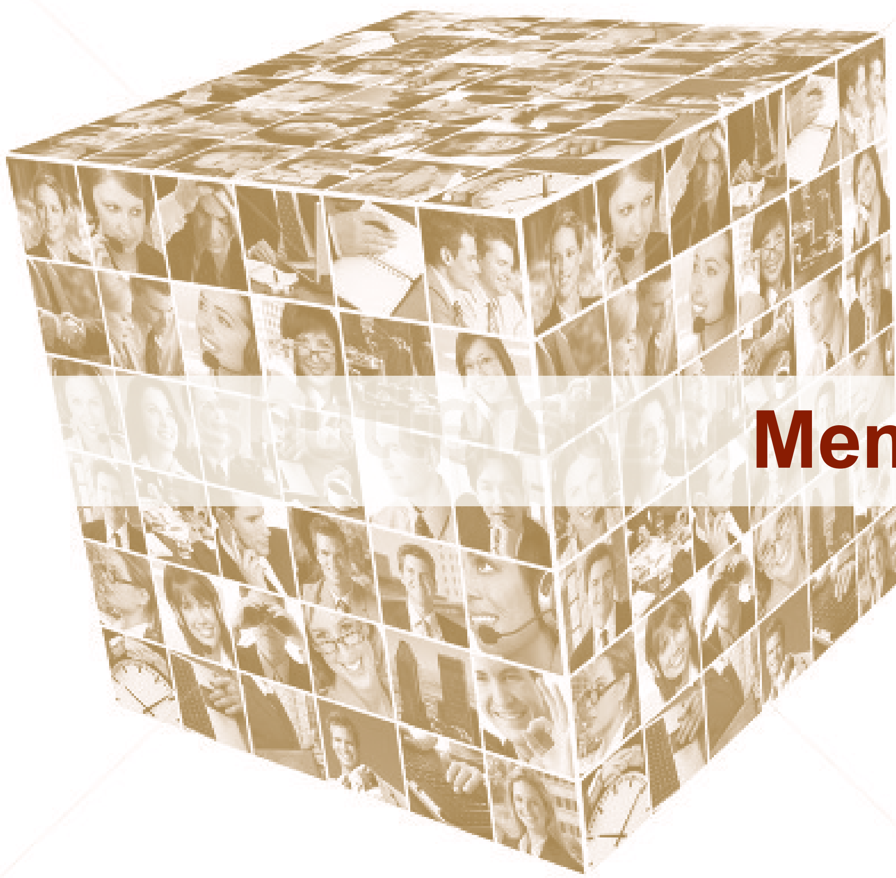
Furthermore, the U.S. equity market is now up over 170% from the desperation lows of 2009 and has surged more than 40% over the last two years. The exceptional gains in equities over the past year are unlikely to be repeated in 2014, however they are not suggestive of negative outcomes. Historically, following other periods when the S&P500 was up over 25%, the market has generally provided positive returns in the following year. Since 1926, the S&P500 has surged more than 25% on an annual basis 20% of the time. In the subsequent year the average return was 10.9% and the return was positive 70% of the time.

This is also the case for international markets. Over the same period, these markets have been up by more than 20% over a 12-month period 30% of the time with an average return in the following year of 14.3% and positive return 70% of the time. Providing further support for equities in 2014 is the potential for further funds flow rotation from fixed income to equities. 2013 was the first year since the financial crisis where equity mutual funds experienced inflows and fixed income funds had outflows. This trend could continue as investors experienced their first loss in the fixed income market since 2005 and the exceptional equity returns are sure to be extrapolated into the future.

Regarding our regional preferences in equity markets, we remain positive on the U.S., although valuations are rich at current levels. Europe is relatively less expensive and has just moved out of recession suggesting positive earnings growth potential. Moreover, unlike the U.S. market which is above its previous 2007 market high, most European markets remain well below their previous peaks. Canada is considered neutral given a lackluster outlook for the commodity sector. Finally while emerging markets have been a disappointment over the last few years, they are historically very cheap and their demographic profile and growth prospects are attractive. The concern for 2014 is the impact of rising U.S. rates and the impact of Chinese reforms on external demand.

Regarding the outlook for fixed income markets, we continue to view them as unattractive. As global growth improves and the Federal Reserve gradually removes QE, interest rates are poised to move upward. It is our opinion that this rate move will be managed and gradual. A sudden surge in the level of rates due to faster than expected growth, or a policy error, would have serious implications for capital markets and global economic activity.

Concerning non-public assets, we continue to view these assets favorably in terms of risk diversification and stable returns. High quality real estate investments will be added as opportunities arise over the year. Infrastructure continues to offer attractive cash flow, relatively stable returns and tend not to be correlated with public equity markets. Finally, total fund cash reserves are expected to remain modest in 2014.



Membership

MEMBER SERVICES

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

1. Individual Meetings

Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. The Internet allows for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Pre-Retirement Planning Seminars

The pre-retirement planning seminar program is a half-day session designed for employees who are beginning to plan for retirement. They are presented in major centres throughout Manitoba for groups of 15 to 50 people, and members are encouraged to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board.

3. Employee Pension and Insurance Seminars

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the Government and its related boards, commissions, and agencies, and last for two to three hours.

4. Personal and General Inquiries

Board staff are available to answer questions by way of phone and written communication.

5. Electronic Communications

The Board has a website and online services, allowing members to view general information and obtain detailed personalized information at their convenience.

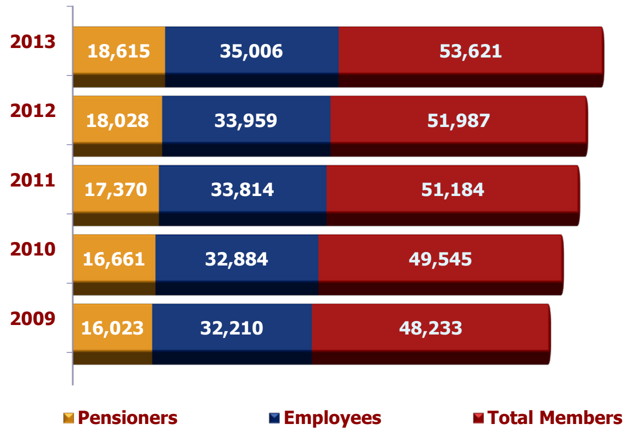
Staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

