



CSSB

The Civil Service
Superannuation
Board



2017 Annual Report

Our Vision for the future:

A professional, sustainable pension plan, designed for the future of our members.

Our Mission and Purpose is:

To deliver to our plan members their pension entitlements.

We do this by:

- Acting **collaboratively** with each other, with employers and with the plan sponsor, constantly seeking **member-focussed outcomes**
- **Prudently investing and monitoring** plan assets
- Delivering **timely, accurate information** to members, allowing them to make educated, informed decisions
- Fostering a working environment that attracts & retains **motivated, talented people**

Our Values

In our relationships, decisions, words and actions, we are guided by the following values:

- Staying resolutely **member-focussed**; always seeking the **best outcomes** for our members;
- Acting with **integrity, professionalism** and **excellence**;
- Ensuring **transparency** and **accountability** to our members and other stakeholders;
- Pursuing and rewarding **innovation**, in the interests of best outcomes;
- Modelling and fostering **collaboration** and **respectful action** as the means of pursuing best member outcomes.

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MINISTER RESPONSIBLE FOR THE CIVIL SERVICE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

June 5, 2018

The Honourable Janice C. Filmon, 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 79th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2017.

Respectfully submitted,

Honourable Cameron Friesen
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act



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June 4, 2018

Honourable Cameron Friesen
Minister of Finance,
Minister Responsible for The Civil Service Superannuation Act

Sir:

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 79th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2017 to December 31, 2017 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,

Al Morin, Chair
The Civil Service Superannuation Board

BOARD AND STANDING COMMITTEE MEMBERS

THE CIVIL SERVICE SUPERANNUATION BOARD

Chair

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

Employee Representatives

Dan Marchant
Manitoba Hydro Representative
Retired, Manitoba Hydro-Electric Board

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

Jody Gillis
Civil Service Representative
Red River College

Doug Troke
Civil Service Representative
Department of Finance

Employer Representatives

Ed Balcewich
Investment Advisor, FMA, FSCI.

Andrew Clarke
Financial Planner

Normand Collet

Wayne D. McGimpsey
Chartered Accountant

FINANCE AND AUDIT COMMITTEE

Chair

Doug Troke - Employee Representative

Normand Collet - Employer Representative

Ray Erb - Employee Representative

Wayne McGimpsey - Employer Representative

HR AND GOVERNANCE COMMITTEE

Chair

Jody Gillis - Employee Representative

Ed Balcewich - Employer Representative

Andrew Clarke - Employer Representative

Dan Marchant - Employee Representative

INVESTMENT COMMITTEE

Chair

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

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

Richard Brownscombe *
President
Montrose Mortgage Corporation Ltd.

Jody Gillis ^
Civil Service Representative

Al Morin ^
Chair
The Civil Service Superannuation Board

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

Bruce Schroeder ^
General Manager
The Civil Service Superannuation Board

Garry Steski ^
Assistant Deputy Minister of Finance
Province of Manitoba

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.

Jamie McCallum
Chief Finance and Strategy Officer
Manitoba Hydro-Electric Board

* Appointed based on investment expertise

^ Required by legislation

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

| | | |
|--|--|---|
| Dale Allen Director, Management Information Systems | Bruce Schroeder General Manager | Peter Josephson, CFA Chief Investment Officer |
| Patti Malbasa Director, Communications and Client Services | Ellement Consulting Group Consulting Actuary | |
| Dawn Prokopowich Director, Client Services Administration | Fillmore Riley Legal Counsel | |
| Rick Wilson Director, Finance and Investment Communications & Management Services | 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 prefund (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).

HIGHLIGHTS

| | | 2017 (*) | 2016 (*) |
|---|---|---------------|---------------|
| Financial | Rate of Return on Investments | 10.80% | 5.65% |
| | Investments at Market Value | 7,561,547 | 7,077,658 |
| | Net Investment Income | 225,037 | 212,221 |
| | Current Period Change in Fair Value of Investments | 511,031 | 156,170 |
| | Employee Contributions | 164,100 | 165,787 |
| | Employer Payments | 288,584 | 251,374 |
| | The Province of Manitoba Unfunded Pension Liability Trust Account | 2,217,480 | 2,077,951 |
| | Pension Payments | 466,122 | 437,233 |
| | Refunds and Transfers | 156,450 | 97,803 |
| | General Expenses - Net | 2,262 | 2,238 |
| * \$Thousands unless otherwise noted | | | |
| | | 2017 | 2016 |
| Membership | Non-Retired Members | 33,449 | 34,440 |
| | Retired Members and Other Recipients | 21,172 | 20,449 |
| | Total Members | 54,621 | 54,889 |
| Other Plans Under Administration | Manitoba Telecom Services Inc.^ | 5,544 | 5,663 |
| | Money Purchase Accounts Plan | 3,281 | 3,220 |
| | Centra Gas^ | 779 | 785 |
| | Winnipeg Child and Family Services^ | 251 | 257 |
| | MLA's^ | 95 | 97 |
| | Legislative Assembly Pension Plan | 112 | 112 |
| | Total Membership (all Plans) | 64,683 | 65,024 |

^ Active and Retired

A professional, sustainable pension plan, designed for the future of our members.

On behalf of the members of the Board, I am pleased to present the 2017 Annual Report for The Civil Service Superannuation Fund (Fund).

For 2017 as a whole, the Fund outperformed its benchmark as it returned 10.80% versus 10.22% for the benchmark. The return far exceeded the actuary's required rate of return of 6%. The Actuarial rate of return is the benchmark established to help ensure the Fund is able to support the long-term sustainability of the Plan and meet its future financial obligations. New initiatives included the introduction of a private credit strategy as a new asset class, the first co-investment in infrastructure, and diversification of the real estate portfolio towards a more global platform.

As mentioned in last year's message, the CSSB launched their revised Mission, Vision and Value statements in 2017. These statements were presented at seminars, on the CSSB website, and in its various newsletters.

Also in 2017, the Board and management met and completed an Enterprise Risk Management (ERM) initiative. A number of potential risks were identified as we discussed and worked through elements of an ERM framework which included:

- Creating policies at both the governing and managing levels to establish the direction for the ERM, assigning responsibilities within the ERM framework, and creating the reports required to be provided to the Board to enable risk governance,
- Building the risk inventory and established the severity of the risks at the inherent level,
- Assigning ownership of the risks,
- Identifying how a risk could occur and identified the current risk responses in place at the CSSB to mitigate the risk, and
- Identifying key risk indicators which would illustrate the trending of risks.

Overall, the ERM process was positive and will serve to not only protect the Fund assets (tangible and intangible) and increase the value to stakeholders but also support the CSSB's strategic direction.

Along with their routine day-to-day duties, the staff of the CSSB were also kept busy throughout 2017 due to the:

- Implementation of various employers' workforce reduction programs. The CSSB processed 380 additional terminations and retirements.
- Re-design of the pensioner monthly statements and employee annual statements.
- Presentation of online seminars for members approaching retirement.

- Introductory webinar for the online training series for employers.
- Design and implementation of reliable and cost-effective systems to increase efficiencies throughout the CSSB.

In mid-2017, Mr. Dan Marchant joined the Board, replacing Mr. Paul Desorcy as the Manitoba Hydro representative. Mr. Desorcy served on the Board since 2013, sitting on and serving as the Chair of the HR/ Governance Committee. On behalf of the Board, staff and management, we would like to extend our sincere thanks to Mr. Desorcy for his dedication and contributions to the CSSB.

As we move into the 80th year of the CSSB and my 10th year as Chair of the Board, I would like to acknowledge the passion and commitment of the management and staff of The Civil Superannuation Board throughout 2017. Their continued dedication and desire to provide membership with unparalleled service and information on a timely basis is second to none.

MESSAGE FROM THE GENERAL MANAGER

BRUCE SCHROEDER

The Civil Service Superannuation Board (the Board) fulfilled our objectives for 2017 outlined in last year's annual message. We successfully communicated the Board's new Mission, Vision and Values statement and we held our introductory webinar for our employer based webinar training series. In 2017 we also re-designed our retiree pension statement and employee pension statement to make them more readable. The new statements will be introduced in 2018.

The Board performed an Enterprise Risk Management evaluation to assist in identifying the risks associated with the pension plan. A number of risks were identified and we worked to understand the level of risk associated with those identified. After a thorough review we are confident that all the risks identified have been mitigated to the extent possible. We will continue to monitor the risks identified for any changes to their profile. Going forward any future risks will be subject to the same process, identify the risk and where possible take action to mitigate the risk.

In addition to the stated goals from last year we have also created additional efficiencies in our operation in 2017 by using digital data from the Civil Service to populate the pension plan enrollment process. Leveraging the digital information received eliminates the need to manually input data from paper forms and as a result reduces processing time and errors. The objective is to explore this initiative with other employers in the future.

A formal online training program for staff with respect to computer system security was another initiative introduced in 2017. This initiative was designed to help enhance our computer system security by further training staff to recognize suspicious emails, dangerous websites, etc. Training has been provided in the past but we have now formalized the training through a purchased software product. Utilizing a purchased product allows us to allocate our internal resources on other areas that contribute to increased efficiency and the delivery of service to our membership. An added advantage of utilizing an external resource is that the material is kept current so that new threats are incorporated into training on a timely basis.

The new termination information initiative that was introduced in 2017 was a success. The initiative's goal was to get information benefit packages to members who have terminated from the pension plan more quickly and reduce the cost of providing the information. The process involves utilizing a member's online services account as the conduit to provide information relating to their termination benefits. A total of 2,143 termination

benefit packages were produced in 2017, 763 of those packages were for members who had an active on line service account and from those 596 members retrieved their information up through on line services. This initiative allowed the members access to their information immediately without having to wait for the mail. Benefit packages that are received by members through this initiative result in a cost saving to the plan.

The focus at the Civil Service Superannuation Board (CSSB) is superior customer service and efficient operations. We will not sacrifice a high level of service for the sake of efficiency but we feel that by becoming more efficient through various initiatives we can provide a better service. At the CSSB we feel that we can become more efficient and provide improved services with the help of cutting edge technology.

In the 2018 we plan to conduct a membership survey to help us better understand where we can improve. We also want to determine what members are looking for in the way of increased functionality of our services. It is important as well to determine how we can improve written and online materials to assist members in their decision making process. In addition to the survey we will also be re-designing our communications that are provided to members who are in the process of retiring. Similar to the re-design of the statements and letters in 2017 we hope to simplify these letters to provide easier to understand information.

With regard to the investment of the Civil Service Superannuation Fund (the Fund) we had a successful year. The Fund returned 10.80% on its investments in 2017 compared to the benchmark return of 10.22%. The return far exceeded the actuary's required rate of return of 6%. Exceeding the actuary's required rate assists moving the Fund toward fully funded status and contributes to long term stability of the Fund.

We look forward to a successful and exciting 2018, we will continue to strive toward providing excellent customer service and enhancing our operations to be more efficient. I would like to thank staff and management for their hard work and dedication throughout the year and I would also like to thank the board for their continued support and guidance.



