2009 Report to Members

We are pleased to provide you with this summary of The Civil Service Superannuation Board's (Board) 2009 Annual Report. You can request a copy of the full Annual Report by contacting the Board office, or it can be viewed at www.cssb.mb.ca.

Financial	2009 (*)	2008 (*)
Rate of Return on Investments	14.06%	(17.04)%
Investments at Market Value	$4,001,189	$3,302,963
Net Investment Income	55,590	232,185
Current Period Change in Fair Value of Investments	364,891	(847,430)
Employee Contributions	107,593	98,635
Employer Payments	139,556	133,991
Pension Payments	270,006	250,532
Refunds and Transfers	24,238	33,367

* $Thousands unless otherwise noted

Membership		
Non-Retired Members	32,210	31,002
Retired Members and Other Recipients	16,023	15,450
Total Members	48,233	46,452

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Member Services

The Board offers the following services to members and their families:

- Individual Meetings
- Pre-Retirement Planning Seminars
- Employee Pension and Insurance Seminars
- Personal and General Inquiries
- Electronic Communications

You may make an appointment to view any of the following at the Board office:

- A copy of The Civil Service Superannuation Act (the 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

Cost-of-Living Allowance

- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2009 was 0.77%

Governance

The Board and subcommittees 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.

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

Message from the Chair Al Morin

After a challenging first year as Chair of The Civil Service Superannuation Fund (the "Fund"), I remain optimistic that we have in fact weathered the economic storm. While we have realized significant recovery from our position of a year ago, we are still proceeding cautiously to ensure we are taking all of the necessary precautions to continue to position ourselves accordingly for further recovery.

I wanted to follow up on a couple of the planning and forecasting measures I mentioned last year that are in place to help a pension fund prepare for periods of unfavorable investment experience.

Good governance practices include an annual review of the Statement of Investment Policies and Procedures (the "SIP&P"). During 2009, the Board's Investment Committee recommended that an independent asset/liability study be undertaken to ensure that its SIP&P continued to meet current membership demographics, other actuarial assumptions, market expectations, risk profiles, etc. The Board engaged Towers Perrin Inc. ("TPF&C") to perform a detailed review of The Civil Service Superannuation Fund. TPF&C analyzed the components of the Fund during 2009 and correspondingly incorporated assumptions recommended by the Board's Investment Committee through the course of the year. The Board approved these amendments at its November Board meeting. The SIP&P includes parameters such as investment quality, holding limits, investment objectives, valuation procedures and asset mix, which is perhaps the most important determinant of pension fund performance.

Another of the tools we utilized to help with planning and forecasting last year was the Actuarial Valuation Report as at December 31, 2007. By the time the report was completed and released later in 2008, signs of the economic downturn were already evident. The report provided a detailed "snapshot" of the financial position of the Fund, which allowed us to make some recommendations to help ensure the actuarial requirements would be adequate to continue to finance the Fund's future pension liabilities. As I mentioned last year, the Board has committed to having another valuation performed earlier than required under legislation in order to continue to monitor the Fund's financial position as we move towards recovery. This Valuation is currently in progress and will provide us with an updated picture of our position to help us prepare strategically as we move forward.

The ultimate success of The Civil Service Superannuation Fund is not measured on the investment returns over a challenging year or even the ups and downs over several years, but rather on how it meets the long-term obligations to its members. As I reflect on the events of the past year, let me assure you the staff and management of the Board are not only capable, but are also committed to our long-term objective of growth, stability and providing our membership with quality benefits administration.

I would like to take this opportunity to welcome new Board members, Ms Denise Hickson and Mr. Stephen Watson, who were recently elected to the Board. To departing Board members, Mr. Ryan Wiebe and Mr. Chris Kowalski, on behalf of your colleagues on the Board, management and staff, as well as all of the members and stakeholders, our sincere appreciation and thanks to you for your assistance and contributions as a members of the Civil Service Superannuation Board.

The Civil Service Superannuation Board

Chair
Al Morin

Employee Representatives	Employer Representatives
Ray Erb	Gabriel Forest, f.c.a.
Monica Girouard	Carmele Peter
Denise Hickson	Merv Worden
Stephen Watson	Vacant Position

Investment Committee

Chair
Peter G. Munro

Dick Archer
Richard Brownscombe
Hugh Eliasson
Monica Girouard
Al Morin

A. Scott Penman
Robert G. Puchniak
Bruce Schroeder
Vince Warden

Finance and Audit Committee

Chair
Gabriel Forest, f.c.a.