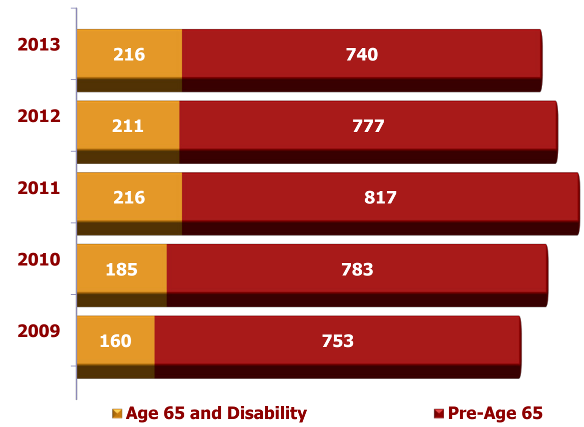
Members/Retirements

During 2013
- Total members increased by 1,634 to 53,621
- Employees/former employees participating in the Fund increased by 1,047 to 35,006
- Pensioners/beneficiaries increased by 587 to 18,615

Total Members



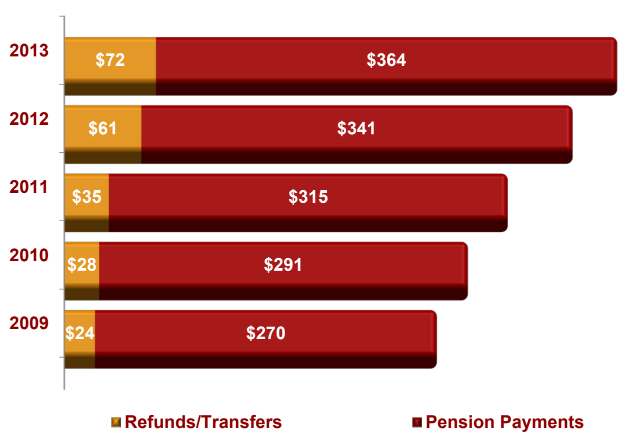
Retirements



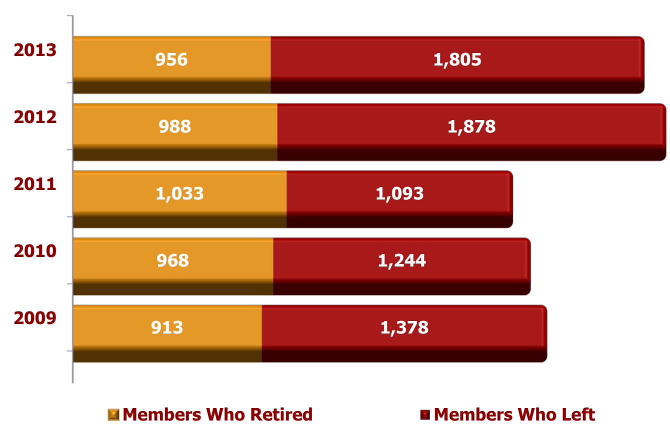
Paying Your Benefits

During 2013
- 18,615 pensioners/beneficiaries were receiving pension benefits at the end of the year
- $364.3 million was paid in pensions

Payments From The Fund (Millions)



Former Contributors



Employee Contributions/Employer Payments

During 2013

- Employees contributed $136.4 million to the Fund compared to $120.4 million in 2012
- Employers paid $207.3 million to the Fund compared to $189.2 million in 2012

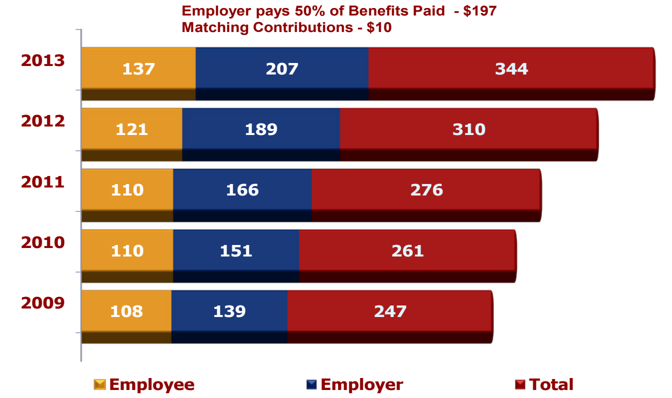
Employees and Employers share the cost of the plan.

- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

Employer payments include:

- Approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- Payments made by matching employers

Contributions and Payments (Millions)



The Lieutenant Governor in Council has made a regulation to increase contribution rates to the plan as outlined in the following table. Please note that the increased contributions are not intended to provide increased pension benefits, but are considered necessary to fund existing benefits in the future.

For pay periods ending:	Contribution rate on salary up to Canada pensionable earnings	Contribution rate on salary over Canada pensionable earnings
before July 1, 2012	6.0%	7.0%
on or after July 1, 2012 but before 2013	6.5%	7.5%
in 2013	7.0%	8.0%
in 2014	7.5%	8.5%
after 2014	8.0%	9.0%

An employee contributes to the pension plan at one rate on salary up to his or her Canada pensionable earnings, and at a different rate on salary over of his or her Canada pensionable earnings. Canada pensionable earnings is the salary an employee receives in a year that does not exceed the Yearly Maximum Pensionable Earnings under the Canada Pension Plan. The Yearly Maximum Pensionable Earnings for 2014 is $52,500.

Cost-of-Living Adjustment (COLA)

- 10.2% of employee contributions and matching employer payments go to a separate account to fund COLA
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2013 was 0.55%

Cost-of-Living Account

The Board is concerned with the future viability of COLA. COLA is limited to the extent that the COLA account is, in the opinion of our actuary, able to pay for approximately one half of the increases. The employer pays for the remainder of the increases. The Board is concerned that the COLA account will not be able to continue to provide increases of ⅔ of the increase in the Canadian Consumer Price Index. Concerned members should contact the Pension and Insurance Liaison Committee.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- Investment income
- Employee contributions
- Employer payments

These assets are used to finance the payment of the Fund's portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. Basic Benefits Account

- Finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account

- Has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
- 10.2% of employee contributions and matching employer payments are credited annually to this account