Investment Information



Policies and Procedures

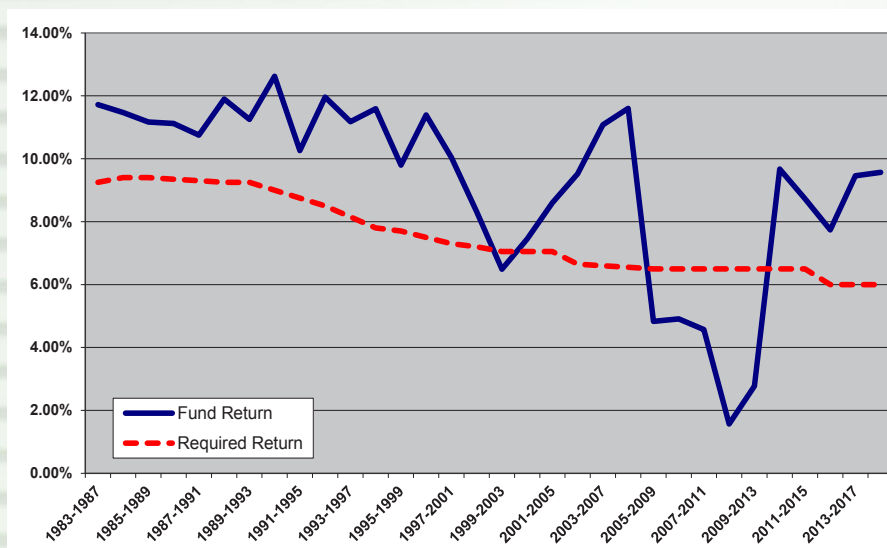
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into 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

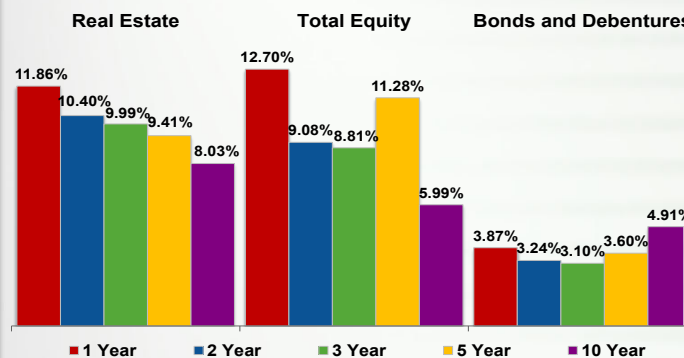


Policies and procedures that continue to guide or impact investment decisions include:

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

In 2017, global capital markets experienced historically low volatility and exceptional returns in terms of breadth and magnitude (all in USD). For Canadian investors, the strength of the Canadian dollar had a negative impact on non-Canadian investments of approximately 6.5%. In the U.S., equity indices surged higher with the S&P 500 up 21.8%, the Dow Jones Industrial Average gained 28.1% while the NASDAQ moved higher by 31.5%. The MSCI AW ex Canada and the U.S. advanced over 20%, the MSCI EAFE index rose 21.8%, while emerging markets provided Canada the best return among major world indices in 2017 surging 34.3%.

Annualized Rates of Return



Domestically, the Canadian market did well in USD advancing 16.7%, however in local currency terms it returned only 9.1%. In the Asia/Pacific area, returns were also exceptional. The Japanese market advanced 23.6%, Taiwan rose 25% and Hong Kong and India surged ahead by 35% and 36% respectively.

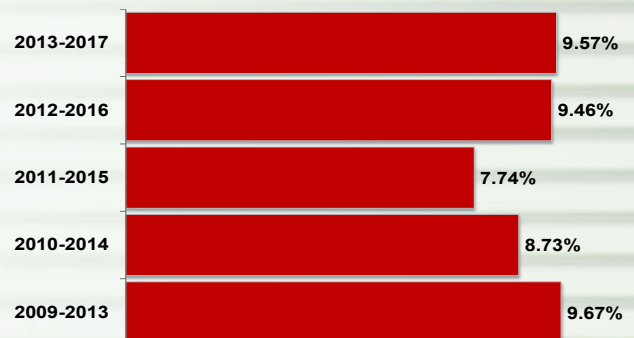
These exceptional returns for financial assets were largely driven by stronger than expected synchronized global growth which drove corporate earnings significantly higher. In addition, global equity markets were well supported by continued moderate inflation, historically low interest rates and generally accommodative global central bank policies; this despite the US federal reserve raising rates and slowly withdrawing QE. The economy picked up momentum over the last two quarters of 2017 with real GDP expanding at a better than expected 3% pace. This strength was driven by the Trump Administration's pro-business policies to decrease government regulation, the suggestion of a large infrastructure spending plan and most importantly tax reform. The latter was passed into law late in December and included significant tax cuts for corporations and individuals, as well as a repatriation tax holiday on corporate cash held overseas.

Outside of the U.S., European economies continued to strengthen with growth in the euro area surprising

to the upside with real GDP advancing over 2% well above trend. China's economy put in a solid economic performance in 2017, with real GDP rising 6.9% vs 6.7% in 2016. This is the first time since 2010 that the Chinese economy grew on a year over year basis. This provided a solid foundation for overall growth in the emerging markets and Japan. As well, the Japanese economy has continued to benefit from the ultra-accommodative monetary policies of the Bank of Japan with its economy producing real GDP approaching 2%. Domestically, the Canadian economy lost momentum over the last half of the year after the 4% real GDP growth in Q2 and is expected to have full year growth of approximately 2.5%.

It is interesting to highlight that while capital markets were robust in 2017 they were faced with and absorbed, several significant natural disasters and political events. Hurricane season was extreme with Harvey, Irma, Jose and Maria all making landfall and devastating Texas, Louisiana, Florida, the eastern Caribbean and Puerto Rico. There was a severe earthquake in Mexico City, extreme forest fires in British Columbia, massive wildfires in California and the largest mass shooting in U.S. history in Las Vegas. On the political front President Trump and Kim Jong-un (the Korean dictator) continued to threaten nuclear attacks/retaliations. President Trump and his administration failed to repeal Obamacare, NAFTA trade negotiations were intense and the President may terminate the Iran nuclear deal. Europe was not much better as it dealt with its own issues as populism continued to spread with Austria electing a right wing government and Catalonia recently declaring independence from Spain.

Total Fund Annualized Five-Year Rates of Return



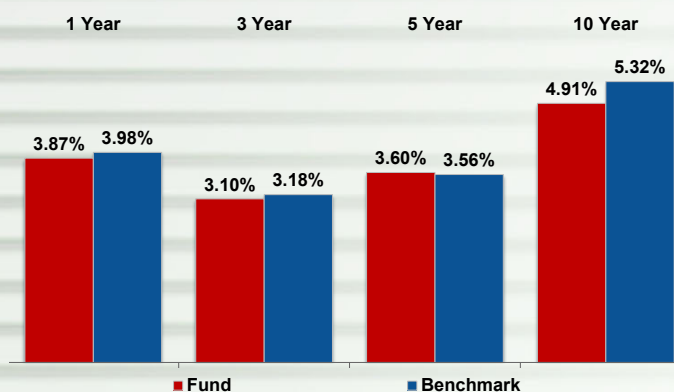
Cash and Cash Equivalents

Cash remains a relatively small portion of the Fund. Active management added 42 basis points with a return of 0.97% compared to the FTSE TMX Canada 91 Day T-Bill return of 0.55%.

Bonds and Debentures

In 2017, the bond portfolio underperformed by 11 basis points with a return of 3.87% versus 3.98% for the benchmark. The biggest driver of the underperformance was a significant flattening of the yield curve throughout the year.

Annualized Bonds and Debentures Rates of Return



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 6.30% in 2017 compared to 4.56% for the benchmark.

Total Equity

In 2017, global capital markets experienced historically low volatility and exceptional returns in terms of breadth and magnitude (all in USD). For Canadian investors, the strength of the Canadian dollar had a negative impact on non-Canadian investments of approximately 6.5%. In the U.S., equity indices surged higher with the S&P 500 up 21.8%, the Dow Jones Industrial Average gained 28.1% while the NASDAQ moved higher by 31.5%. The MSCI AW ex Canada and the U.S. advanced over 20%, the MSCI EAFE index rose 21.8%, while emerging markets provided Canada the best return among major world indices in 2017 surging 34.3%.

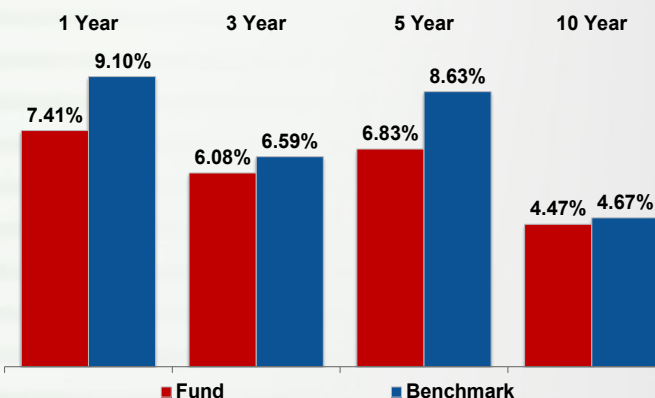
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Canadian Equity

The Canadian equity market had a generally strong year in 2017, with the S&P/TSX Index posting a 9.10% return. Unlike last year, where returns were driven by cyclical sectors including energy, industrials and materials, it was the pricey growth sectors encompassing healthcare, consumer discretionary and technology that were the clear leaders, with each sector posting high double digit returns. Despite a 12% rally in WTI oil driven by the continued substantial rebalance of global oil inventories, record OPEC compliance and growing global oil demand, the Canadian energy sector posted a negative return: the only sector to do so.

The Canadian equity portfolios together generated a 7.41% return. The Canadian Equity I Fund trailed its benchmark, gaining 6.71% versus the 9.10% index return. The sole driver of underperformance related to an overweight position in the lagging energy stocks. Energy stocks are generally trading at very cheap valuations, especially given the above noted factors, and should play catch up to the commodity over the coming year. The Canadian Equity II Fund delivered 8.90% versus the Completion Index benchmark return of 7.04%. Drivers here included solid stock selection in the materials space and an underweight position in the struggling mid and small cap energy producers throughout the year.

Annualized Canadian Equity Rates of Return



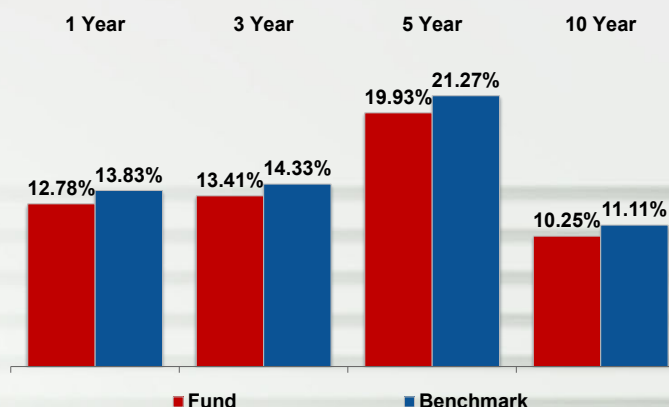
U.S. Equity

President Donald Trump's first year in office was rather uneventful for most of the year but finished with a bang as his tax reform was the most significant change to U.S. taxes in over 35 years. While President Trump's every tweet is debated hotly by the media, equity investors seem to love him as the S&P 500 tacked on 22% (only 13.8% in Canadian dollars due a stronger Loonie). While there was a tremendous amount of news that could have increased market volatility, the only direction for equities was up. The U.S. Equity fund had a decent comeback in the last part of the year, due in large part to the overweight in energy, technology and banks. The fund did lag the benchmark by 50 basis points but all of that (and then some) was due to the underperformance of 127 basis points in the health care portion of the portfolio. Other than that, the portfolio performed admirably relative to the benchmark. It is worth noting that while the fund underperformed the benchmark, the fund's performance ranked in the second quartile of U.S. equity fund managers.

For our allocation to U.S. Midcap Stocks, our factor based approach has been out of favor for the last six months of 2017. The factors we are exposed to remain consistent with our original strategy and remain statistically significant over the back tested periods. The U.S. Midcap fund posted a 6.65% USD return in the last six months of 2017, and lagged the Russell Midcap benchmark by 311 basis points over this period of time.

For our allocation to U.S. Low Volatility Dividend Stocks, our factor based approach has been in favor for the last six months of 2017. The factors we are exposed to remain consistent with our original strategy and remain statistically significant over the back tested periods. The U.S. Low Volatility Dividend fund posted an 11.80% USD return in the last six months of 2017 and is ahead of the S&P 500 Low Volatility Index benchmark by 390 basis points.

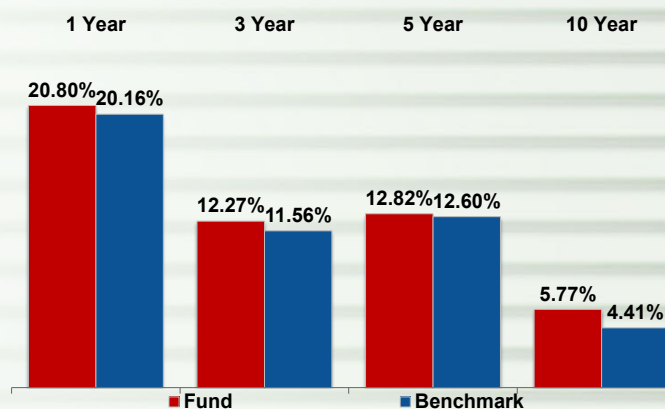
Annualized U.S. Equity Rates of Return



Non-North American Equity

Non-North American equities performed strongly in 2017 with the MSCI Emerging Markets index returning 28.26% and the MSCI EAFE index generating a 16.82% return. The portfolio returned 20.80% compared to the benchmark return of 20.16% adding 64 bps of value. The low interest rates environment and strong global growth supported Emerging Market equities in which the fund was overweight 9.33% as at December 2017.