Ray Erb Stephen Watson

Governance Committee

Chair
Merv Worden

Denise Hickson Carmele Peter

Compensation Committee

Chair
Ray Erb

Monica Girouard Merv Worden

Message from the General Manager   Bruce Schroeder

The start of 2009 began where the end of 2008 left off, the investment markets were reeling from the global economic downturn. Throughout these difficult times, the CSSB maintained its focus on the long-term objectives of the Fund and did not engage in panicked alterations of the portfolio. I am pleased to report that our patience was rewarded and the strategy began to bear fruit in the last three quarters of 2009. The rate of return for the Fund was 14.06% and was 0.58% higher than the benchmark set for our investment policy for the year ended December 31, 2009 and 7.56% higher than the actuarially required rate of 6.5%. Although not yet fully recovered from the negative returns of 2008, we are confident that by adhering to our long-term strategies we will eventually regain those returns lost in the market meltdown of 2008.

Amendments were made to The Civil Service Superannuation Act (Act) in 2009 with Bill 8. Sections of the Act that were amended were related to pension option selection, normal retirement age, and indexing reserve transfers.

The Act now allows for the selection of a pension that will pay the member's surviving spouse an amount equal to that of the member while they were alive without the requirement to provide medical evidence. The option was previously available but the member was required to provide evidence of satisfactory health. As this pension option is actuarially adjusted, the liability to the Fund is no greater than any other option, so the evidence requirement has been eliminated.

The Act has also been harmonized with The Income Tax Act and now allows members to continue to contribute to the Fund and not draw their pension benefit until the end of the year in which they turn age 71 (previously age 69).

The legislation to move $145 million from the indexing reserve of the basic account to the Cost-of-Living Account (COLA) was also contained in Bill 8. The funds will be amortized over a 30 year period. A 30 year amortization period will provide COLA benefits for current and future retirees.

There was also a section added to enable regulations to be set for enhanced benefits for Manitoba Hydro members and retirees. The funding of any benefits will be the responsibility of Manitoba Hydro and its employees and not the responsibility of The Civil Service Superannuation Fund.

The Board has requested a valuation of the Fund as at December 31, 2009. The normal valuation timeframe would be December 31, 2010, but considering the wide variations of the Fund's investments in the past two years, the Board felt it would be prudent to conduct an early valuation to get a better assessment of the Fund's position. The valuation will be completed sometime in mid 2010.

As mentioned in last years report, the Board undertook an Asset Allocation Review study in 2009. The study recommended a larger exposure to equities. After careful consideration, the Board approved the recommendations of the study. The investment manager of the Board has been implementing the new policy and completed the transition in early 2010.

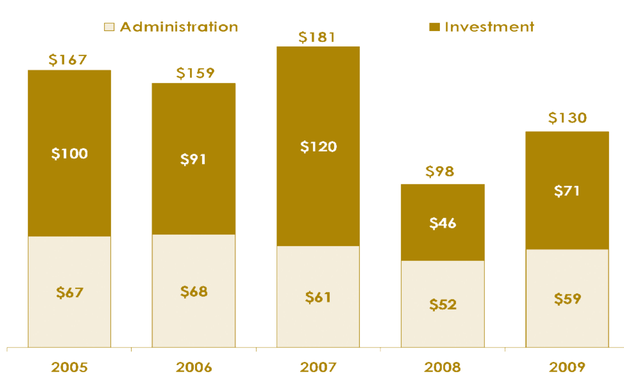
As the markets continue to stabilize we look forward to a less eventful year than the past couple. We will strive to continue to improve our service through technological enhancements in 2010.

I would like to take this opportunity to say farewell and thank you to outgoing employee elected Board members Chris Kowalski and Ryan Wiebe and welcome new members Stephen Watson and Denise Hickson. Thanks also to the Board members who remain and the Chair of the Board for their support in 2009.

Though technology enhances our ability to provide excellent service, our committed and caring staff offers a tremendous advantage in providing quality and timely service to our members. With that in mind, I would like to thank the staff of the CSSB for their continued commitment to providing exceptional service to the Fund membership.

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 2009 was $130 consisting of $59 for administration and $71 for investment related expenses.