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to ⅔ of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2013 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	3,712,304		
Indexing Benefits Account	431,519		
Total	**4,143,823**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (Excluding future benefits)	4,109,834	3,268,008	7,377,842
Indexing Benefits Account	217,833	209,021	426,854
Total	**4,327,667**	**3,477,029**	**7,804,696**
3. Actuarial Position/Funds Available			
Basic Benefits Account	(397,530)	(3,268,008)	(3,665,538)
Indexing Benefits Account (funds available to finance future adjustments)	213,686	(209,021)	4,665
Surplus/(Deficit)	**(183,844)**	**(3,477,029)**	**(3,660,873)**

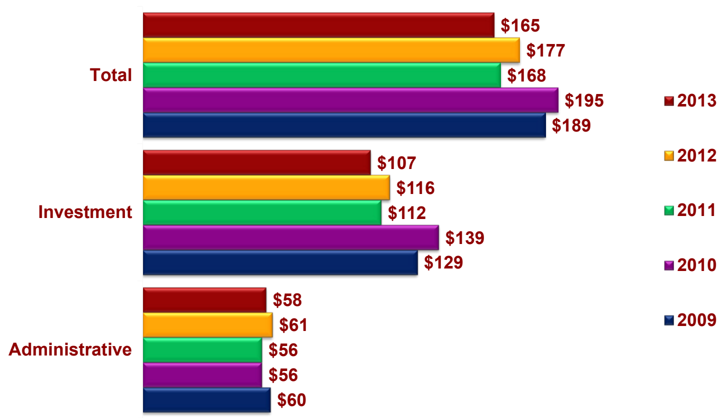
* $Thousands

Refer to the Audited Consolidated Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans. The total annual cost per member for 2013 was $165 consisting of $58 for administration and $107 for investment related expenses.

Annual Cost Per Member



Governance

The Board and sub-committees regularly receive management certified compliance reports and informational material to assist with oversight requirements. In addition, the Board reviews and formally approves the minutes of all subcommittee meetings.

The Board is currently conducting a review of its governance processes. The results of the review will form the foundation of future Board policies and procedures.

Five-Year Comparative Statistics

		2009 (*)	2010 (*)	2011 (*)	2012 (*)	**2013 (*)**
Investments	Rate of Return	14.06%	12.67%	(2.43)%	10.23%	**14.74%**
	Market Value	4,001,189	4,915,555	4,845,227	5,450,922	**6,086,952**
Contributions and Payments	Employee Contributions	107,593	109,924	109,736	120,358	**136,390**
	Employer Payments	139,556	151,255	166,062	189,218	**207,253**
	Total	247,149	261,179	275,798	309,576	**343,643**
Payments from the Fund	Pension Benefits Paid	270,006	291,168	315,051	340,558	**364,295**
	Refunds and Transfers	24,238	27,517	35,123	60,847	**72,252**
Expenses	Administrative, net before recoveries from non-matching employers	2,858	2,787	2,846	3,051	**3,128**
	Investment, net	6,217	6,883	5,758	6,023	**5,724**

* $Thousands unless otherwise noted

		2009	2010	2011	2012	**2013**
Membership	Non-Retired Members	32,210	32,884	33,814	33,959	**35,006**
	Pensioners and Other Recipients	16,023	16,661	17,370	18,028	**18,615**
	Total Members	48,233	49,545	51,184	51,987	**53,621**
	Refunded/Transferred Members	1,378	1,244	1,093	1,878	**1,805**
	Retirements	913	968	1,033	988	**956**

Financial Information

Management Report

The accompanying consolidated financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans, as stated in the notes to the consolidated financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to April 24, 2014.

The firm of Ellement and Ellement has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual consolidated financial statements.

The Auditor General performs an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditor's Report attached to the consolidated financial statements.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the consolidated financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the consolidated financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

Bruce Schroeder
General Manager

Rick Wilson
Director, Finance

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba and
To the Board of the Civil Service Superannuation Fund

We have audited the accompanying consolidated financial statements of the Civil Service Superannuation Fund, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of changes in net assets available for benefits, changes in pension obligations and changes in deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for pension plans and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Civil Service Superannuation Fund as at December 31, 2013, and the consolidated changes in net assets available for benefits, consolidated changes in pension obligations and the consolidated changes in deficit for the year then ended in accordance with Canadian accounting standards for pension plans.

Original document signed by:
Norman Ricard, CA
Auditor General (acting)

April 24, 2014
Winnipeg, Manitoba

Consolidated Statement of Financial Position

as at December 31, 2013

	2013	2012
($) Thousands		
Assets		
Investments, Schedule 1, Notes 2(b) and 4	$6,086,952	$5,450,922
Equipment	297	287
Prepaid expenses	204	201
Debt due from the Province of Manitoba, Note 5	1,826	1,826
Receivables, Note 6	3,554	2,219
Accrued dividends and interest	13,060	12,446
Total assets	**6,105,893**	**5,467,901**
Liabilities		
Accounts payable and accrued liabilities	10,805	9,867
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7	1,822,764	1,640,314
Correctional Officers' Trust Account, Note 9	6,800	5,498
Employer Trust Accounts, Note 10	74,492	64,666
Money Purchase Accounts Plan, Note 11	30,272	25,540
Manitoba Hydro Enhanced Benefit Trust Account, Note 8	16,937	13,037
Total liabilities	**1,962,070**	**1,758,922**
Net assets available for benefits, Exhibit B	**$4,143,823**	**$3,708,979**
Pension Obligations and Deficit		
Actuarial value of pension obligations, Exhibit C, Note 12	**$7,804,696**	**$7,603,016**
Deficit, Exhibit D, Note 1(b), 12, 13 and 20	**(3,660,873)**	**(3,894,037)**
Pension obligations and deficit	**$4,143,823**	**$3,708,979**