Annualized Non-North American Equity Rates of Return



Private Equity

Private equity returned -11.7% compared to the benchmark of 6%. The under-performance was mostly attributable to the drop in Gain Energy (formerly Superman), which was -24.6%. Commodity prices were the main culprit of the write down, however, a move from Sproule to GLJ as the reserve engineer caused a further drop as GLJ uses a much more conservative price deck for natural gas prices going forward.

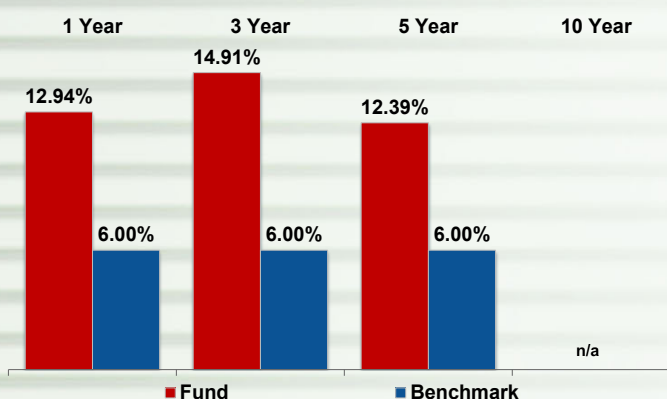
Antares Capital was also down by -4.8%, however, that was all due to a drop in the Canadian dollar as Antares is a US dollar investment. The investment was still carried at cost. Subsequent to year end, Antares was written up 16% with half of that coming in as current yield. That far exceeded the expectation of a gain of 10%.

Infrastructure

It was another busy year in the infrastructure group and performance was excellent. Overall the group of funds and co-investments managed to beat the 6% benchmark by a decent margin in gaining 12.9% for the year. Total dollars invested now exceeds \$500 million. Funds and co-investments include:

- Borealis
- Northleaf NICP II
- InstarAGF
- Brookfield Infrastructure III
- Northwest Parkway

Annualized Infrastructure Rates of Return



Private Credit

The second year for the new Private Credit Strategy was somewhat less active although at the time of writing, the pace of new investments has picked up. At the end of the year monies invested totalled only \$10 million, however, commitments are closer to \$400 million so 2018 will be a busy year for funding. Funds and co-investments include:

- Northleaf Private Credit Fund I
- Brookfield Real Estate Finance Fund V
- Grosvenor True North II

Real Estate

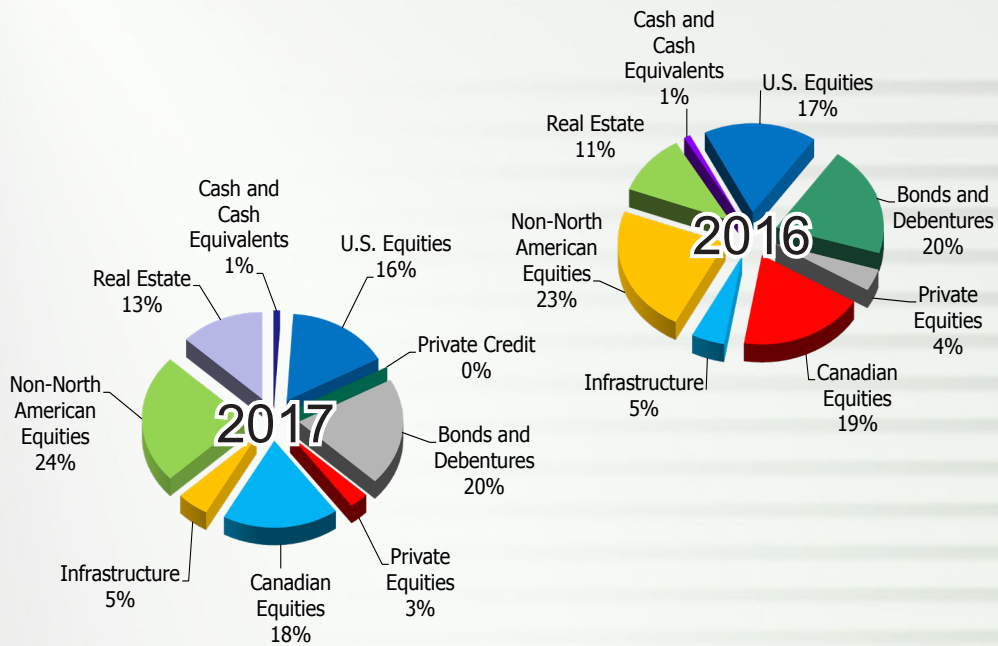
The real estate portfolio returned 11.86% during 2017 compared to a 7.66% return on the IPD index. Returns were helped by exposure to the Vancouver and Toronto markets, which lead Canada in growth of real estate values. There remains an abundant supply of capital pursuing a limited amount of quality real estate across all the major asset classes of retail, office, industrial, and multi-residential. Within the past year we are seeing a very strong bounce back in Alberta with demand beginning to accelerate across most major asset classes in both Edmonton and Calgary. Property fundamentals across Canada remain healthy with low vacancy and steady rental increases. We are focused on off-market transactions as a means to acquire real estate at attractive valuations and undertake select development opportunities where risk adjusted returns are appropriate.

Total Fund

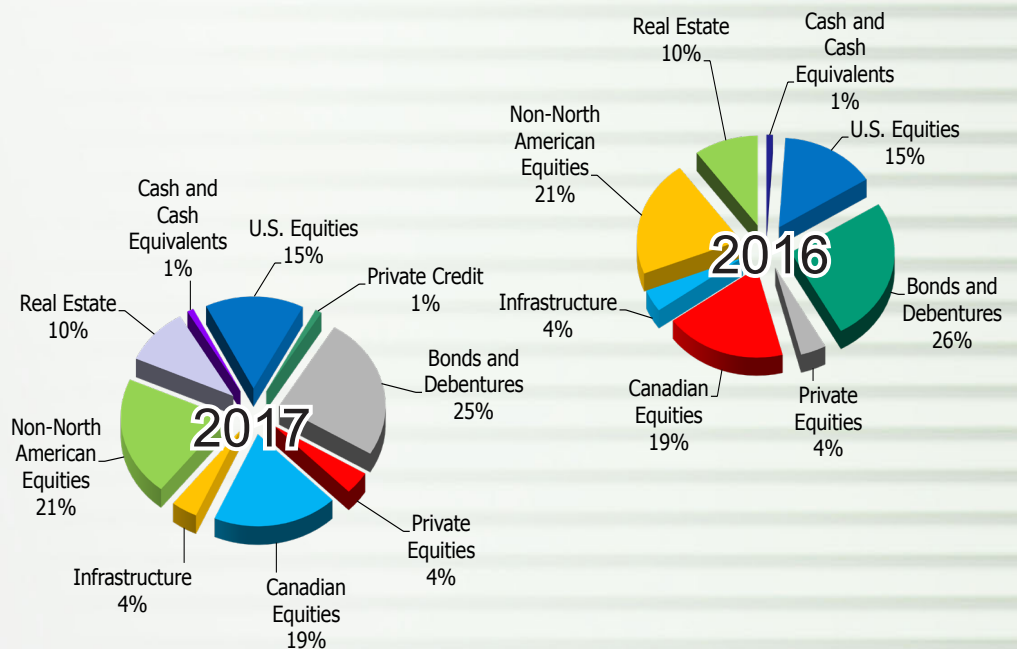
For 2017 as a whole, the Total Fund outperformed its benchmark by 0.58% as it gained 10.80% versus 10.22% for the benchmark. This outperformance was driven by positive relative performance by some of the fund's internal and external equity managers. As well, our allocation to real estate and infrastructure were strong contributors to the 2017 Total Fund return. Finally, asset allocation, which emphasized equities and alternatives over fixed income, benefitted relative performance.

Regarding fixed income markets, returns were modest in 2017 and very bifurcated by term to maturity. The FTSE/TMX universe index advanced 2.0%, while the FTSE/TMX short-term universe managed only a 0.1% gain, the mid-term composite a meagre 1.0% return and the long-term FTSE/TMX universe produced a surprising 7% advance. The CSSB's custom fixed income benchmark managed a respectable return of 3.98% in 2017.

FUND INVESTMENTS



INVESTMENT POLICY NORMAL ALLOCATION

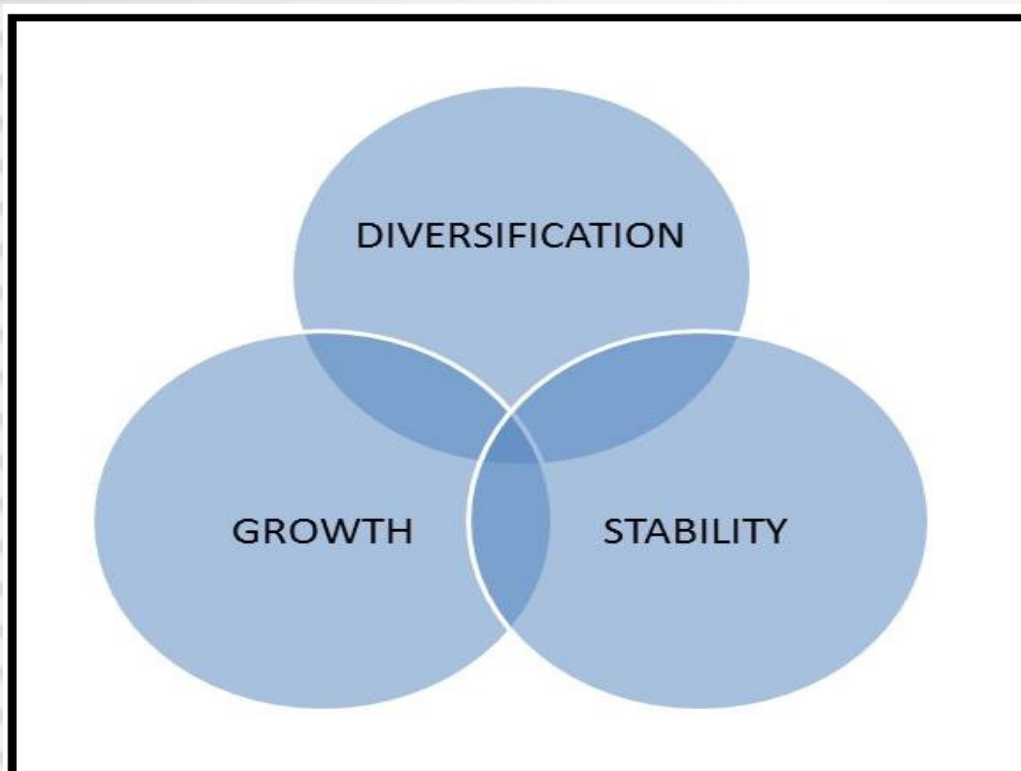


DIVERSIFICATION, GROWTH AND STABILITY

Fund Investments

| | 2017(*) | 2016(*) |
|--------------------------------------|------------------|------------------|
| Contractual Investments | | |
| Cash and Short-term | 53,997 | 72,366 |
| Bonds and Debentures | 1,505,963 | 1,427,965 |
| Mortgages | 14,324 | 16,933 |
| Public Equity Investments | | |
| Canadian Equities | 1,341,662 | 1,310,756 |
| U.S. Equities | 1,217,884 | 1,219,693 |
| Non-North American Equities | 1,796,902 | 1,613,588 |
| Non-Public Equity Investments | | |
| Real Estate | 978,538 | 816,695 |
| Private Equity | 209,255 | 254,166 |
| Infrastructure | 409,015 | 345,496 |
| Private Credit | 34,007 | - |
| Total Investments | 7,561,547 | 7,077,658 |

* \$Thousands



A professional, sustainable pension plan, designed for the future of our members.