Investment Overview

During 2009, we witnessed a return to a more normal environment in the financial markets. There are still an array of problems to be dealt with over time, but the governments and central banks around the world have managed to stickhandle around issue after issue reasonably effectively. An obvious outstanding issue is how to return government fiscal imbalances to appropriate sustainable levels. The United States, the United Kingdom, Japan and many of the smaller countries in Europe have particularly large deficits. In contrast, many emerging or less developed countries are in much better shape. China and Brazil stand out in this case. Damage to the financial system principally resided in the United States and Europe. The banking systems in most of Asia, Australia, Canada, and the principal countries in Latin America continue to function more or less normally. Consequently, the economies of those countries are performing better than the first group.

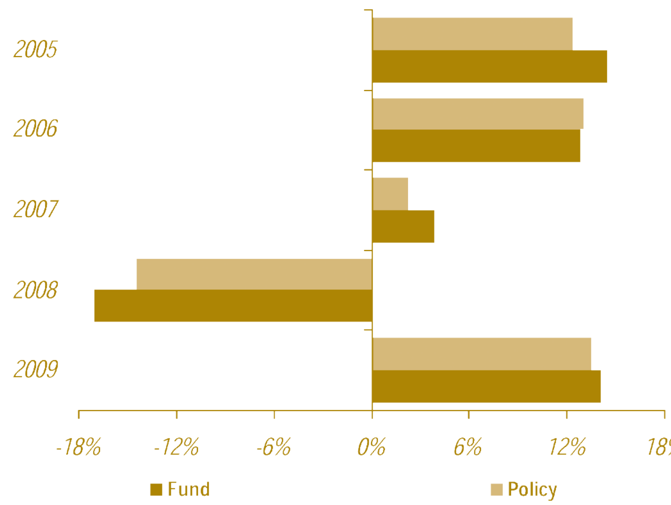
This environment has worked well for our positioning of the Fund's investments, where we are overweight Canada, Asia (excluding Japan), and Latin American Equities. This position was maintained through the severe downturn in equity markets in 2008, so we did not sell assets at significant losses.

Led by a successful set of stimulus measures in China early on, demand for commodities to fuel China's rapid growth rebounded strongly. Brazil, Chile, Australia and Canada were major beneficiaries of this renewed demand. We expect the somewhat hesitant economic recovery in the major western economies will be sustainable for some time. Such an environment should be supportive of our overweight position in equities as profits rebound.

The Fund return recovered from 2008's negative return, producing 14.06% versus an expected policy return of 13.48%. Strong contributors were our emerging market equities, United States equities, and fixed income investments. Detracting from returns were real estate and our private oil and gas company, Superman. The former from an abrupt decline in appraised values, and the latter from weak natural gas prices.

A periodic review of the Fund's investment policy was conducted during 2009. The result was the adoption of a revised policy increasing equity investments and real estate, while decreasing fixed income investments. The implementation of the new policy was completed in January 2010.

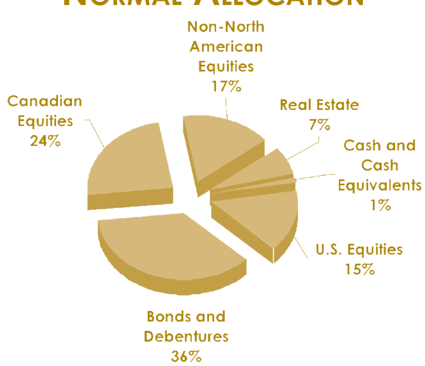
Fund Rate of Return



Strategy and Outlook

We expect equity investments to produce better returns than fixed income investments for a considerable period of time. This coincides with the independent consulting organization's underlying assumptions used to arrive at their recommendations for the revised investment policy. The composition of the portfolio entering 2010 is overweight equities versus the revised policy and underweight fixed income. The overweighting of emerging markets also continues, but less so than 2009, as these markets have already delivered substantial outperformance. Long-term, we continue to believe emerging markets will produce better equity returns than the developed markets.

Investment Policy Normal Allocation



Canadian bond yields have risen from the lows seen in 2009 and we expect more upward pressure on interest rates from a strong Canadian economy and rising U.S. interest rates. We expect the recovery in world financial markets, and most world economies, to continue albeit with a few bumps along the way. Aside from occasional defensive positions, the portfolio is expected to remain fully invested with a bias towards equities versus fixed income investments.

Fund Investments