Approved on behalf of the Board

Chairperson of the Board

Chairperson, Finance and Audit Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

for the Year Ended December 31, 2013

	2013			2012
($) Thousands	**Basic Benefits Account**	**Indexing Benefits Account**	**Total**	**Total**
Increase in assets				
Contributions, Schedule 2, Note 1(b) and 14				
Employees	$ 122,531	$ 13,859	**$ 136,390**	**$ 120,358**
Employers	206,229	1,024	**207,253**	**189,218**
Total contributions	328,760	14,883	**343,643**	**309,576**
Net investment income, Schedule 3	92,842	53,902	**146,744**	**166,078**
Current period change in fair value of investments, Note 15	637,089	-	**637,089**	**331,119**
Other	78	-	**78**	**80**
Total increase in assets	**1,058,769**	**68,785**	**1,127,554**	**806,853**
Decrease in assets				
Benefits paid, Note 16	340,675	23,620	**364,295**	**340,558**
Refunds and transfers, Note 17	72,252	-	**72,252**	**60,847**
Administrative expenses, net, Note 18	1,774	-	**1,774**	**1,703**
Transfer to employer trust accounts	358	-	**358**	**573**
Interest (charged) allocations to various trust accounts and Money Purchase Accounts Plan, Note 19	254,031	-	**254,031**	**158,729**
Total decrease in assets	**669,090**	**23,620**	**692,710**	**562,410**
Increase (decrease) in net assets	**389,679**	**45,165**	**434,844**	**244,443**
Net assets available for benefits, beginning of year	3,322,625	386,354	**3,708,979**	**3,464,536**
Increase (decrease) in net assets	389,679	45,165	**434,844**	**244,443**
Net assets available for benefits, end of year, Exhibit A	**$ 3,712,304**	**$ 431,519**	**$ 4,143,823**	**$ 3,708,979**

Exhibit C - The Civil Service Superannuation Fund

Consolidated Statement of Changes in Pension Obligations

for the Year Ended December 31, 2013

($) Thousands	2013 Fund	2013 Non-Matching Employers	2013 Total	2012 Total
Basic Benefits Account				
Pension obligations, beginning of year	$4,009,785	$3,170,251	**$7,180,036**	**$6,789,555**
Change in pension obligations during the year				
Experience (gain) loss	(123,700)	(59,167)	**(182,867)**	**(4,546)**
Benefits accrued	139,426	111,620	**251,046**	**252,294**
Benefits paid	(207,056)	(187,320)	**(394,376)**	**(361,833)**
Interest accrued on benefits	231,135	184,394	**415,529**	**403,815**
Change in actuarial reserves	60,244	48,230	**108,474**	**100,751**
	100,049	97,757	**197,806**	**390,481**
Pension obligations, end of year	**$4,109,834**	**$3,268,008**	**$7,377,842**	**$7,180,036**
Indexing Account				
Pension obligations, beginning of year	$ 216,252	$ 206,728	**$ 422,980**	**$ 381,519**
Change in pension obligations during the year				
Experience (gain) loss	(6,299)	(5,045)	**(11,344)**	**(7,508)**
Benefits accrued	11,903	9,529	**21,432**	**54,493**
Benefits paid	(23,620)	(18,909)	**(42,529)**	**(38,640)**
Interest accrued on benefits	12,576	11,097	**23,673**	**22,505**
Change in actuarial reserves	7,021	5,621	**12,642**	**10,611**
	1,581	2,293	**3,874**	**41,461**
Pension obligations, end of year	**$ 217,833**	**$ 209,021**	**$ 426,854**	**$ 422,980**
Combined				
Pension obligations, beginning of year	$4,226,037	$3,376,979	$7,603,016	$7,171,074
Change in pension obligations during the year	101,630	100,050	201,680	431,942
Pension obligations, end of year, Exhibit A	**$4,327,667**	**$3,477,029**	**$7,804,696**	**$7,603,016**

Exhibit D - The Civil Service Superannuation Fund

Consolidated Statement of Changes in Deficit

for the Year Ended December 31, 2013

($) Thousands	2013			2012
	Fund	Non-Matching Employers	Total	Total
Deficit, beginning of year,	$ (517,058)	$ (3,376,979)	**$ (3,894,037)**	**$ (3,706,538)**
Increase (decrease) in net assets	434,844	-	**434,844**	**244,443**
Change in pension obligations during the year	(101,630)	(100,050)	**(201,680)**	**(431,942)**
	333,214	(100,050)	**233,164**	**(187,499)**
Deficit, end of year, Exhibit A, Note 20	**$ (183,844)**	**$ (3,477,029)**	**$ (3,660,873)**	**$ (3,894,037)**

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the “Plan”) is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the “Act”).

(a) General

The Civil Service Superannuation Board (the “Board”) and the Civil Service Superannuation Fund (the “Fund”) were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

Effective January 1, 2013, the Act required that employees contribute 7% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 8% of pensionable earnings above that maximum. The corresponding contribution rates increase .5% each year from 2014 to 2015. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is .9% less than the employee on pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and the same as the employee on Pensionable Earnings above that maximum.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, non-matching employers are not billed for the cost of the pension formula improvement implemented in 2000. Matching employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund’s net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund’s portion of the Plan’s actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers’ portion of the obligation for pension benefits, as shown on Exhibit C and disclosed in Note 12, is unfunded.

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers’ share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation

The lifetime pension calculation equals:
(i) 2% of a member’s best five-year average pensionable earnings multiplied by pensionable service.
(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions

On termination, retirement or death, if a member’s contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member’s estate.

(e) Retirement

A member is eligible to retire as early as age 55.
All members must commence pension benefits no later than the last day of the calendar year in which the member attains 71 years of age.
Eligible members of the Province of Manitoba’s Corrections Component may retire as early as age 50 if age plus years of qualifying service is greater than or equal to 75.

(f) Disability Pensions

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor’s Benefits

A survivor’s benefit is payable to a spouse or estate upon an active member’s death.

(h) Death Refunds
A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds
Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes
The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan
The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation
The consolidated financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian accounting standards for pension plans. The Fund has selected Part II (accounting standards for private enterprises) of the CPA Canada Handbook for issues not directly addressed by these standards. In accordance with these standards, statements prepared include the statement of financial position, the statement of changes in net assets available for benefits, the statement of changes in pension obligations and the statement of changes in deficit. They are prepared to assist participants and others in reviewing the financial activities for the fiscal year.

(b) Investments
Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income
(i) Short-term investments are valued at cost, which approximates market and short term equivalents are valued at market by independent sources.
(ii) Bonds and debentures are valued at market by independent sources.
(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity
(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.
(ii) Real estate and Infrastructure investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.
(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.
(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(c) Use of Estimates
The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign Currency Translation
The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the current period change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(e) Equipment
Computer equipment costing less than $15 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

(f) Capital Disclosures

In the context of the Fund, capital is defined as the net assets available for pension benefits. Externally-imposed capital requirements relate to the administration of the Fund in accordance with the terms of the Fund, The Pension Benefits Act of the Province of Manitoba and the provisions of the Income Tax Act (Canada). The Fund has developed appropriate risk management strategies, as described in Note 3, to preserve the net assets available for pension benefits. The Fund has complied with externally-imposed capital requirements during the year.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk, currency risk, market risk and liquidity risk.