As we enter 2018, it is expected that the positive global economic momentum experienced during the final quarter of 2017 should continue. While we expect global growth to remain synchronized there will be more divergence in the regional growth drivers, as some areas will slow modestly while others accelerate or maintain a steady level of activity.

Regarding the U.S. economy, while growth has not been as robust as past recoveries it has been steady. While the recovery is entering its ninth year, it remains supported by rising corporate earnings, strong employment, healthy consumer trends, benign inflation, historically low interest rates and pent up demand for durables, housing and autos. However, looking at 2018 it appears that the momentum of the expansion over the last half of 2017 has moved the U.S. economy to the next phase of growth which will likely be well above the trend since the financial crisis. This expectation of better than trend economic growth received a significant boost late in December. The U.S. congress and the President put into place a significant tax reform package, the first in almost 40 years that is effective Jan 1, 2018.

This package includes a substantially lower corporate tax rate, accelerated depreciation on capital investments, a favourable tax rate on the repatriation of offshore cash held by U.S. companies and lower personal income tax rates. The consensus expectation of the impact of tax reform is that it could add 0.5 – 1% in real GDP growth in 2018 and drive corporate earnings higher by approximately 12 – 15%. Further, it should have a very positive impact on capital spending, employment, consumer spending, M & A, stock buy backs and wage growth. Taken together, the U.S. tax reform package is a significant jolt of fiscal stimulus for the U.S. and the global economy. It is important to highlight that this stimulus will mitigate the Federal Reserve's stated intention to move away from "crisis level" monetary policy in a gradual manner. The new chair of the Fed replacing Janet Yellen is Jerome Powell and we see very little deviation from the move towards policy normalization through gradual rate hikes and slow removal of QE under his stewardship. Given this, we expect U.S. real GDP growth in 2018 to expand close to a 3.0% pace vs. 2.0% in 2017.

The Eurozone should continue to experience above trend growth (trend 1.2% est. 1.8% in 2018) over the next several quarters, given that the economic expansion, inflation, politics and euro sentiment have improved. This continues to be driven by an improving labor market, low rates, monetary stimulus, diminishing slack, wage gains and a much improved business and banking environment. The confluence of those factors has resulted in the ECB significantly raising its outlook for GDP growth and inflation. Given the improved outlook, European Central bankers have been considering a move to a less accommodative monetary policy by tapering QE purchases and possibly raising rates. However, ECB president Mario Draghi recently stated that any such policy change would be made with extreme caution. Finally,

in a recent strategic research report (Jan 4/18) it was noted that support for a European economic and monetary union with one single currency is the highest since 2004. These survey results and recent sentiment recordings are encouraging, given the upcoming Italian election and somewhat surprising after several populist election results. Essentially the improved growth outlook has tempered populism, reduced Euroscepticism and bought policy workers time to implement structural reforms.

We remain positive on the outlook for China, although we would expect growth to moderate in 2018 from 6.9% towards 6.5%. This is largely due to focused Chinese government actions to cool the property market, close excess/inefficient industrial capacity, environmental concerns and manage an attempt to leverage in the financial system. The Chinese Communist Party recently concluded their National Party Congress five year planning session and President Xi solidified his authority and his status was lifted to that of Mao. This should suggest that China's economic growth rate remains stable and managed over the next several years. The risk here is that given Xi's solidified power base he may begin to tighten regulations in the financial sector and attempt to moderate the hot housing market more than we currently anticipate and growth may be lower than we expect over the short-term. We expect that the Chinese government will continue to focus on its grand plan to transition from an export/ fixed asset investment driven economy toward a consumer focused model and carefully manage the level of economic growth.

Regarding Japan, in 2017 Prime Minister Abe recently called a snap general election in which he gained a strong majority. Given that, "Abenomics" and ultra-easy Japanese monetary policy should persist well into 2018. This all-in fiscal and monetary policy seems to be finally having a positive effect on the economy and the country's chronic deflation. The improvement in the economy is being witnessed across the board, most notably in corporate profits, employment, capital expenditures and trade.

In terms of commodity producing areas such as emerging markets and Canada, they will be highly dependent on strengthening global growth, stable growth in China and recovering oil prices.

Concerning central bank policies, we have seen a shift to move gradually away from "financial crisis policy" towards normalization by most global central banks. In the U.S., the Federal Reserve raised rates three times in 2017 and has stated that, barring special circumstances, it will move up rates three more times in 2018. At their September meeting the Federal Reserve also announced they will begin to reduce the amount of monetary stimulus in place. Referred to as "Quantitative Tightening", the size of the Fed's balance sheet will be gradually reduced over time.

Concerning the ECB, President Mario Draghi announced it would cut its bond buying program from \$60B Euros to \$30B Euros per month in 2018 in an attempt to modestly reduce its monetary stimulus program. However, President Draghi did caution recently that this level of QE could extend beyond the planned end date of September 2018, should conditions warrant.

Finally, we have already stated that Japan remains solidly committed to ultra-accommodative fiscal and monetary policies.

Despite potential “Black Swans”, it is our view that over 2018 the U.S. and global economy will remain in a synchronized expansion with the risks being to the upside. Currently, the major downside risks to our forecast are the potential for rising protectionism and stronger than expected global growth, driving interest rates higher. The U.S. administration has recently placed import tariffs on solar panels and washing machines causing further trade tensions with China and South Korea. For the U.S., Canada and Mexico the NAFTA negotiations remain ongoing with several threats by President Trump to fully withdraw from NAFTA. Regarding stronger than expected growth in the US/ Global economy this could lead to rates rising more and faster than anticipated and force the Fed to move short-term rates higher than currently expected. Other headwinds/challenges facing the global economy and capital markets include the unpredictability of the government in Washington, the upcoming U.S. mid-term elections, the Italian elections in May, fear of further terrorist attacks in the U.S. and Europe and, finally, the ongoing Brexit negotiations.

Given this economic landscape, our overall view on capital markets has not changed dramatically. We continue to favour equities over fixed income and look opportunistically to identify alternative investments that generate steady cash returns. The one segment of our outlook that has changed for 2018 is that we expect equity market volatility to be significantly elevated versus 2017, as QE is withdrawn, the Fed raises rates and liquidity is less plentiful. Despite this, on balance, we remain cautiously optimistic on global equity markets over the balance 2018. However, U.S. and global equities are sharply higher since the U.S. election of Donald Trump as President and appear extended near-term. Importantly, at the time of writing, global equity markets have had an impressive rise in January, highlighted by a 7% surge in the S&P500 Index. At this rate the U.S. equity market is on pace for one of the best returns to start the year on record.

Other examples of market exuberance are evident such as, there are several sentiment indicators that are near or at all-time highs. The AAII (American Association of Individual Investors) survey is at historic highs in the mid 90% range and the Investors Intelligence Survey, which measures sentiment among professional investors is at 67%, its highest level since 1986. As well, Ned Davis research recently pointed out some other notable

market statistics: the S&P 500 (total return) rose every month in 2017, the first time on record, the S&P has now gone 300 trading days without a 3% correction, the DJIA hit almost 80 record highs over the past year eclipsing the old record of 69 in 1995 and BitCoin's surge of 1403% in 2017 has few historical comparisons. Interestingly, many market strategists are now suggesting that equity markets may be poised for a “Melt-Up”. Supporting this, recent weekly inflows into US domestic equities for the week ending January 24/18 were a record \$33 billion.

Given these select sentiment indicators, if you were a contrarian, one would certainly expect some meaningful downside risk. This does not mean the end of the secular bull market. However, it would not be a surprise for markets to experience a short-term pullback of 5 – 10% or at a minimum a period of consolidation prior to resuming its uptrend. Further, U.S. equity market valuations are not cheap, with very little room for multiples to expand. Thus, for the markets to move materially higher, earnings will have to advance significantly in 2018. The timing of any pullback remains very uncertain as global equity markets have proven to be very resilient to date and any negative news has had only short-term implications. In addition, markets that are driven by momentum and “animal spirits” tend to run higher for longer periods than expected even with perceived stretched fundamentals.

While European and Japanese equity markets are attractive on a valuation basis, meaningful upside will depend on a strengthening global economy. Emerging markets performed well in 2017 and they continue to have attractive valuations and should benefit from a stable Chinese economy and stronger global economic growth. Here in Canada, the equity market is coming off a disappointing performance versus other world markets in 2017. However, stronger U.S. growth, improving energy and commodity prices and continued low interest rates should suggest a reasonable return outlook.

The fixed income markets have resumed their uptrend with yields moving higher over the past year. We continue to believe that rates made a secular low in July of 2016 and are now more likely to move modestly higher in the future. It is our view that as the global economy and in particular, the U.S. economy gain momentum over 2018, rates should continue to move upwards at a gradual pace. Given this view, we remain underweight fixed income as it offers little return potential over the long-term.

With respect to non-public assets, our view remains favourable given their risk diversification and stable return profiles. High quality real estate investments will be acquired as opportunities are presented. Infrastructure offers attractive cash flow, relatively stable returns and tends not to be correlated with public equity markets.

Membership Information



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, relationship 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.

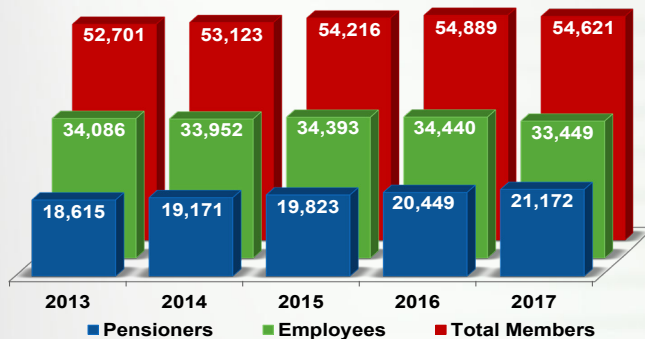
We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

MEMBERS/RETIREMENTS

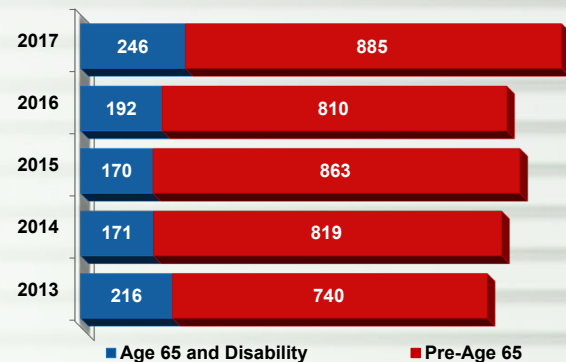
During 2017

- Total members decreased by 268 to 54,621
- Employees/former employees participating in the Fund decreased by 991 to 33,449
- Pensioners/beneficiaries increased by 723 to 21,172

Total Members



Retirements

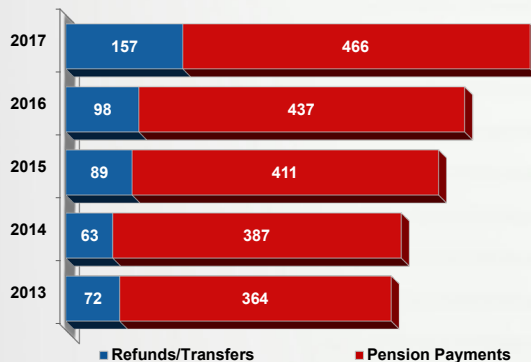


PAYING YOUR BENEFITS

During 2017

- 21,172 pensioners/beneficiaries were receiving pension benefits at the end of the year
- \$466 million was paid in pensions

Payments From The Fund (Millions)



Former Contributors



EMPLOYEE CONTRIBUTIONS/EMPLOYER PAYMENTS

During 2017

- Employees contributed \$164 million to the Fund compared to \$166 million in 2016
- Employers paid \$289 million to the Fund compared to \$251 million in 2016

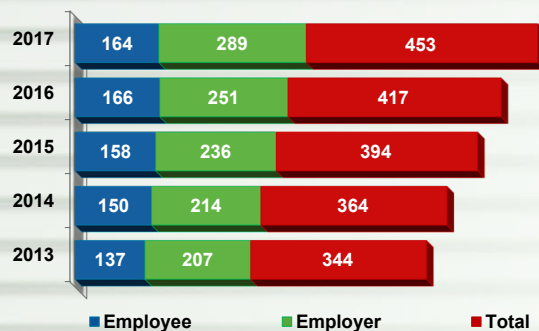
Employees and Employers share the cost of the plan.