(a) Interest Rate Risk

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short term changes in nominal interest rates and equity markets.

Pension liabilities are exposed to the long term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Fund's primary exposure is to a decline in the long term real rate of return which may result in higher contribution rates required to meet its obligations.

The Fund's exposure to interest rate risk is concentrated in its investments in the bond pooled funds and government and corporate short term investments. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for bonds and other fixed income investments are set and monitored by the Fund's Investment Committee.

The Fund has invested approximately 20% (2012 – 27%) of its assets in fixed income securities as at December 31, 2013 which generated a rate of return of -1.36% (2012 – +6.52%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2013, if prevailing interest rates were raised or lowered by 100 basis points, with all other factors held constant, fixed income investments would likely have decreased or increased respectively by approximately $93,717 (2012 - $105,390). The Fund's interest rate sensitivity was determined based on portfolio weighted duration.

(b) Credit Risk

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. At December 31, 2013, the Fund's maximum credit risk exposure relates to bonds and debentures, cash and short term investments and mortgages totaled $1,244,144 (2012 - $1,473,850), receivables of $3,554 (2012 - $2,219) and accrued interest of $6,420 (2012 - $6,523) totaled $1,254,118 (2012 - $1,482,592). The Fund's Investment Committee limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 10% can be rated BBB+ or lower, with some temporary latitude in the event of the down rating of a security.

All transactions in listed securities are settled upon delivery using approved investment managers. The risk of default is considered minimal, as delivery of securities sold is only made once the investment manager has received payment. Payment is made on a purchase once the securities have been received by the investment manager. The trade will fail if either party fails to meet its obligation.

The breakdown of the Fund's bond portfolio by credit rating from various rating agencies is presented below:

Credit Rating	2013 Fair Value		2012 Fair Value	
AAA	$ 347,070	31.5%	$ 417,415	36.9%
AA	206,589	18.8	105,835	9.3
A	470,727	42.7	542,570	48.0
BBB+	49,844	4.5	19,793	1.8
BBB and lower	27,998	2.5	45,125	4.0
	1,102,228	100.0%	1,130,738	100.0%
Cash and short-term	93,144		105,255	
Total pooled bond fund	$1,195,372		$1,235,993	

Credit risk associated with contributions receivable is minimized due to their nature. Contributions are collected from participating members through the payroll process. No provision for doubtful contributions receivable has been recorded in either 2013 or 2012.

(c) Currency Risk

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2013 external fund managers had no open forward foreign exchange contracts (as at December 31, 2012 - $0). As a result there were no unrealized gains/(losses) on foreign exchange contracts in 2013 (2012 - $0).

The Fund's exposure in cash and investments to foreign currencies and to Canadian dollars is shown below:

As at December 31, 2013	Actual Currency Exposure	Percentage
Canadian	$ 3,387,755	55.7%
US dollar	1,624,159	26.7
Japanese yen	188,507	3.1
Hong Kong dollar	134,663	2.2
Pound sterling	158,596	2.6
Euro	98,653	1.6
Australian dollar	80,010	1.3
South Korean won	93,324	1.5
Taiwan new dollar	61,424	1.0
Other currencies	259,861	4.3
Total investments	$ 6,086,952	100.0%

A 10 percent increase or decrease in exchange rates, with all other variables held constant, would result in a change in unrealized gains (losses) of $269,920.

(d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's investments in equities are sensitive to market fluctuations. To assist in mitigating the impact of market risk, the Board has established appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks which they monitor on a regular basis. A decline of 10 percent in equity values, with all other variables held constant, will impact the Fund's equity investments by an approximate loss of $484,281.

(e) Liquidity Risk

Liquidity risk is the possibility that investments of the Fund cannot be readily converted into cash when required. The Fund may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Fund or other securities may be subject to legal or contractual restrictions on their resale. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active public market and can be readily disposed. Although market events could lead to some investments becoming illiquid, the diversity of the Fund's portfolio and current contribution levels should ensure that liquidity is available for benefit payments.

The term to maturity and related market values of fixed income investments are as follows:

Term to Maturity	2013	2012
Less than one year	$ 119,971	$ 330,710
One to five years	356,022	320,168
Over five years	768,151	822,972
Total fixed income investments	$ 1,244,144	$ 1,473,850

(f) Fair Value

The fair value of the financial assets and liabilities of the Fund approximates their carrying value due to their short term nature, with the exception of investments which are stated at market value (see Schedule 1).

The following is a summary of the inputs used as of December 31, 2013 and 2012 in valuing the Fund's investments carried at fair values:

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2013
Assets				
Cash equivalents - short term	$ -	$ 308,772	$ -	**$ 308,772**
Fixed Income				
Pooled bond fund	-	1,102,221	-	**1,102,221**
Mortgages	-	24,060	-	**24,060**
	-	1,126,281	-	**1,126,281**
Pooled equity funds	3,450,143	261,385	-	**3,711,528**
Pooled real estate fund	-	-	528,579	**528,579**
Infrastructure	-	-	169,832	**169,832**
Petroleum and natural gas	-	-	205,305	**205,305**
Venture capital	-	-	9,137	**9,137**
Total assets	3,450,143	1,696,438	912,853	**6,059,434**
Cash	27,518	-	-	**27,518**
Total investments, Schedule 1	$ 3,477,661	$ 1,696,438	$ 912,853	**$ 6,086,952**

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2012
Assets				
Cash equivalents - short term	$ -	$ 432,233	$ -	**$ 432,233**
Fixed Income				
Pooled bond fund	-	1,130,738	-	**1,130,738**
Mortgages	-	26,082	-	**26,082**
	-	1,156,820	-	**1,156,820**
Pooled equity funds	3,180,475	9	-	**3,180,484**
Pooled real estate fund	-	-	440,554	**440,554**
Petroleum and natural gas	-	-	203,605	**203,605**
Venture capital	-	-	9,618	**9,618**
Total assets	3,180,475	1,589,062	653,777	**5,423,314**
Cash	27,608	-	-	**27,608**
Total investments, Schedule 1	$ 3,208,083	$ 1,589,062	$ 653,777	**$ 5,450,922**

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2013, no equity investments and no bonds were transferred from Level 1 to Level 2.