- 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 Transfer Values for terminations, relationship separations, and deaths for payment funding employers
- Payments made by prefunding employers

Contributions and Payments (Millions)



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 2018 is \$55,900.

COST-OF-LIVING ADJUSTMENT (COLA)

- 10.2% of employee contributions and prefunding 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 $\frac{2}{3}$ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2017 was 1.00%

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 $\frac{2}{3}$ 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 prefunding employers. The majority of employers are payment funding 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 prefunding 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 $\frac{1}{3}$ 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, 2017 are summarized below.

| | Fund (*) | Payment Funding Employers (*) | Obligations Total (*) |
|---|------------------|-------------------------------|-----------------------|
| 1. Net Assets Available (Net of Actuarial Reserves) | | | |
| Basic Benefits Account | 4,607,211 | | |
| Indexing Benefits Account | 558,981 | | |
| Total | 5,166,192 | | |
| 2. Actuarial Obligations for Pension Benefits | | | |
| Basic Benefits Account (Excluding future benefits) | 5,081,672 | 3,846,923 | 8,928,595 |
| Indexing Benefits Account | 316,989 | 292,860 | 609,849 |
| Total | 5,398,661 | 4,139,783 | 9,538,444 |
| 3. Actuarial Position/Funds Available | | | |
| Basic Benefits Account | (474,462) | (3,846,923) | (4,321,385) |
| Indexing Benefits Account (funds available to finance future adjustments) | 241,993 | (292,860) | (50,867) |
| Surplus/(Deficit) | (232,469) | (4,139,783) | (4,372,252) |

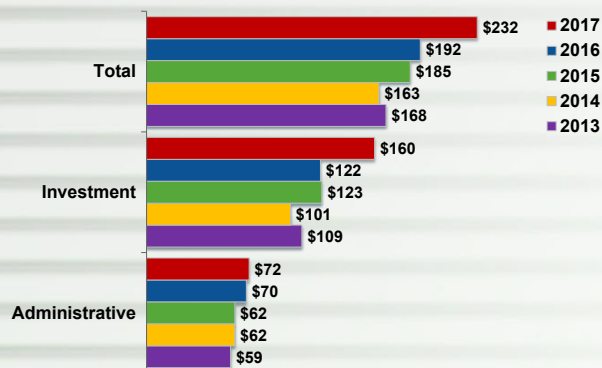
* \$Thousands

Refer to the Audited 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 2017 was \$232 consisting of \$72 for administration and \$160 for investment related expenses.

Annual Cost Per Member



GOVERNANCE

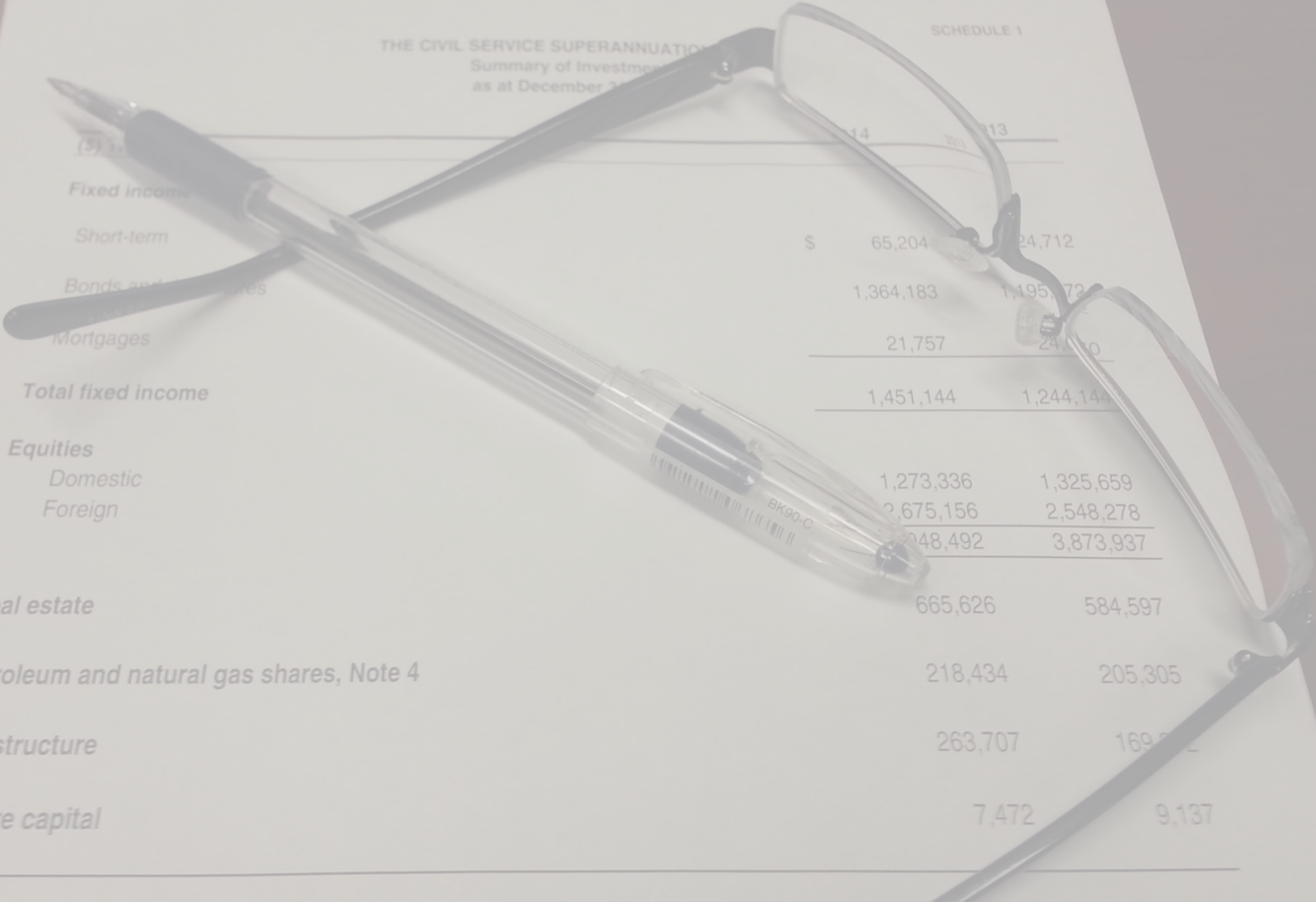
The Board and sub-committees regularly receive management certified compliance reports and informational material to assist with oversight requirements. In addition, the Board reviews and formally approves the minutes of all subcommittee meetings.

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

| | | 2013 (*) | 2014 (*) | 2015 (*) | 2016 (*) | 2017(*) |
|--------------------------------------|--|----------------|----------------|----------------|----------------|------------------|
| Investments | Rate of Return | 14.74% | 9.24% | 7.63% | 5.65% | 10.80% |
| | Market Value | 6,086,952 | 6,554,875 | 6,885,208 | 7,077,658 | 7,561,547 |
| Contributions and Payments | Employee Contributions | 136,390 | 150,251 | 157,703 | 165,787 | 164,100 |
| | Employer Payments | 207,253 | 213,957 | 236,356 | 251,374 | 288,584 |
| | Total | 343,643 | 364,208 | 394,059 | 417,161 | 452,684 |
| Payments from the Fund | Pension Benefits Paid | 364,295 | 386,601 | 410,870 | 437,233 | 466,122 |
| | Refunds and Transfers | 72,252 | 62,857 | 88,961 | 97,803 | 156,450 |
| Expenses | Administrative, net before recoveries from payment funding employers | 3,128 | 3,268 | 3,345 | 3,867 | 3,908 |
| | Investment, net | 5,724 | 5,382 | 6,665 | 6,708 | 7,782 |
| * \$Thousands unless otherwise noted | | | | | | |
| | | 2013 | 2014 | 2015 | 2016 | 2017 |
| Membership | Non-Retired Members | 34,086 | 33,952 | 34,393 | 34,097 | 33,449 |
| | Pensioners and Other Recipients | 18,615 | 19,171 | 19,823 | 20,793 | 21,172 |
| | Total Members | 52,701 | 53,123 | 54,216 | 54,890 | 54,621 |
| | Refunded/Transferred Members | 1,805 | 1,803 | 1,911 | 1,807 | 2,078 |
| | Retirements | 956 | 990 | 1,033 | 1,002 | 1,131 |

Financial Information



THE CIVIL SERVICE SUPERANNUATION
Summary of Investments
as at December 31, 2013

SCHEDULE 1

| | 2014 | 2013 |
|---|------------------|------------------|
| Fixed income | | |
| Short-term | \$ 65,204 | 24,712 |
| Bonds and securities | 1,364,183 | 1,195,721 |
| Mortgages | 21,757 | 24,000 |
| Total fixed income | 1,451,144 | 1,244,433 |
| Equities | | |
| Domestic | 1,273,336 | 1,325,659 |
| Foreign | 2,675,156 | 2,548,278 |
| | 3,948,492 | 3,873,937 |
| Real estate | 665,626 | 584,597 |
| Petroleum and natural gas shares, Note 4 | 218,434 | 205,305 |
| Infrastructure | 263,707 | 169,800 |
| Venture capital | 7,472 | 9,137 |

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying 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 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 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 May 31, 2018.

The firm of Ellement Consulting Group 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 financial statements.

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

Ultimate responsibility for the financial statements rests with the members of the Civil Service Superannuation 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 financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the 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

REPORT OF THE OFFICE OF THE AUDITOR GENERAL ON THE CIVIL SERVICE SUPERANNUATION FUND



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Civil Service Superannuation Fund, which comprise the statement of financial position as at December 31, 2017 and the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Civil Service Superannuation Fund as at December 31, 2017, and the changes in net assets available for benefits, the changes in pension obligations and the changes in surplus (deficit) for the year then ended in accordance with Canadian accounting standards for pension plans.

May 31, 2018
Winnipeg, Manitoba

A handwritten signature in black ink, appearing to read "Norm Ricard".

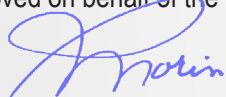
Norm Ricard, CPA, CA
Auditor General

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Financial Position
as at December 31, 2017

| | 2017 | 2016 |
|---|---------------------|---------------------|
| (\$) Thousands | | |
| Assets | | |
| Investments, Schedule 1, Notes 2(b) and 4 | \$ 7,561,547 | \$ 7,077,658 |
| Capital assets | 654 | 274 |
| Prepaid expenses | 293 | 249 |
| Debt due from the Province of Manitoba, Note 5 | 1,826 | 1,826 |
| Receivables, Note 6 | 4,313 | 3,770 |
| Accrued dividends and interest | 13,615 | 12,519 |
| Total assets | 7,582,248 | 7,096,296 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 13,696 | 12,270 |
| The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7 | 2,217,480 | 2,077,951 |
| Manitoba Hydro Enhanced Benefit Trust Account, Note 8 | 31,190 | 26,874 |
| Correctional Officers' Trust Account, Note 9 | 12,316 | 10,424 |
| Employer Trust Accounts, Note 10 | 101,854 | 92,088 |
| Money Purchase Accounts Plan, Note 11 | 39,520 | 36,618 |
| Total liabilities | 2,416,056 | 2,256,225 |
| Net assets available for benefits, Exhibit B | \$ 5,166,192 | \$ 4,840,071 |
| Pension Obligations and Deficit | | |
| Actuarial value of pension obligations, Exhibit C, Note 12 | \$ 9,538,444 | \$ 9,115,331 |
| Deficit, Exhibit D, Note 1(b), 12, 13 and 20 | (4,372,252) | (4,275,260) |
| Pension obligations and deficit | \$ 5,166,192 | \$ 4,840,071 |

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

Approved on behalf of the Board



Chairperson of the Board



Chairperson, Finance and Audit Committee

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Net Assets Available for Benefits
for the Year Ended December 31, 2017

| | | | 2017 | 2016 |
|--|------------------------|---------------------------|---------------------|---------------------|
| (\$) Thousands | Basic Benefits Account | Indexing Benefits Account | Total | Total |
| Increase in assets | | | | |
| Contributions, Schedule 2, Note 1(b) and 14 | | | | |
| Employees | \$ 147,454 | \$ 16,646 | \$ 164,100 | \$ 165,787 |
| Employers | 260,041 | 28,543 | 288,584 | 251,374 |
| Total contributions | 407,495 | 45,189 | 452,684 | 417,161 |
| Net investment income, Schedule 3 | 171,524 | 53,513 | 225,037 | 212,221 |
| Current period change in fair value of investments, Note 15 | 511,031 | - | 511,031 | 156,170 |
| Other | 79 | - | 79 | 79 |
| Total increase in assets | 1,090,129 | 98,702 | 1,188,831 | 785,631 |
| Decrease in assets | | | | |
| Benefits paid, Note 16 | 410,203 | 55,919 | 466,122 | 437,233 |
| Refunds and transfers, Note 17 | 156,450 | - | 156,450 | 97,803 |
| Administrative expenses, net, Note 18 | 2,262 | - | 2,262 | 2,238 |
| Transfer to employer trust accounts | - | - | - | 575 |
| Interest allocations to various trust accounts and Money Purchase Accounts Plan, Note 19 | 237,876 | - | 237,876 | 121,052 |
| Total decrease in assets | 806,791 | 55,919 | 862,710 | 658,901 |
| Increase in net assets | 283,338 | 42,783 | 326,121 | 126,730 |
| Net assets available for benefits, beginning of year | 4,323,873 | 516,198 | 4,840,071 | 4,713,341 |
| Increase in net assets | 283,338 | 42,783 | 326,121 | 126,730 |
| Net assets available for benefits, end of year, Exhibit A | \$ 4,607,211 | \$ 558,981 | \$ 5,166,192 | \$ 4,840,071 |

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

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Pension Obligations
for the Year Ended December 31, 2017

| (\$ Thousands) | | | 2017 | 2016 |
|---|--------------|---------------------------|--------------|--------------|
| | Fund | Payment Funding Employers | Total | Total |
| <u>Basic Benefits Account</u> | | | | |
| Pension obligations, beginning of year | \$ 4,883,337 | \$ 3,666,741 | \$ 8,550,078 | \$ 8,088,268 |
| Change in pension obligations | | | | |
| Experience loss | 71,464 | 114,835 | 186,299 | 184,091 |
| Benefits accrued | 144,334 | 105,622 | 249,956 | 256,512 |
| Benefits paid | (306,613) | (260,041) | (566,654) | (482,330) |
| Interest accrued on benefits | 289,150 | 219,766 | 508,916 | 487,162 |
| Change in actuarial assumptions | - | - | - | 16,375 |
| | 198,335 | 180,182 | 378,517 | 461,810 |
| Pension obligations, end of year | \$ 5,081,672 | \$ 3,846,923 | \$ 8,928,595 | \$ 8,550,078 |
| <u>Indexing Account</u> | | | | |
| Pension obligations, beginning of year | \$ 293,809 | \$ 271,444 | \$ 565,253 | \$ 527,903 |
| Change in pension obligations | | | | |
| Experience (gain) loss | (6,231) | (5,757) | (11,988) | 1,600 |
| Benefits accrued, Note 12(b) | 40,869 | 37,758 | 78,627 | 57,697 |
| Benefits paid | (29,066) | (26,853) | (55,919) | (52,706) |
| Interest accrued on benefits | 17,608 | 16,268 | 33,876 | 30,759 |
| | 23,180 | 21,416 | 44,596 | 37,350 |
| Pension obligations, end of year | \$ 316,989 | \$ 292,860 | \$ 609,849 | \$ 565,253 |
| <u>Combined</u> | | | | |
| Pension obligations, beginning of year | \$ 5,177,146 | \$ 3,938,185 | \$ 9,115,331 | \$ 8,616,171 |
| Change in pension obligations | 221,515 | 201,598 | 423,113 | 499,160 |
| Pension obligations, end of year, Exhibit A | \$ 5,398,661 | \$ 4,139,783 | \$ 9,538,444 | \$ 9,115,331 |

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

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Surplus (Deficit)
for the Year Ended December 31, 2017

| (\$ Thousands) | | | | 2017 | 2016 |
|--|--------------|-----------------|----------------|----------------|-------|
| | Fund | Payment Funding | | Total | Total |
| | | Employers | | | |
| <u>Basic Benefits Account</u> | | | | | |
| Deficit, beginning of year, | \$ (559,465) | \$ (3,666,741) | \$ (4,226,206) | \$ (3,873,172) | |
| Increase in net assets | 283,338 | - | 283,338 | 108,776 | |
| Change in pension obligations | (198,335) | (180,182) | (378,517) | (461,810) | |
| | 85,003 | (180,182) | (95,179) | (353,034) | |
| Deficit, end of year | \$ (474,462) | \$ (3,846,923) | \$ (4,321,385) | \$ (4,226,206) | |
| <u>Indexing Account</u> | | | | | |
| Surplus (deficit), beginning of year, | \$ 222,390 | \$ (271,444) | \$ (49,054) | \$ (29,658) | |
| Increase in net assets | 42,783 | - | 42,783 | 17,954 | |
| Change in pension obligations | (23,180) | (21,416) | (44,596) | (37,350) | |
| | 19,603 | (21,416) | (1,813) | (19,396) | |
| Surplus (deficit), end of year | \$ 241,993 | \$ (292,860) | \$ (50,867) | \$ (49,054) | |
| <u>Combined</u> | | | | | |
| Deficit, beginning of year, | (337,075) | (3,938,185) | (4,275,260) | (3,902,830) | |
| Change during the year | 104,606 | (201,598) | (96,992) | (372,430) | |
| Deficit, end of year, Exhibit A, Note 20 | \$ (232,469) | \$ (4,139,783) | \$ (4,372,252) | \$ (4,275,260) | |

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

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$ Thousands)

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

The Act requires that employees contribute 8.0% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 9.0% of pensionable earnings above that maximum. 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 prefunding 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, payment funding employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, payment funding employers are not billed for the cost of the pension formula improvement implemented in 2000. Prefunding employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund's net assets available for benefits are primarily comprised of investments derived from contributions from employees and prefunding 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 payment funding employers' portion of the obligation for pension benefits, as shown on Exhibit C and disclosed in Note 12, is unfunded.

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.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

(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) Death Benefits Pre-retirement

Upon the death of an active member, a survivor's benefit is payable to a spouse or partner or the member's estate when there is no survivor.

(h) Death Benefits Post-retirement

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 member's contributions plus interest.

(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.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation

The 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 surplus (deficit). They are prepared to assist participants and others in reviewing the financial activities for the fiscal year.

(b) Investments

Investments are presented on a non-consolidated basis even when an investment is in an entity over which the Plan has control or can exercise significant influence.

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) Index-linked mortgages are valued at amortized cost, which approximates fair value.

Equities

- (i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.
- (ii) Pooled equity funds are valued at market by the external manager based on the fair value of the underlying assets.

Other Investments

- (i) Real estate and Infrastructure investments are valued at fair value based on the most recent appraisals or external managers' valuations of the underlying properties.
- (ii) Petroleum and natural gas shares are valued at fair value based on the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost, which approximates fair value, until such information is available.
- (iii) Venture capital and Private credit investments are valued at the fair value of the underlying investments as established by the external managers or at cost, which approximates fair value, when 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 available for benefits during the year. Actual results could differ from those estimates.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

(d) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The foreign currency translation of these transactions (except for any foreign currency translation related to the acquisition of investments) is included in investment income or the current period change in fair value of investments (net realized gains or losses on the sale of investments) or administrative expenses.

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 from the translation at acquisition (or the prior year end) is included in the current period change in fair value of investments (net unrealized market gains or losses).

(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) Related Party Transactions

The Civil Service Superannuation Board and its management, as administrators of the Plan, including investment management, and the Government of the Province of Manitoba, as co-sponsor of the Plan, are related parties of the Civil Service Superannuation Fund.

Management personnel and their close family members are identified as the board and investment committee members and senior management, including their spouses, and any controlled business or business subject to significant influence.

All related party transactions are recorded at the exchange amount. Material transactions, in aggregate, and balances are disclosed separately.

(g) Net Investment Income and Current Period Change in Fair Value of Investments

Dividend income is recognized based on the ex-dividend date; interest income and income from real estate, infrastructure, venture capital, private credit and security lending are recognized on the accrual basis as earned. Current period change in fair value of investments includes both realized and unrealized gains and losses. Unrealized gains and losses are recognized only when the fair value of the investment is based on a quoted market price in an active market or a valuation using appropriate valuation techniques is performed and approved by management.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$ Thousands)

3. Risk Management

The fair value of investments is exposed to market risk (interest rate risk, currency risk and price risk), credit risk, and liquidity risk.

(a) Market Risk

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 changes in interest rates.

The Fund's exposure to interest rate risk is concentrated in its investments in bonds and debentures. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for bonds and debentures are set and monitored by the Fund's Investment Committee.

The Fund has invested approximately 21% (2016 – 21%) of its assets in fixed income securities as at December 31, 2017 which generated a rate of return of 3.87% (2016 – 2.61%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2017, 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 \$145,373 (2016 - \$139,249). The Fund's interest rate sensitivity was determined based on portfolio weighted duration.

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, 2017 external fund managers had no open forward foreign exchange contracts (as at December 31, 2016 - \$0). As a result there were no unrealized gains / (losses) on foreign exchange contracts in 2017 (2016 - \$0).

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

| As at December 31, 2017 | Actual Currency Exposure | Percentage |
|--------------------------|--------------------------|---------------|
| Canadian dollar | \$ 4,128,792 | 54.6% |
| US dollar | 1,961,440 | 25.9 |
| Euro | 307,569 | 4.1 |
| Japanese yen | 232,622 | 3.1 |
| Pound sterling | 184,701 | 2.4 |
| Hong Kong dollar | 153,505 | 2.0 |
| South Korean Won | 106,165 | 1.4 |
| Indian Rupee | 97,815 | 1.3 |
| Australian dollar | 81,948 | 1.1 |
| Taiwan new dollar | 52,954 | 0.7 |
| Other currencies | 254,036 | 3.4 |
| Total investments | \$ 7,561,547 | 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 \$343,275 (2016 - \$316,776).

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

Price Risk

Price risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's equity and private market investments are sensitive to market fluctuations. To assist in mitigating the impact of price 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 or increase of 10 percent in fair values of equities and private market investments, with all other variables held constant, will impact the Fund's investments by an approximate loss or gain of \$598,726 (2016 - \$556,039).

(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, 2017, the Fund's maximum credit risk exposure relating to bonds and debentures, cash and short-term investments and mortgages totaled \$1,574,284 (2016 - \$1,517,264), receivables of \$4,313 (2016 - \$3,770) and accrued interest of \$6,803 (2016 - \$5,819) totaled \$1,585,400 (2016 - \$1,526,853). 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, all bonds must be rated BBB- or higher at the time of purchase.