During the year ended December 31, 2013, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Infrastructure	Real Estate	Petroleum & Natural Gas	Venture Capital	Total
Beginning balance	$ -	$ 440,554	$ 203,605	$ 9,618	$ 653,777
Purchases	158,439	68,160	-	120	226,719
Sales and withdrawals	-	(22,031)	-	-	(22,031)
Realized (gains)/losses	-	23,546	-	-	23,546
Return of capital	-	5,963	-	(122)	5,841
Change in unrealized appreciation/ (depreciation)	11,393	12,387	1,700	(479)	25,001
Ending balance	$ 169,832	$ 528,579	$ 205,305	$ 9,137	$ 912,853

Section 3.29 of the Manitoba Pension Benefits Act Regulation requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the fund. As at December 31, 2013, the Fund held the following investments that met this classification:

Canada Government bonds 4.0%, maturing June 1, 2041	$ 92,031
Bank of Nova Scotia shares	$ 61,795
iShares MSCI Japan ETF	$ 81,558
Royal Bank of Canada shares	$ 79,708
Toronto Dominion Bank shares	$ 67,842
Superman Resources Inc. – unitized shares	$ 205,305
Borealis	$ 169,832

(g) Securities Lending

The Fund has entered into a securities lending program through the lending agent, State Street Trust Company Canada. Under the program, the Fund will lend various securities in its possession to borrowers approved by the lending agent. The loans can be secured by either securities or cash collateral. The Fund has risks under this program including borrower default and reinvestment risk, mitigated by an indemnification clause in the securities lending agreement with State Street Bank and Trust Company.

4. Investment in Petroleum and Natural Gas

(a) Investment in Petroleum and Natural Gas

The fair value of the Fund's investment in petroleum and natural gas, through its 75.11% (2012 – 75.11%) share in its subsidiary Superman Resources Inc., as at December 31, is as follows:

	2013	2012
Assets		
Cash	$ 5,498	$ 9,486
Accounts receivable	4,949	3,705
Assets held for sale	-	526
	10,447	13,717
Investment-Wembley Resources Ltd.	841	846
Exploration and evaluation assets	2,596	7,976
Property, plant and equipment	145,541	144,979
	159,425	167,518
Liabilities		
Accounts payable and accrued liabilities	8,371	8,572
Losses on risk management activities	23	342
Liabilities related to assets held for sale	-	110
	8,394	9,024
Fair value of future administration fee payable	4,261	4,238
Asset retirement obligation	18,746	16,601
	31,401	29,863
Net investment in petroleum and natural gas - cost	128,024	137,655
Market value adjustment	77,281	65,950
Net investment in petroleum and natural gas - fair value, Schedule 1	$205,305	$203,605

(b) Petroleum and Natural Gas Income

The Fund's petroleum and natural gas income and retained earnings for the year ended December 31, is as follows:

	2013	2012
Revenue		
Oil and gas sales	$ 37,237	$ 36,070
Less: Royalties net of Alberta Royalty Tax Credits	(4,469)	(3,476)
	32,768	32,594
Equity in earnings of Wembley Resources Ltd.	57	65
Interest income	71	140
Realized gain (loss)	(187)	459
Unrealized gain (loss)	318	(332)
	33,027	32,926
Expenses		
Operating	14,839	12,564
Transportation	164	341
Asset administration fee	3,251	3,199
Finance charges	574	291
General and administrative	448	509
Gain on property dispositions	(2,841)	(11,972)
Depletion and depreciation	26,224	19,170
	42,659	24,102
Net income (loss)	(9,632)	8,824
Deficit, beginning of year	(34,966)	(28,767)
Dividends – petroleum and natural gas, Schedule 3	-	(15,023)
Deficit, end of year	$ (44,598)	$ (34,966)

5. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

6. Receivables

	2013	2012
Contributions receivable		
Employer	$ 869	$ 727
Employee	343	375
	1,212	1,102
Other receivables	2,342	1,117
	$ 3,554	$ 2,219

7. The Province of Manitoba Unfunded Pension Liability Trust Account

The Province has established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that is related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board (as invested assets) in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the pension benefit obligations and deficit of the Fund.

The Trust Agreement was amended effective December 31, 2008, to make the trust irrevocable. Accordingly, the assets in the Trust Account can not be used for any purposes other than to fund the payment of pension benefits for which the Province is responsible and to pay the costs and expenses that are directly attributable to the administration of the Trust Account.

In October 2007, The Financial Administration Act was amended to allow for withdrawals from the fund to pay, or fund the payment of, pension benefits for which the Province is responsible.

A continuity schedule of this trust account is as follows:

	2013	2012
Contributions received	$ 80,370	$ 308,871
Interest earned/(charged)	238,670	149,798
Pension and refund payments made	(133,429)	(119,888)
Investment management fees charged	(3,161)	(2,738)
Change during the year	182,450	336,043
Balance, beginning of year	1,640,314	1,304,271
Balance, end of year	$ 1,822,764	$ 1,640,314

8. Manitoba Hydro Enhanced Benefit Trust Account

Effective January 1, 2012, Manitoba Hydro employees with pensionable service after May 31, 2006 are eligible for an additional benefit. The Enhanced Hydro Benefit Plan enhances the formula used in calculating pension benefits from 1.6% to 1.7% of earnings up to the Canada Pension Plan average Yearly Maximum Pensionable Earnings at the time of retirement. Manitoba Hydro will fund the enhanced pension benefit through contributions to a trust account that will be used to fund the additional benefit to employees. A continuity schedule of this trust account is as follows:

	2013	2012
Contributions received	$ 2,144	$ 12,131
Interest earned/(charged)	2,063	1,077
Pension and refund payments made	(278)	(150)
Investment management fees charged	(29)	(21)
Change during the year	3,900	13,037
Balance, beginning of year	13,037	-
Balance, end of year	$ 16,937	$ 13,037

9. Correctional Officers' Trust Account

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater. A continuity schedule of this trust account is as follows:

	2013	2012
Contributions received	$ 1,253	$ 1,097
Interest earned/(charged)	836	481
Pension and refund payments made	(782)	(813)
Expenses paid	(5)	(4)
Change during the year	1,302	761
Balance, beginning of year	5,498	4,737
Balance, end of year	$ 6,800	$ 5,498

10. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account. A continuity schedule of this trust account is as follows:

	2013	2012
Contributions received	$ 375	$ 594
Interest earned/(charged)	9,478	5,814
Billing credits made to employers	(27)	(76)
Change during the year	9,826	6,332
Balance, beginning of year	64,666	58,334
Balance, end of year	$ 74,492	$ 64,666

11. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board. A continuity schedule of this liability account is as follows:

	2013	2012
Contributions received	$ 3,851	$ 4,099
Interest earned	2,984	1,559
Refunds and administration fees paid	(1,735)	(1,439)
Annuities made	(368)	(355)
Change during the year	4,732	3,864
Balance, beginning of year	25,540	21,676
Balance, end of year	$ 30,272	$ 25,540

12. Obligations for Pension Benefits

(a) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

An annual Actuarial Valuation Report on the Fund was completed as at December 31, 2012 by Ellement and Ellement, consulting actuaries. The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2013. The principal components of the changes in actuarial present value during the year were calculated and are outlined in Exhibit C.

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for approximately 50% of the benefit payments processed. Non-matching employers are not billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report as at December 31, 2012 and the estimate at December 31, 2013 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in the latest actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

Significant long-term actuarial assumptions used in the December 31, 2012 Valuation and in the determination of the December 31, 2013 present value of the accrued basic pension benefit obligations were:

	2013	2012
Annual rate of return		
(i) inflation component	2.00%	2.00%
(ii) real rate of return	4.00%	4.00%
	6.00%	6.00%
Annual salary escalation rates		
(i) general increases		
a) inflation component	2.00%	2.00%
b) productivity component	0.75%	0.75%
	2.75%	2.75%
(ii) service, merit and promotional increases *		

* the rates used vary by age groupings from a high of 3.0% to a low of 0%

(b) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2013 and is as outlined in Exhibit C. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 5.50%.

13. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including the financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund their pension obligations.

The Fund also manages monies from various non-matching employers designed to help offset their share of the unfunded pension obligation and deficit. These monies have not been included in the net asset available for benefits. The breakdown of these total funds under management is as follows:

	2013	2012
Province of Manitoba, Note 7	$ 1,822,764	$ 1,640,314
Manitoba Hydro, Note 21	857,659	769,886
Manitoba Liquor Control Commission, Note 21	67,708	57,721
Total funds managed	$2,748,131	$2,467,921

The funds from the Province of Manitoba are included in both the assets (investments) and liabilities of Exhibit A and thus have no impact on the net assets available for benefits and deficit. The funds managed for Manitoba Hydro and Manitoba Liquor Control Commission are managed separately and are excluded from these financial statements.

14. Contributions

	2013	2012
Employee		
Required contributions	$ 131,624	$ 113,983
Voluntary contributions	217	198
Past service contributions	1,777	2,198
Special contributions	2,772	3,979
	136,390	120,358
Employer		
Required contributions	10,049	8,384
Special contributions[1]	197,204	180,834
	207,253	189,218
	$ 343,643	$ 309,576

[1] includes non-matching employers' pay-as-you-go portion of benefit payments

15. Current Period Change in Fair Value of Investments

	2013	2012
Net realized gain on the sale of investments	$ 104,273	$ 27,107
Net unrealized market (loss) gain	532,816	304,012
	$ 637,089	$ 331,119

16. Benefits Paid

	2013	2012
Pension benefit payments	$ 355,434	$ 331,875
Disability benefit payments	8,861	8,683
	$ 364,295	$ 340,558

17. Refunds and Transfers

	2013	2012
Termination refund payments	$ 55,542	$ 48,920
Death refund payments	13,084	8,595
Marriage break up refund payments	3,400	2,965
Reciprocal transfers out - matching employers	226	367
	$ 72,252	$ 60,847

18. Administrative Expenses, Net

	2013	2012
Actuary fees	$ 186	$ 160
Audit fees	63	55
Legal fees	16	62
Consulting fees	2	5
Professional fees	267	282
Salaries and fringe benefits	3,254	3,406
Office and administration	939	968
Gross administrative expenses	4,460	4,656
Less: Recoveries		
From other administered funds - regular administration	(1,332)	(1,505)
From other administered fund - special administration	-	(100)
From non-matching employers	(1,354)	(1,348)
Administrative expenses, net	$ 1,774	$ 1,703

19. Allocations to the Various Trust Accounts and Money Purchase Accounts Plan

The various trust accounts and Money Purchase Accounts Plan are credited (charged) with interest equivalent or comparable to the Fund's annual rate of return. The breakdown of these allocations is as follows:

	2013	2012
The Province of Manitoba Unfunded Pension Liability Trust Accounts	$ 238,670	$ 149,798
Manitoba Hydro Enhanced Benefit Trust Account	2,063	1,077
Correctional Officers' Trust Account	836	481
Employer Trust Accounts	9,478	5,814
Money Purchase Plan Account	2,984	1,559
	$ 254,031	$ 158,729

20. Deficit

	Fund	Non-Matching Employers	Total 2013	Total 2012
(Deficit) surplus, beginning of year,				
Basic Benefits	$ (687,160)	$ (3,170,251)	$ (3,857,411)	$ (3,685,901)
Indexing Benefits	170,102	(206,728)	(36,626)	(20,637)
	(517,058)	(3,376,979)	(3,894,037)	(3,706,538)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	389,679	-	389,679	218,971
Indexing Benefits	45,165	-	45,165	25,472
	434,844	-	434,844	244,443
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(100,049)	(97,757)	(197,806)	(390,481)
Indexing Benefits	(1,581)	(2,293)	(3,874)	(41,461)
	(101,630)	(100,050)	(201,680)	(431,942)
(Deficit) surplus, end of year, Exhibit D				
Basic Benefits	(397,530)	(3,268,008)	(3,665,538)	(3,857,411)
Indexing Benefits	213,686	(209,021)	4,665	(36,626)
	$ (183,844)	$ (3,477,029)	$ (3,660,873)	$ (3,894,037)

21. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

	2013	2012
The Manitoba Hydro Pension Fund	$ 857,659	$ 769,886
Joint Board of Trustees of The Municipal Employees Benefits Program	546,692	488,577
The Public Service Group Insurance Fund	159,821	132,656
Centra Gas Manitoba Inc.	109,799	92,503
Manitoba Liquor Control Commission	67,708	57,721
Winnipeg Child and Family Services Employee Benefits Retirement Plan	24,420	22,671
Workers Compensation Board of Manitoba	12,015	19,701
Legislative Assembly Pension Plan	21,068	17,164
	$ 1,799,182	$ 1,600,879

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

22. Future Commitments

The Fund has committed to enter into real estate investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2013, the Fund's share of the outstanding commitment is $210.1 million (2012 - $120.6 million).