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 bonds and debentures portfolio by credit rating from various rating agencies is presented below:

| Credit Rating | 2017 Fair Value | | 2016 Fair Value | |
|----------------------------|--------------------|------------------|--------------------|------------------|
| AAA | \$ | 447,883 30.9% | \$ | 482,158 35.9% |
| AA | | 104,070 7.2 | | 220,768 16.4 |
| A | | 760,847 52.5 | | 599,290 44.6 |
| BBB+ | | 75,339 5.2 | | 27,612 2.1 |
| BBB and lower | | 61,248 4.2 | | 13,077 1.0 |
| | | 1,449,387 100.0% | | 1,342,905 100.0% |
| Cash and short-term | | 56,576 | | 85,060 |
| Total bonds and debentures | \$ | 1,505,963 | \$ | 1,427,965 |

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 2017 or 2016.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$ Thousands)

(c) Liquidity Risk

Liquidity risk is the possibility that investments of the Fund cannot be readily converted into cash when required to meet contractual obligations. 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 sold. 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 | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| Less than one year | \$ 112,056 | \$ 176,371 |
| One to five years | 241,208 | 419,920 |
| Over five years | 1,221,020 | 920,973 |
| Total fixed income investments | \$ 1,574,284 | \$ 1,517,264 |

(d) Fair Value

The following is a summary of the inputs used in the measurement of the fair value of the Fund's investments based on the fair value hierarchy:

| | Level 1 Quoted Prices in Active Markets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs | Total 2017 |
|--------------------------------------|---|---|--|---------------------|
| Assets | | | | |
| Cash | \$ 10,587 | \$ - | \$ - | \$ 10,587 |
| Short-term | - | 198,595 | - | 198,595 |
| Bonds and debentures | - | 1,449,387 | - | 1,449,387 |
| Mortgages | - | 14,324 | - | 14,324 |
| Equities | 3,580,972 | 688,788 | - | 4,269,760 |
| Real estate | - | - | 966,617 | 966,617 |
| Infrastructure | - | - | 409,015 | 409,015 |
| Petroleum and natural gas | - | - | 75,640 | 75,640 |
| Venture capital | - | - | 133,615 | 133,615 |
| Private credit | - | - | 34,007 | 34,007 |
| Total investments, Schedule 1 | \$ 3,591,559 | \$ 2,351,094 | \$ 1,618,894 | \$ 7,561,547 |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

| | Level 1 Quoted Prices in Active Markets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs | Total 2016 |
|-------------------------------|---|---|--|---------------|
| Assets | | | | |
| Cash | \$ 17,046 | \$ - | \$ - | \$ 17,046 |
| Short-term | - | 290,723 | - | 290,723 |
| Bonds and debentures | - | 1,325,424 | - | 1,325,424 |
| Mortgages | - | 16,932 | - | 16,932 |
| Equities | 3,417,128 | 598,483 | - | 4,015,611 |
| Real estate | - | - | 812,259 | 812,259 |
| Infrastructure | - | - | 345,496 | 345,496 |
| Petroleum and natural gas | - | - | 104,226 | 104,226 |
| Venture capital | - | - | 149,941 | 149,941 |
| Total investments, Schedule 1 | \$ 3,434,174 | \$ 2,231,562 | \$ 1,411,922 | \$ 7,077,658 |

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2017, no equity investments were transferred from Level 1 to Level 2.

During the year ended December 31, 2017, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

| | Real estate | Infrastructure | Petroleum & natural gas | Venture capital | Private credit | Total |
|--|----------------|----------------|----------------------------|--------------------|-------------------|--------------|
| Beginning Balance | \$ 812,259 | \$ 345,496 | \$ 104,226 | \$ 149,941 | \$ - | \$ 1,411,922 |
| Purchases | 78,832 | 46,551 | 99,285 | - | 36,829 | 261,497 |
| Sales and withdrawals | (13,584) | - | (104,226) | (10,266) | (804) | (128,880) |
| Capitalized income | 41,787 | - | - | - | - | 41,787 |
| Return of capital | - | (3,194) | - | (52) | (1,506) | (4,752) |
| Change in unrealized appreciation/ (depreciation) | 47,323 | 20,162 | (23,645) | (6,008) | (512) | 37,320 |
| Ending Balance | \$ 966,617 | \$ 409,015 | \$ 75,640 | \$ 133,615 | \$ 34,007 | \$ 1,618,894 |

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, 2017, the Fund held the following investments that met this classification:

| | |
|--|------------|
| ISHARES MSCI Japan ETF | \$ 105,888 |
| Borealis Infrastructure Fund | \$ 319,750 |
| Government of Canada bond 68,737 12/48 2.75% | \$ 76,134 |
| Northleaf Star Investor Corp. | \$ 126,511 |
| Marathon M-L Investment Fund | \$ 668,958 |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

(e) 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

In August 2017, the Plan's share of the fair value of the net assets in its subsidiary, Superman Resources Inc. was disposed of in exchange for shares in a newly formed corporation, Gain Energy Ltd. The shareholders of OEI Energy Inc. and Superman Resources Inc. entered into a business combination to amalgamate and continue as one corporation, Gain Energy Ltd.

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 (2016 - \$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

| | 2017 | 2016 |
|--------------------------|----------|----------|
| Contributions receivable | | |
| Employers | \$ 1,901 | \$ 1,199 |
| Employees | 96 | 462 |
| | 1,997 | 1,661 |
| Other receivables | 2,316 | 2,109 |
| | \$ 4,313 | \$ 3,770 |

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 contributions to this fund. As well, the Province is making contributions to this fund that is related to the Special Operating Agencies unfunded pension liabilities. Contributions 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 contributions 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 contributions made by the Province to the Board do not reduce the pension benefit obligations and deficit of the Fund.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

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:

| | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| Contributions received | \$ 99,125 | \$ 98,361 |
| Interest earned | 221,294 | 113,585 |
| Pension and refund payments made | (176,347) | (155,668) |
| Investment management fees charged | (4,543) | (4,030) |
| Change during the year | 139,529 | 52,248 |
| Balance, beginning of year | 2,077,951 | 2,025,703 |
| Balance, end of year | \$ 2,217,480 | \$ 2,077,951 |

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:

| | 2017 | 2016 |
|------------------------------------|-----------|-----------|
| Contributions received | \$ 2,374 | \$ 2,385 |
| Interest earned | 2,977 | 1,395 |
| Pension and refund payments made | (974) | (666) |
| Investment management fees charged | (61) | (49) |
| Change during the year | 4,316 | 3,065 |
| Balance, beginning of year | 26,874 | 23,809 |
| Balance, end of year | \$ 31,190 | \$ 26,874 |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$ Thousands)

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:

| | 2017 | 2016 |
|----------------------------------|-----------|-----------|
| Contributions received | \$ 1,377 | \$ 1,389 |
| Interest earned | 1,149 | 515 |
| Pension and refund payments made | (623) | (567) |
| Expenses paid | (11) | (10) |
| Change during the year | 1,892 | 1,327 |
| Balance, beginning of year | 10,424 | 9,097 |
| Balance, end of year | \$ 12,316 | \$ 10,424 |

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 payment funding 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:

| | 2017 | 2016 |
|-----------------------------------|------------|-----------|
| (Withdrawals) / Contributions | \$ 16 | \$ 591 |
| Interest earned | 9,750 | 4,723 |
| Billing credits made to employers | - | (125) |
| Change during the year | 9,766 | 5,189 |
| Balance, beginning of year | 92,088 | 86,899 |
| Balance, end of year | \$ 101,854 | \$ 92,088 |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

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:

| | 2017 | 2016 |
|--------------------------------------|-----------|-----------|
| Contributions received | \$ 3,786 | \$ 5,223 |
| Interest earned | 2,706 | 834 |
| Refunds and administration fees paid | (2,957) | (2,682) |
| Annuities made | (633) | (990) |
| Change during the year | 2,902 | 2,385 |
| Balance, beginning of year | 36,618 | 34,233 |
| Balance, end of year | \$ 39,520 | \$ 36,618 |

12. Obligations for Pension Benefits

(a) Basic Benefits Account

In accordance with the Pension Benefits Act of the Province of Manitoba, actuarial valuations are required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Plan 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.

Actuarial valuations (going concern basis) for the Fund and Payment Funding Employers' pension obligations were prepared as at December 31, 2016 by Ellement Consulting Group. The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was extrapolated by the actuary to December 31, 2017. The principal components of the changes in pension obligations during the year are presented in Exhibit C.

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

THE CIVIL SERVICE SUPERANNUATION FUND
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For the year ended December 31, 2017

(\$ Thousands)

Significant long-term actuarial assumptions used in the December 31, 2016 and 2015 valuations of the present value of the accrued basic pension benefit obligations were:

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Discount rate: | | |
| (i) inflation component | 2.00% | 2.00% |
| (ii) real rate of return | <u>4.00%</u> | <u>4.00%</u> |
| | <u>6.00%</u> | <u>6.00%</u> |
| Annual salary escalation rates: | | |
| (i) general increases | | |
| a) inflation component | 2.00% | 2.00% |
| b) productivity component | <u>0.75%</u> | <u>0.75%</u> |
| | <u>2.75%</u> | <u>2.75%</u> |
| (ii) service, merit and promotional increases * | | |
| * the rates used vary by age groupings from a high of 3.0% to a low of 0% | | |
| Mortality rates: | | |
| (i) mortality | CPM 2014 Public | CPM 2014 Public |
| (ii) mortality improvements | Scale B | Scale B |

The extrapolations to December 31, 2017 were based on the assumptions used in the 2016 actuarial valuations and also used the CPM 2014 Composite Mortality rate projected using Scale B for the calculation of the commuted values of lump sum withdrawals from the Plan.

The next actuarial valuations for Basic Benefits will be prepared as at December 31, 2017 and will be completed by the fall of 2018.

(b) Indexing Benefits Account

Under section 33(6) of the Act, the Board must approve a cost-of-living adjustment before it is in effect. The 2017 financial statements reflect the pension obligations for cost-of-living adjustments up to the change in the Consumer Price Index for 2017.

A 1.25% cost-of-living adjustment for the year ended December 31, 2017 at a cost of \$78,627 (Fund - \$40,869, Payment Funding Employers - \$37,758) was approved March 29, 2018, with payment commencing July 2018.

These pension obligations are reported in the 2017 statement of changes in pension obligations (Exhibit C).

The December 31, 2017 actuarial valuations for the Fund's Indexing Benefits Account and the Payment Funding Employers' liability for indexing benefits were prepared by Ellement Consulting Group. The actuarial assumptions were the same as those used for the December 31, 2016 actuarial valuations for basic benefits, except the discount rate used was 5.50%.

The next actuarial valuations on the Indexing Benefits Account and the Payment Funding Employers' indexing benefits liability will be prepared as at December 31, 2018 and will be completed during 2019.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

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 payment funding employers designed to help offset their share of the unfunded pension obligation and deficit. These monies have not been included in the statement of net assets available for benefits. The breakdown of these total funds under management is as follows:

| | 2017 | 2016 |
|------------------------------|---------------------|---------------------|
| Province of Manitoba, Note 7 | \$ 2,217,480 | \$ 2,077,951 |
| Manitoba Hydro, Note 21 | 1,053,083 | 987,998 |
| Total funds managed | \$ 3,270,563 | \$ 3,065,949 |

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

14. Contributions

| | 2017 | 2016 |
|------------------------------------|-------------------|-------------------|
| Employees | | |
| Required contributions | \$ 159,485 | \$ 161,668 |
| Voluntary contributions | 190 | 191 |
| Past service contributions | 1,403 | 2,085 |
| Special contributions | 3,022 | 1,843 |
| | 164,100 | 165,787 |
| Employers | | |
| Required contributions | 16,628 | 16,842 |
| Voluntary contributions | 1 | 3 |
| Special contributions ¹ | 271,955 | 234,529 |
| | 288,584 | 251,374 |
| | \$ 452,684 | \$ 417,161 |

¹ includes payment funding employers' pay-as-you-go portion of benefit payments

15. Current Period Change in Fair Value of Investments

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Net realized gains on the sale of investments | \$ 227,635 | \$ 159,476 |
| Net unrealized market gains (losses) | 283,396 | (3,306) |
| | \$ 511,031 | \$ 156,170 |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

16. Benefits Paid

| | 2017 | 2016 |
|-----------------------------|-------------------|-------------------|
| Pension benefit payments | \$ 456,343 | \$ 427,705 |
| Disability benefit payments | 9,779 | 9,528 |
| | <u>\$ 466,122</u> | <u>\$ 437,233</u> |

17. Refunds and Transfers

| | 2017 | 2016 |
|---|-------------------|------------------|
| Termination refund payments | \$ 141,587 | \$ 85,193 |
| Death refund payments | 10,191 | 8,060 |
| Relationship separation refund payments | 4,367 | 4,301 |
| Reciprocal transfers out – prefunding employers | 305 | 249 |
| | <u>\$ 156,450</u> | <u>\$ 97,803</u> |