Schedule 1 - The Civil Service Superannuation Fund

Consolidated Summary of Investments

as at December 31, 2013

($) Thousands	2013	2012
Fixed income investments		
Cash and Short-term		
Major banks, corporations and bonds	$ 24,712	$ 211,775
Bonds and debentures		
Pooled fund	1,195,372	1,235,993
Mortgages		
Other	-	-
Index-linked	24,060	26,082
Total fixed income investments	**1,244,144**	**1,473,850**
Equity investments		
Pooled funds		
Domestic	1,325,659	1,185,578
Foreign	2,548,278	2,132,612
Real estate		
Units of pooled real estate	584,597	445,659
Petroleum and natural gas shares, Note 4	205,305	203,605
Infrastructure	169,832	-
Venture capital	9,137	9,618
Total equity investments	**4,842,808**	**3,977,072**
Investments, Exhibit A	**$6,086,952**	**$5,450,922**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2013

	2013			2012
($) Thousands	Employers	Employees	Total	Total
Non-Matching Employers, Note 1 (b)				
Province of Manitoba Civil Service	$136,641	$63,832	$200,473	$177,307
Manitoba Hydro-Electric Board	45,648	31,338	76,986	74,464
Manitoba Public Insurance Corporation	9,019	8,161	17,180	15,038
Red River College	7	6,612	6,619	5,513
Liquor Control Commission	4,275	2,289	6,564	5,158
Addictions Foundation of Manitoba	1,288	1,214	2,502	2,259
Community Colleges				
Assiniboine Community College	254	1,440	1,694	1,292
University College of the North	-	1,509	1,509	1,288
Regional Health Authorities				
Winnipeg	-	772	772	726
Brandon	-	609	609	630
Central	-	23	23	153
Assiniboine	-	146	146	155
Interlake	-	130	130	122
Parkland	-	142	142	129
South Eastman	-	-	-	87
Southern Health	-	198	198	-
Nor-Man	-	56	56	76
North Eastman	-	42	42	40
Burntwood	-	36	36	31
The Legal Aid Services Society of Manitoba	-	880	880	818
Manitoba Centennial Centre Corporation	340	157	497	492
Diagnostic Services of Manitoba	-	377	377	366
Teachers' Retirement Allowances Fund Board	117	184	301	264
Communities Economic Development Fund	72	65	137	112
Universities Grants Commission	-	63	63	56
Manitoba Horse Racing Commission	16	11	27	31
Workers Compensation Board	1	-	1	1
Total Non-Matching Employers	**$197,678**	**$120,286**	**$317,964**	**$286,608**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2013

($) Thousands	2013 Employers	2013 Employees	2013 Total	2012 Total
Total Non-Matching Employers, continued	**$197,678**	**$120,286**	**$317,964**	**$286,608**
Matching Employers, Note 1 (b)				
Manitoba Lotteries Corporation	4,500	4,959	9,459	7,893
Manitoba Housing	1,392	1,548	2,940	2,399
Manitoba Agricultural Services Corporation	1,072	718	1,790	1,493
Manitoba Government and General Employees' Union	507	542	1,049	917
CUPE Support Workers	725	833	1,558	1,217
All Nations Coordinated Response Network	545	611	1,156	961
Civil Service Superannuation Board	311	334	645	620
Gaming Control Commission	221	244	465	391
Manitoba Crop Insurance Corporation	179	204	383	348
Manitoba Floodway Authority	256	284	540	470
National Agri-Food Technology Centre	157	173	330	298
Travel Manitoba	143	142	285	276
Manitoba Hydro Utilities Service	110	127	237	225
Industrial Technology Centre	91	100	191	171
Dairy Farmers of Manitoba	75	83	158	134
Manitoba Pork Est.	59	65	124	113
Manitoba Arts Council	45	51	96	82
Manitoba Pork Council	55	51	106	86
Manitoba Film and Sound	45	51	96	81
Crown Corporations Council	32	28	60	51
Manitoba Chicken Producers	25	29	54	47
Manitoba Cattle Enhancement Council	14	15	29	29
Manitoba Turkey Producers	8	9	17	15
MFC Testing and Research Inc.	19	21	40	28
Manitoba Health Research Council	31	34	65	42
Economic Innovation and Technology Council	4	-	4	4
Total Matching Employers	**$ 10,621**	**$ 11,256**	**$ 21,877**	**$ 18,391**
Total Employers, Non-Matching and Matching	**$208,299**	**$131,542**	**$339,841**	**$304,999**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2013

	2013			2012
($) Thousands	Employers	Employees	Total	Total
Total Employers, Non-Matching and Matching, continued	**$208,299**	**$131,542**	**$339,841**	**$304,999**
Other				
Employees on loan	1	1	2	2
Employees on workers compensation	-	9	9	11
Reciprocal agreement - transfers in	-	3,641	3,641	5,756
Reciprocal agreement - transfers out	(1,047)	(1,234)	(2,281)	(3,948)
Repayment of contributions previously refunded	-	79	79	16
Contributions based on prior non-pensionable employment	-	1,984	1,984	2,385
Transfer from Money Purchase Accounts Plan	-	368	368	355
Total Other	**$ (1,046)**	**$ 4,848**	**$ 3,802**	**$ 4,577**
Total contributions, Exhibit B	**$207,253**	**$136,390**	**$343,643**	**$309,576**

Schedule 3 - The Civil Service Superannuation Fund

Consolidated Schedule of Investment Income

For The Year Ended December 31, 2013

($) Thousands	2013	2012
Fixed income		
Short term	$ 609	$ 1,531
Bonds and debentures	40,146	51,493
Mortgages	1,658	2,096
Total fixed income	**42,413**	**55,120**
Equity income		
Pooled funds	92,267	81,477
Real estate	15,385	16,541
Petroleum and natural gas shares, Note 4	-	15,023
Venture capital	90	18
Total equity income	**107,742**	**113,059**
Other investment income		
Security lending revenue	2,488	4,095
Gross investment income	**152,643**	**172,274**
Less:		
Investment management expenses, net, Note 21	5,724	6,023
Interest allocated to employee future benefits obligations	175	173
	5,899	**6,196**
Net investment income, Exhibit B	**$146,744**	**$166,078**

The Civil Service Superannuation Board (CSSB), 2014.

The Civil Service Superannuation Board
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