18. Administrative Expenses, Net

| | 2017 | 2016 |
|---|-----------------|-----------------|
| Actuary fees | \$ 232 | \$ 210 |
| Audit fees | 65 | 64 |
| Legal fees | 31 | 58 |
| Consulting fees | - | 9 |
| Professional fees | 328 | 341 |
| Salaries and fringe benefits | 3,854 | 3,934 |
| Office and administration | 1,212 | 1,137 |
| Gross administrative expenses | 5,394 | 5,412 |
| Less: Recoveries | | |
| From other administrated funds – regular administration | (1,483) | (1,543) |
| From other administrated fund – special administration | (4) | (2) |
| From payment funding employers | (1,645) | (1,629) |
| Administrative expenses, net | <u>\$ 2,262</u> | <u>\$ 2,238</u> |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

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

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

| | 2017 | 2016 |
|--|-------------------|-------------------|
| The Province of Manitoba Unfunded Pension Liability Trust Accounts | \$ 221,294 | \$ 113,585 |
| Manitoba Hydro Enhanced Benefit Trust Account | 2,977 | 1,395 |
| Correctional Officers' Trust Account | 1,149 | 515 |
| Employer Trust Accounts | 9,750 | 4,723 |
| Money Purchase Plan Account | 2,706 | 834 |
| | <u>\$ 237,876</u> | <u>\$ 121,052</u> |

20. Deficit

| | Fund | Payment Funding Employers | Total 2017 | Total 2016 |
|---|---------------------|------------------------------|-----------------------|-----------------------|
| (Deficit) surplus, beginning of year, | | | | |
| Basic Benefits | \$ (559,465) | \$ (3,666,741) | \$ (4,226,206) | \$ (3,873,172) |
| Indexing Benefits | 222,390 | (271,444) | (49,054) | (29,658) |
| | <u>(337,075)</u> | <u>(3,938,185)</u> | <u>(4,275,260)</u> | <u>(3,902,830)</u> |
| Change in net assets available for benefits, Exhibit B | | | | |
| Basic Benefits | 283,338 | - | 283,338 | 108,776 |
| Indexing Benefits | 42,783 | - | 42,783 | 17,954 |
| | <u>326,121</u> | <u>-</u> | <u>326,121</u> | <u>126,730</u> |
| Change in pension obligations during the year, Exhibit C | | | | |
| Basic Benefits | (198,335) | (180,182) | (378,517) | (461,810) |
| Indexing Benefits | (23,180) | (21,416) | (44,596) | (37,350) |
| | <u>(221,515)</u> | <u>(201,598)</u> | <u>(423,113)</u> | <u>(499,160)</u> |
| (Deficit) surplus, end of year, Exhibit D | | | | |
| Basic Benefits | (474,462) | (3,846,923) | (4,321,385) | (4,226,206) |
| Indexing Benefits | 241,993 | (292,860) | (50,867) | (49,054) |
| | <u>\$ (232,469)</u> | <u>\$ (4,139,783)</u> | <u>\$ (4,372,252)</u> | <u>\$ (4,275,260)</u> |

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2017

(\$) Thousands

21. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from the statement of financial position (Exhibit A).

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

| | 2017 | 2016 |
|--|---------------------|---------------------|
| The Manitoba Hydro Pension Fund | \$ 1,053,083 | \$ 987,998 |
| Joint Board of Trustees of The Municipal Employees Benefits Program | 710,619 | 656,231 |
| The Public Service Group Insurance Fund | 234,470 | 204,938 |
| Centra Gas Manitoba Inc. | 133,717 | 125,795 |
| Manitoba Liquor & Lotteries Corporation | 5,530 | 5,008 |
| Winnipeg Child and Family Services Employee Benefits Retirement Plan | 25,038 | 25,012 |
| University of Winnipeg | 20,788 | 21,571 |
| Legislative Assembly Pension Plan | 31,801 | 28,696 |
| | <u>\$ 2,215,046</u> | <u>\$ 2,055,249</u> |

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 contractual obligations for future investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2017, the Fund's share of the outstanding commitment is \$666.9 million (2016 - \$589.5 million).

23. Capital Disclosures

Capital is defined as the net assets available for 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 benefits. The Fund has complied with externally-imposed capital requirements during the year.

24. Comparative Figures

Certain of the 2016 comparative figures have been reclassified to conform with the presentation adopted for 2017.

THE CIVIL SERVICE SUPERANNUATION FUND
Summary of Investments
as at December 31, 2017

| | 2017 | 2016 |
|--|---------------------|---------------------|
| (\$) Thousands | | |
| Fixed income | | |
| Short-term | \$ 53,997 | \$ 72,366 |
| Bonds and debentures | 1,505,963 | 1,427,965 |
| Mortgages | 14,324 | 16,933 |
| Total fixed income | 1,574,284 | 1,517,264 |
| Equities | | |
| Domestic | 1,341,662 | 1,310,756 |
| Foreign | 3,014,786 | 2,833,280 |
| | 4,356,448 | 4,144,036 |
| Real estate | 978,538 | 816,695 |
| Petroleum and natural gas, Note 4 | 75,640 | 104,226 |
| Infrastructure | 409,015 | 345,496 |
| Venture capital | 133,615 | 149,941 |
| Private credit | 34,007 | - |
| Investments, Exhibit A | \$ 7,561,547 | \$ 7,077,658 |

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
for the Year Ended December 31, 2017

| | | | 2017 | 2016 |
|--|-------------------|-------------------|-------------------|-------------------|
| (\$) Thousands | Employers | Employees | Total | Total |
| Payment Funding employers, Note 1 (b) | | | | |
| Province of Manitoba Civil Service | \$ 180,288 | \$ 73,549 | \$ 253,837 | \$ 235,430 |
| Manitoba Hydro-Electric Board | 73,216 | 39,569 | 112,785 | 100,398 |
| Manitoba Public Insurance Corporation | 16,184 | 10,288 | 26,472 | 21,883 |
| Red River College | - | 8,827 | 8,827 | 8,653 |
| Addictions Foundation of Manitoba | 1,814 | 1,338 | 3,152 | 3,273 |
| Community Colleges | | | | |
| Assiniboine Community College | 14 | 2,035 | 2,049 | 1,961 |
| University College of the North | - | 1,854 | 1,854 | 1,805 |
| Regional Health Authorities | | | | |
| Winnipeg | - | 621 | 621 | 699 |
| Prairie Mountain Health | 7 | 684 | 691 | 848 |
| Southern Health | - | 164 | 164 | 213 |
| Interlake - Eastern | - | 122 | 122 | 136 |
| Northern | - | 82 | 82 | 87 |
| The Legal Aid Services Society of Manitoba | 25 | 942 | 967 | 960 |
| Manitoba Centennial Centre Corporation | 563 | 195 | 758 | 724 |
| Diagnostic Services of Manitoba | - | 336 | 336 | 345 |
| Teachers' Retirement Allowances Fund Board | 228 | 280 | 508 | 516 |
| Communities Economic Development Fund | 221 | 75 | 296 | 165 |
| Manitoba Horse Racing Commission | 17 | 12 | 29 | 26 |
| Workers Compensation Board | 1 | - | 1 | 1 |
| Total payment funding employers | \$ 272,578 | \$ 140,973 | \$ 413,551 | \$ 378,123 |

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
for the Year Ended December 31, 2017

| (\$ Thousands) | | | 2017 | 2016 |
|--|-------------------|-------------------|-------------------|-------------------|
| | Employers | Employees | Total | Total |
| Total payment funding employers, continued | \$ 272,578 | \$ 140,973 | \$ 413,551 | \$ 378,123 |
| Prefunding employers, Note 1 (b) | | | | |
| Manitoba Liquor & Lotteries Corporation | 8,887 | 9,542 | 18,429 | 17,826 |
| Manitoba Housing | 1,843 | 2,007 | 3,850 | 4,049 |
| Manitoba Agricultural Services Corporation | 1,325 | 1,069 | 2,394 | 2,539 |
| CUPE Support Workers | 1,167 | 1,316 | 2,483 | 2,479 |
| All Nations Coordinated Response Family Services | 736 | 818 | 1,554 | 1,453 |
| Manitoba Government and General Employees' Union | 723 | 762 | 1,485 | 1,423 |
| Liquor and Gaming Authority of Manitoba | 467 | 492 | 959 | 1,054 |
| Civil Service Superannuation Board | 412 | 439 | 851 | 820 |
| Teranet Manitoba LP | 551 | 642 | 1,193 | 1,156 |
| Manitoba Floodway Authority | 9 | - | 9 | 827 |
| Food Development Centre | 234 | 257 | 491 | 512 |
| Manitoba Hydro Utilities Services | 174 | 196 | 370 | 355 |
| Travel Manitoba | 185 | 186 | 371 | 332 |
| Industrial Technology Centre | 104 | 113 | 217 | 222 |
| Dairy Farmers of Manitoba | 110 | 121 | 231 | 218 |
| Hams Marketing Services Co-op Inc. | 42 | 47 | 89 | 105 |
| Manitoba Pork Council | 67 | 62 | 129 | 123 |
| Manitoba Arts Council | 59 | 65 | 124 | 126 |
| Manitoba Film and Sound | 59 | 64 | 123 | 120 |
| Manitoba Health Research Council | 58 | 68 | 126 | 133 |
| Manitoba Chicken Producers | 38 | 41 | 79 | 83 |
| Crown Corporations Council | 26 | 21 | 47 | 65 |
| Horizon Lab Ltd. | 25 | 27 | 52 | 50 |
| Manitoba Turkey Producers | 8 | 9 | 17 | 17 |
| Economic Innovation and Technology Council | 5 | - | 5 | 5 |
| Total prefunding employers | \$ 17,314 | \$ 18,364 | \$ 35,678 | \$ 36,092 |
| Total employers, payment funding and prefunding | \$ 289,892 | \$ 159,337 | \$ 449,229 | \$ 414,215 |

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
for the Year Ended December 31, 2017

| | | | 2017 | 2016 |
|---|-------------------|-------------------|-------------------|-------------------|
| (\$) Thousands | Employers | Employees | Total | Total |
| Total employers, payment funding and prefunding | \$ 289,892 | \$ 159,337 | \$ 449,229 | \$ 414,215 |
| Other | | | | |
| Employees on loan | 3 | 3 | 6 | 2 |
| Employees on workers compensation | - | 9 | 9 | 23 |
| Reciprocal agreement - transfers in | - | 3,924 | 3,924 | 2,332 |
| Reciprocal agreement - transfers out | (1,312) | (1,535) | (2,847) | (2,799) |
| Repayment of contributions previously refunded | - | 149 | 149 | 142 |
| Contributions based on prior non-pensionable employment | 1 | 1,581 | 1,582 | 2,255 |
| Transfer from Money Purchase Accounts Plan | - | 632 | 632 | 991 |
| Total other | \$ (1,308) | \$ 4,763 | \$ 3,455 | \$ 2,946 |
| Total contributions, Exhibit B | \$ 288,584 | \$ 164,100 | \$ 452,684 | \$ 417,161 |

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

SCHEDULE 3

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Investment Income
for the Year Ended December 31, 2017

| | 2017 | 2016 |
|--|-------------------|-------------------|
| (\$) Thousands | | |
| Fixed income | | |
| Short-term | \$ 445 | \$ 588 |
| Bonds and debentures | 43,686 | 42,194 |
| Mortgages | 1,009 | 1,135 |
| | <u>45,140</u> | <u>43,917</u> |
| Equities | | |
| Domestic | 36,181 | 33,005 |
| Foreign | 90,017 | 82,100 |
| | <u>126,198</u> | <u>115,105</u> |
| Real estate | 29,983 | 28,634 |
| Petroleum and natural gas | 1,833 | - |
| Private credit | 52 | - |
| Venture capital | 2,101 | 108 |
| Infrastructure | 24,494 | 27,707 |
| Security lending revenue | 3,212 | 3,649 |
| Gross investment income | <u>233,013</u> | <u>219,120</u> |
| Less: | | |
| Investment management expenses, net, Note 21 | 7,782 | 6,708 |
| Interest allocated to employee future benefits obligations | 194 | 191 |
| | <u>7,976</u> | <u>6,899</u> |
| Net investment income, Exhibit B | <u>\$ 225,037</u> | <u>\$ 212,221</u> |

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

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, relationship 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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The Civil Service Superannuation Board (CSSB), 2018.

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